



*ECB: The European Commission's Whore*  
*All Central Banks Now Monetizing Debt*

Hinde Capital Investor Presentation  
May 11th, 2010



# The Independence of the ECB is now in tatters.



*The most important thing about money is to maintain its stability... You have to chose between trusting the natural stability of gold and the honesty and intelligence of members of the government. With due respect for these gentlemen, I advise you, as long as the capitalist system lasts, to vote for gold.*

**George Bernard Shaw, 1928**

# The ECB: The European Commission's Whore



*"The purchase of government bonds poses significant stability risks and that's why I'm critical of this part of the ECB's council's decision, even in this extraordinary situation."*

Axel Weber, Head of the Bundesbank

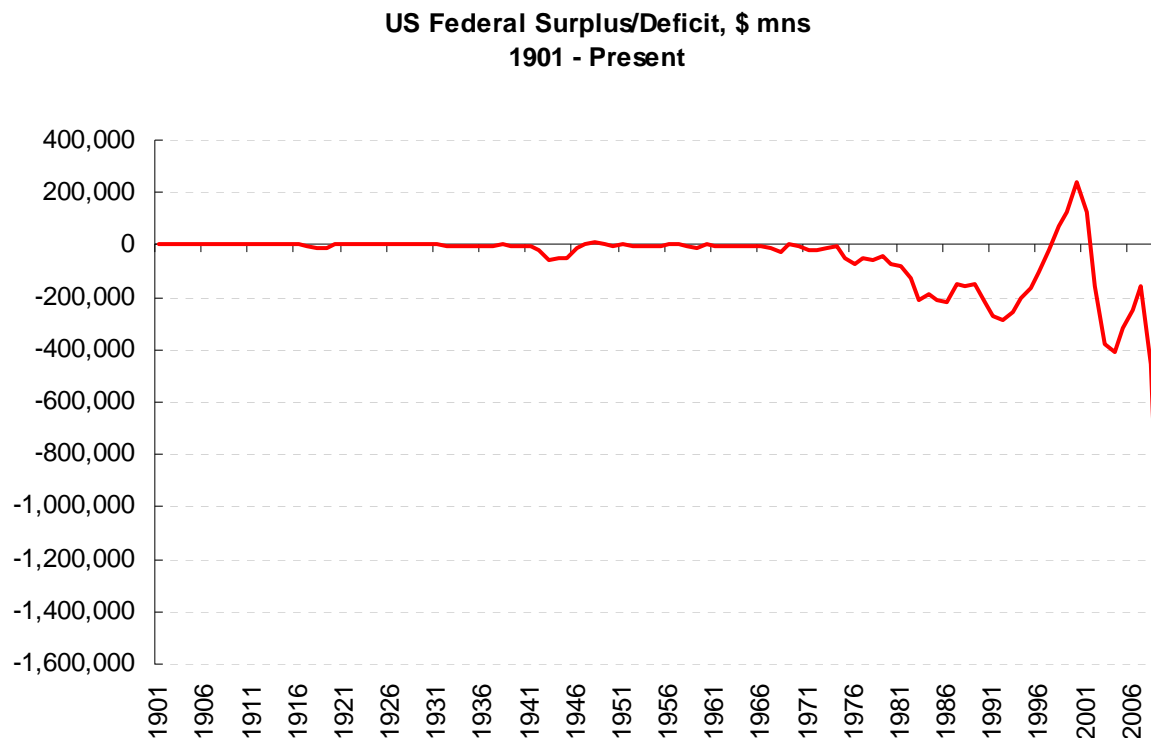
At the slightest hint of a sovereign crisis in Greece, the ECB has monetized government debt, and utterly compromised its independence:

- ❑ Trichet, 6<sup>th</sup> May 2010: “[ECB] did not discuss buying government bonds”
- ❑ Sarkozy, 9<sup>th</sup> May 2010: “. . . we have decided to give the Eurozone a veritable economic government”
- ❑ Trichet, 10<sup>th</sup> May 2010: “We are fiercely and totally independent”

All central banks, not just the ECB, have now capitulated and monetized government liabilities.

