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## Company News

Wednesday 31 October, 2007

Latest News

## Gold to hit US\$2,500 says metals trader Hinde Capital

By Leonora Walters

Precious metals trading company Hinde Capital has launched a hedge fund which will solely invest in gold and gold related securities, because it believes gold is one of the most deeply undervalued assets.

Although gold in London yesterday hit a high of US\$794.4 an ounce, co-fund manager Ben Davies explained that while the asset is high on a nominal closing basis, on an inflation adjusted basis it should really be around US\$1,800 to US\$2,000. He added that on this basis gold is not as high as it was, for example, in the late 1970s and US\$2,500 is not an unrealistic level for the metal to reach.

Davies, a former head of London trading at RBS Greenwich, points out that the gold sector is much smaller than the equity sector, with a total market cap of only about £200bn. The sector is likely to grow as investors reallocate to the asset amid credit concerns and to protect against rising inflation.

Davies adds that because the cost of gold production has increased this will underpin the price.

Hinde Capital unusually brought the hedge fund to market in the space of only two months, in contrast to the usual six to 12. The fund, Hinde Capital's first, was rushed out to make the most of the undervalued market, and Davies says that although it came a month later than he would have liked over the next three to four years there will be a fast appreciation in gold.

Virgin Islands domiciled Hinde Gold Fund will aim to return 25% per annum by maintaining long and short positions to fully benefit or protect from fluctuations in the gold market. The other gold hedge funds in the market are not absolute return vehicles so Hinde felt there was a space in the market.

Other gold hedge funds also tend to invest in junior sector companies concentrating on specific mines, while large long-only funds concentrate on large caps. Hinde Gold will aim to smooth out market volatility by holding a portion of gold hedged by futures and options.

It may also invest in miners and processors, mid caps and junior explorers. It will not be leveraged more than 150%.

Hinde Gold is also managed by Mark Mahaffey, former managing director of Bank of America.

The minimum investment is US\$100,000, with an annual management fee of 1.5% and a 20% performance fee.

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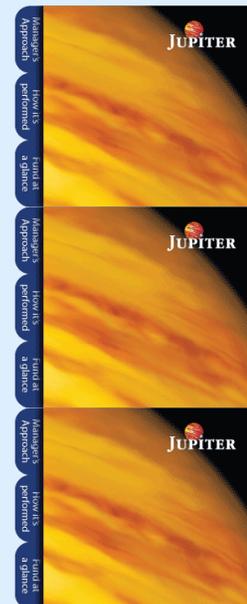
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