# The Fed has been here before . . .

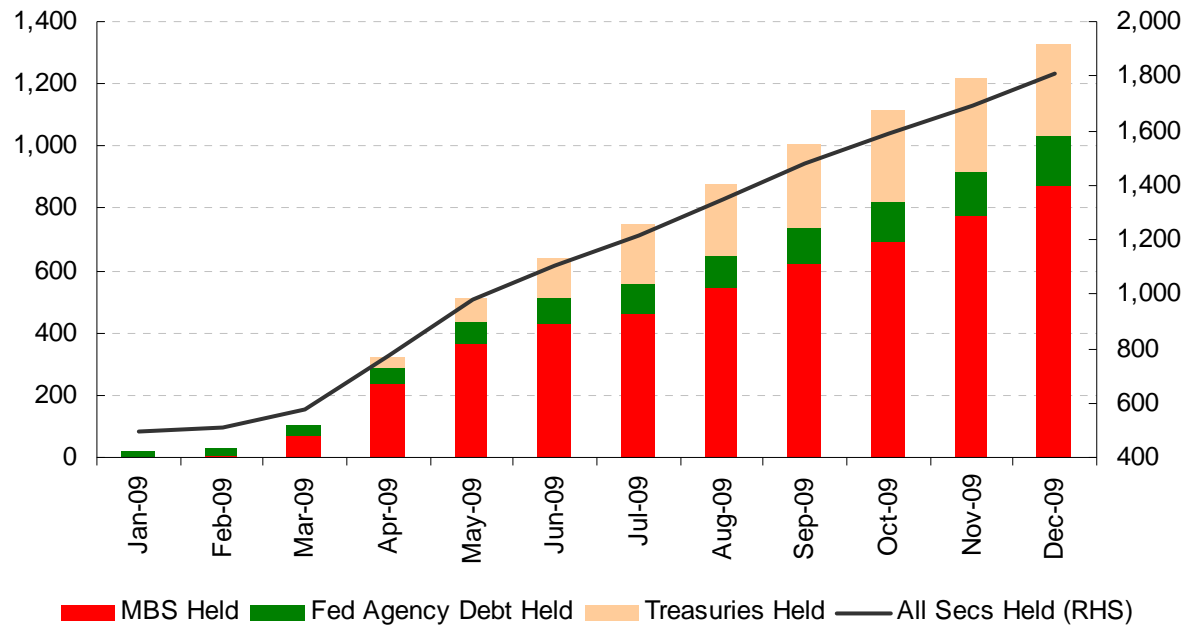
The US is running a monstrous fiscal deficit. Unmanageable deficits are often a precursor to money printing.



# Monetize that Debt!

In the wake of the financial crisis, the Fed purchased an unprecedented amount of private and public debt. It has already started to monetize this. Where the Fed has led, the ECB has followed.

Purchases of Govt Securities by Fed, \$ bns

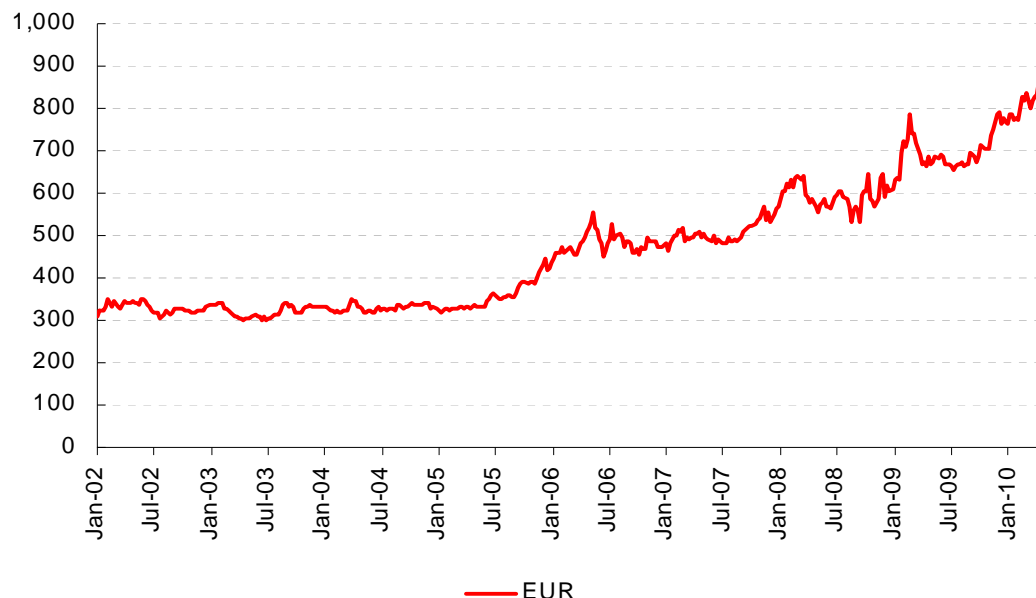


# Gold: Skyrocketing in Euros

Now Germans and Austrians are demanding gold as the ECB has destroyed its integrity. Gold is making new highs in euros.

**Currencies are an ugly parade, and one can only choose the least bad among a terrible lot. Recent events only underline the need to own gold.**

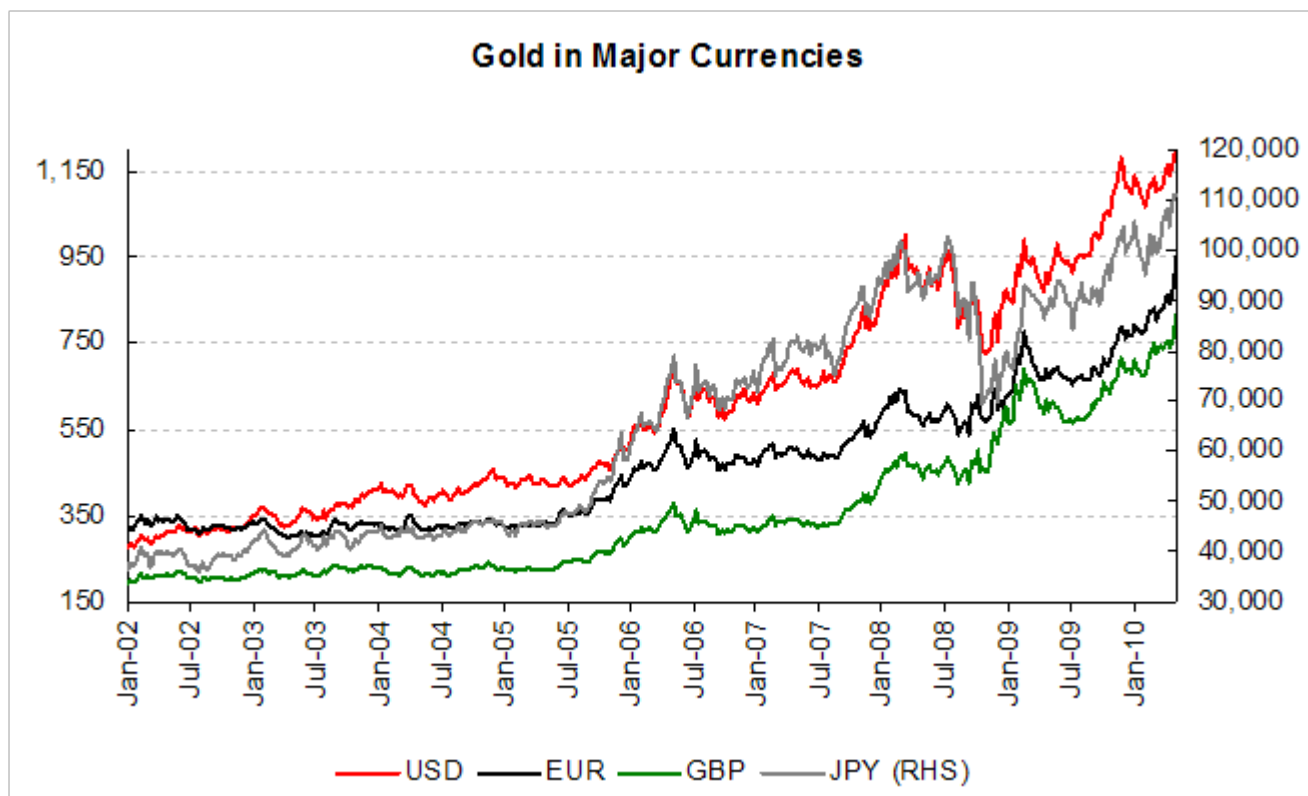
Gold in Euros



# Gold: Going Up In All Currencies



And it's not just in euros gold is making new highs. Gold is a good hedge against debasement in any currency when real interest rates are close to zero.

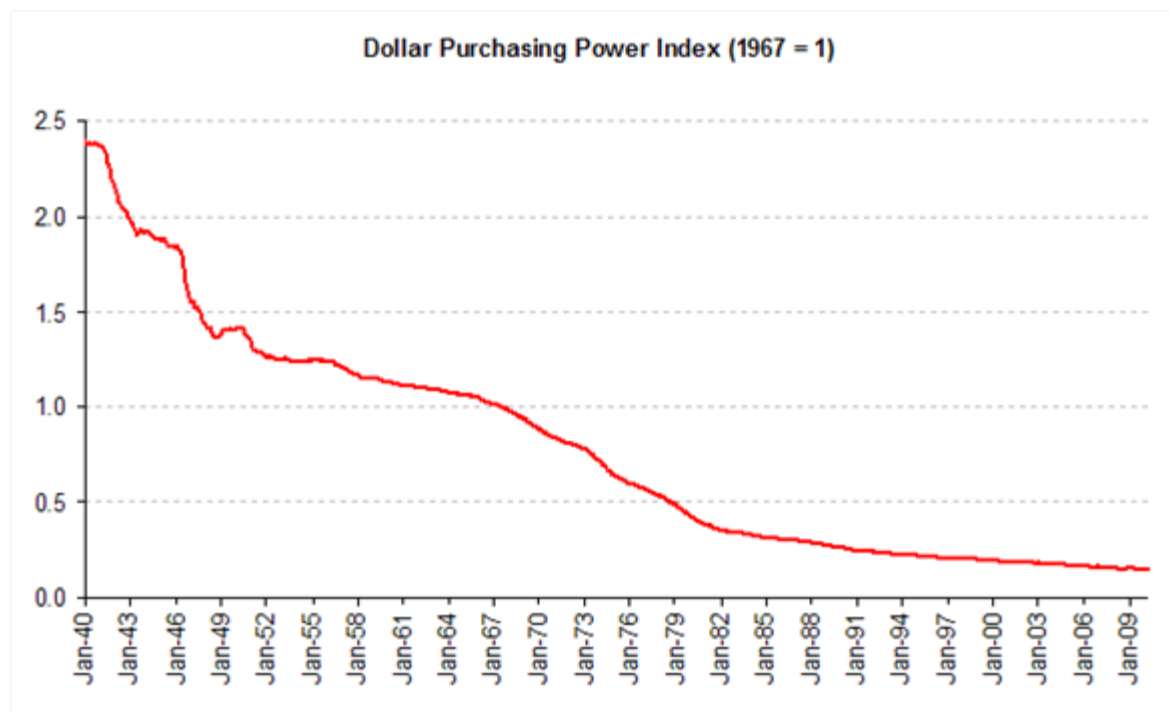


# Currencies: An Extremely Poor Store of Value



Money should be: 1) a unit of account, 2) a means of transaction and 3) a store of value. The dollar has been an extremely poor store of value.

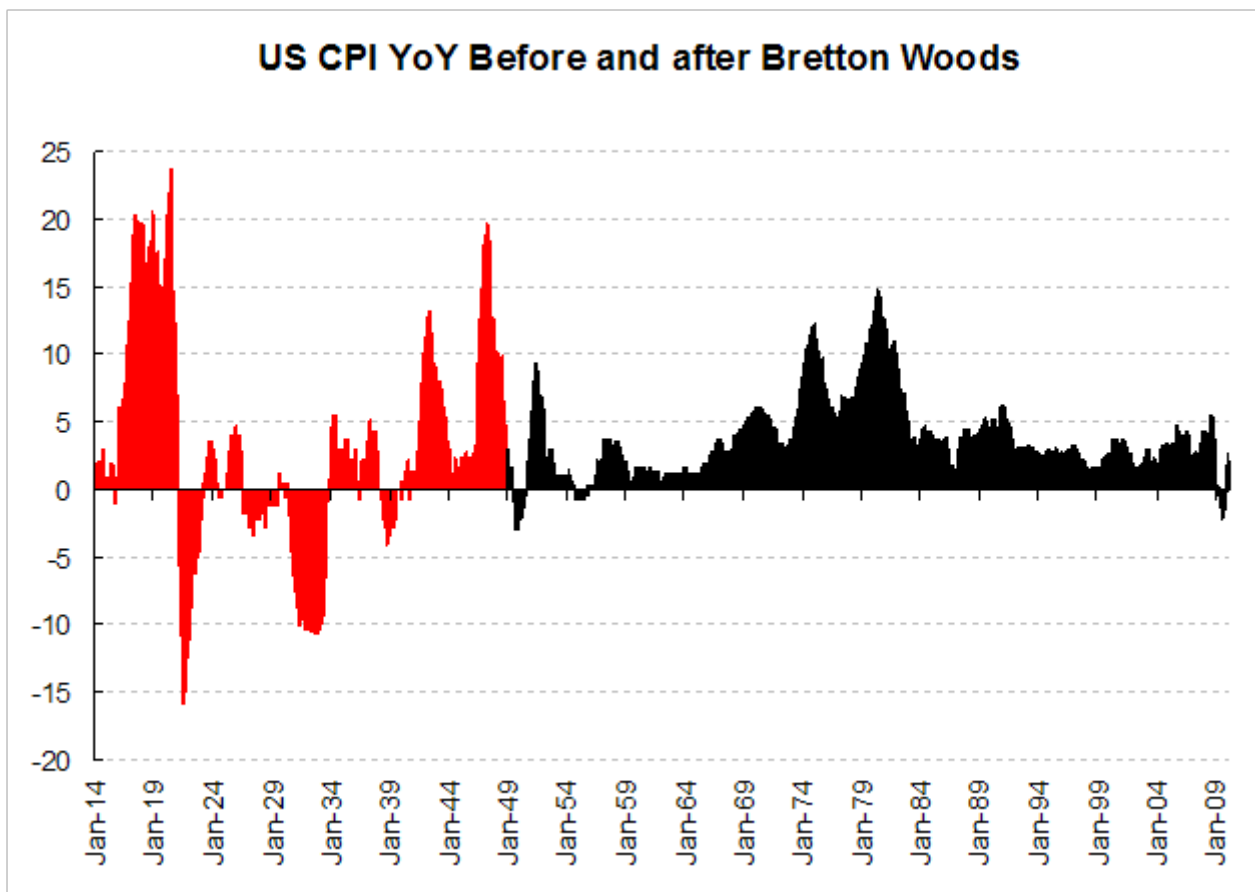
Almost all European currencies have performed *worse* than the dollar over the last fifty years. The ECB's recent move means the ECB is not the Bundesbank, and the Euro will be more like the Drachma or Peseta.





# Betting on Deflation is a Poor Bet

Inflation is the norm. Deflation is extremely rare following the move to paper currencies. This is no surprise.



# Why Gold?



Hinde Capital believes gold will go much higher over the next few years:

- ❑ All major central banks are now monetizing debt. They have shown very little independence and will do anything to fund deficits.
- ❑ Monetising debt, i.e. printing money, will debase paper currencies.
- ❑ Global demand for gold will overwhelm supply, causing gold prices to skyrocket.
- ❑ Gold produces no cash flows and therefore has no price limit.

# Gold Has No Upper Price Limit



Bubbles form when goods are priced not based on any cash flows, but based on what other investors will pay (NASDAQ, subprime loans, etc).

Gold cannot be valued on any basis of cash flows and perfectly satisfies bubble conditions.

Yet the bubble is not actually in gold, rather it is in fiat money. As of now, there is no end in sight to its creation by central banks.

Thus the ultimate value of gold could be as high as the moon.

As investors allocate money to gold, demand will overwhelm supply.

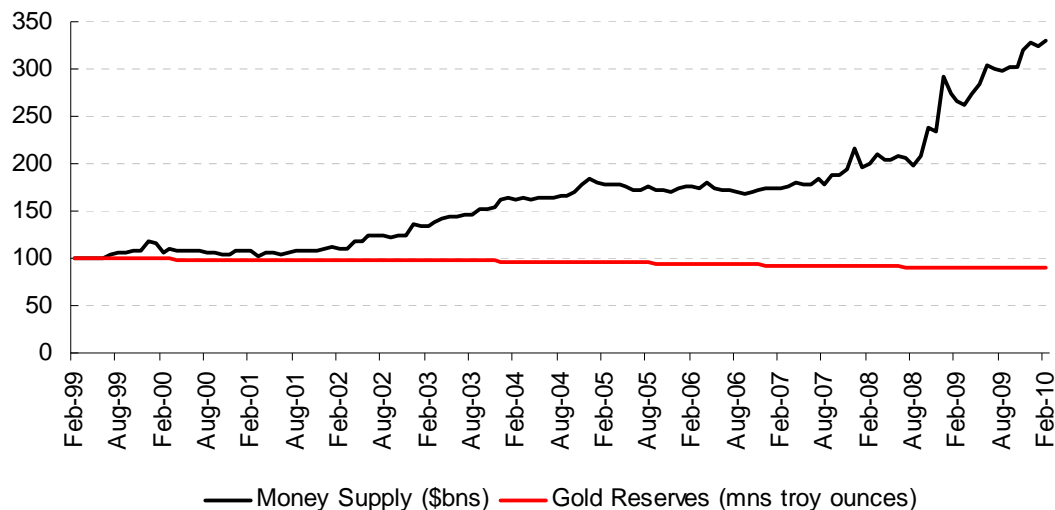
# Gold: Massively Lagging Money Creation



The growth in global money supply is vastly exceeding central bank gold holdings.

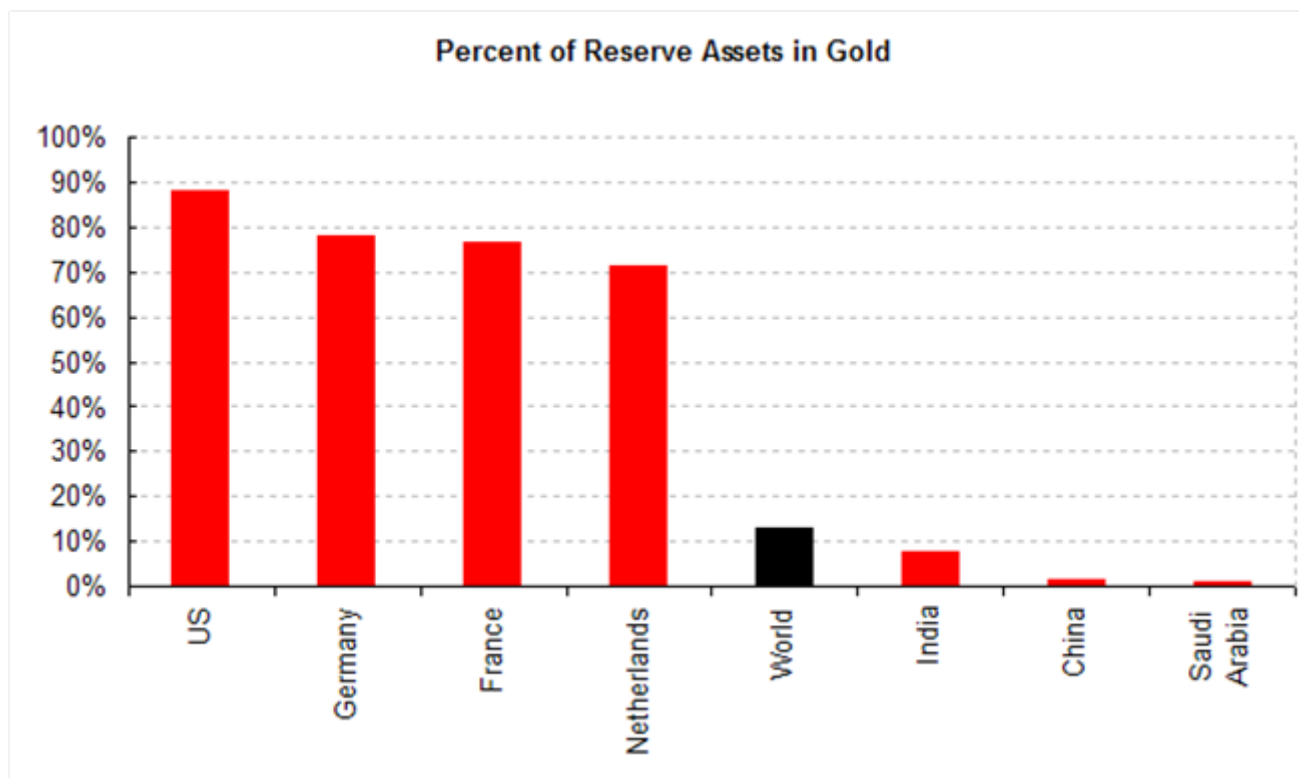
Without anything to restrain money issuance, central banks have behaved irresponsibly and printed money at a furious rate . . . . Gold, however, cannot be printed.

**Gold Reserves and Monetary Base  
(US, UK, Japan, Europe) - Jan 1999 = 100**



# Most Central Banks Hold Little Gold

Emerging market central banks hold very little gold. Their primary holdings are in US Treasuries. The scope for gold allocation in emerging markets is huge.



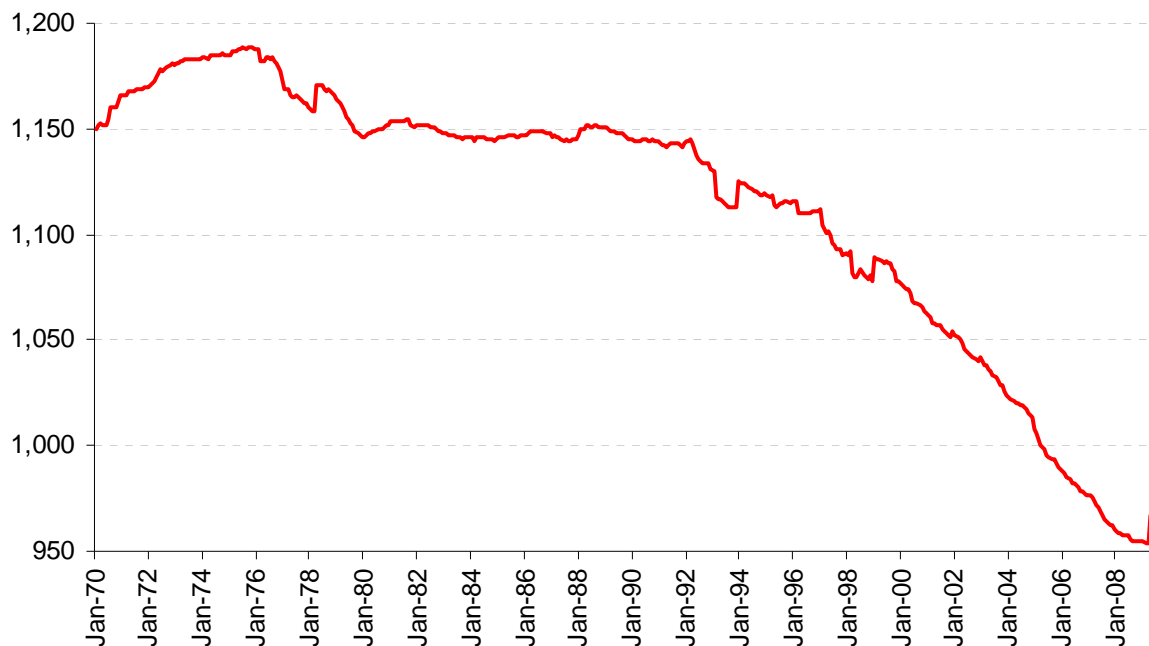
# Most Central Banks Now Buying Gold



For the first time in forty years, central banks are beginning to buy more gold.

India, Sri Lanka, China, Russia and others are now buyers on any weakness in the gold price.

Central Bank Holdings of Gold in mm Troy Ounces

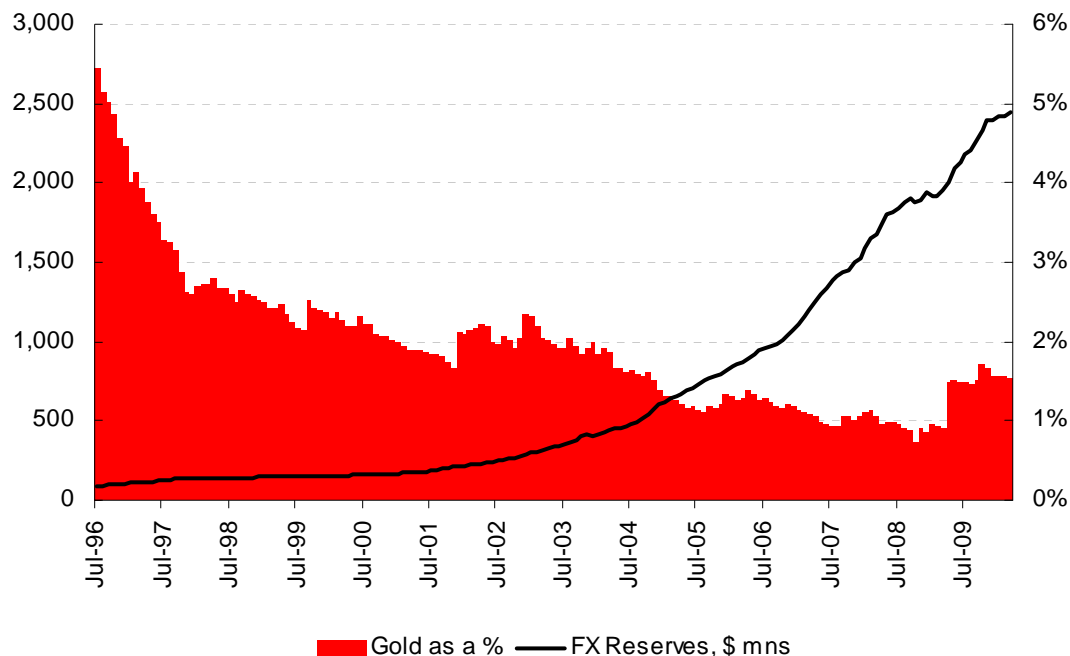


# Gold: Buy What China is Buying



China holds almost no gold, but now it is buying. Investors should buy what China is short of.

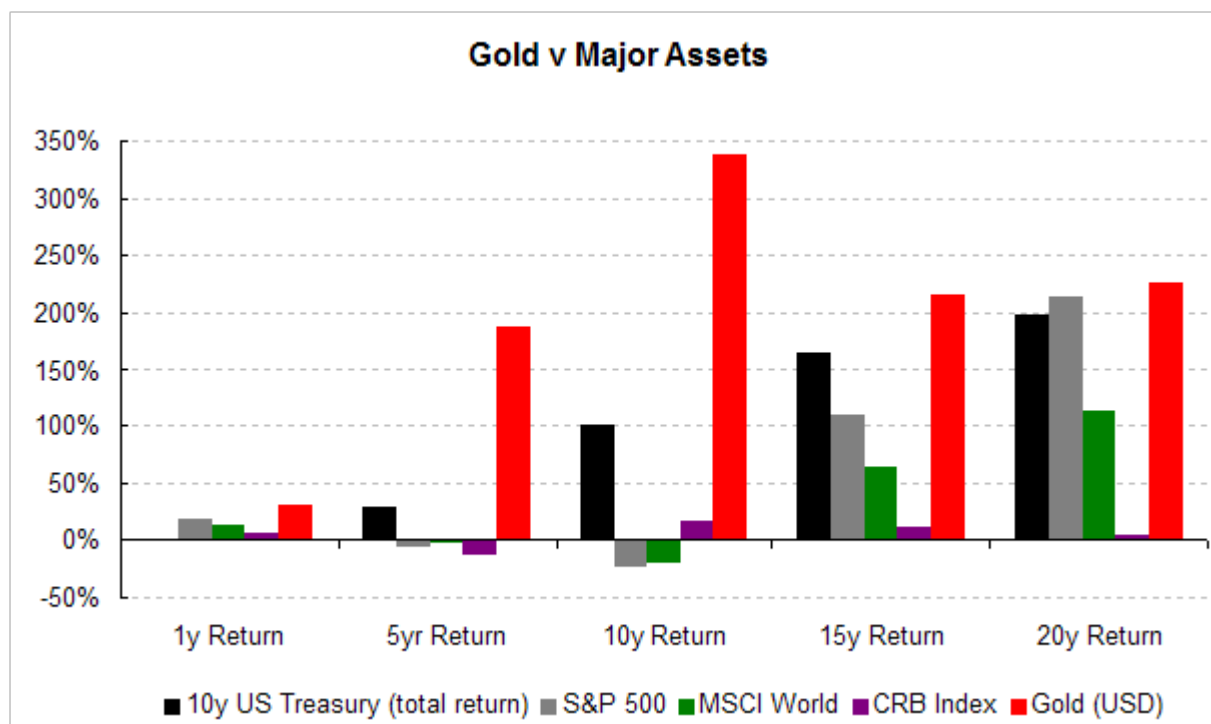
China: FX Reserves and Gold as a % of Reserves



# Gold: Outperforming All Asset Classes



Over the last twenty years, gold has outperformed all major asset classes on many time horizons.

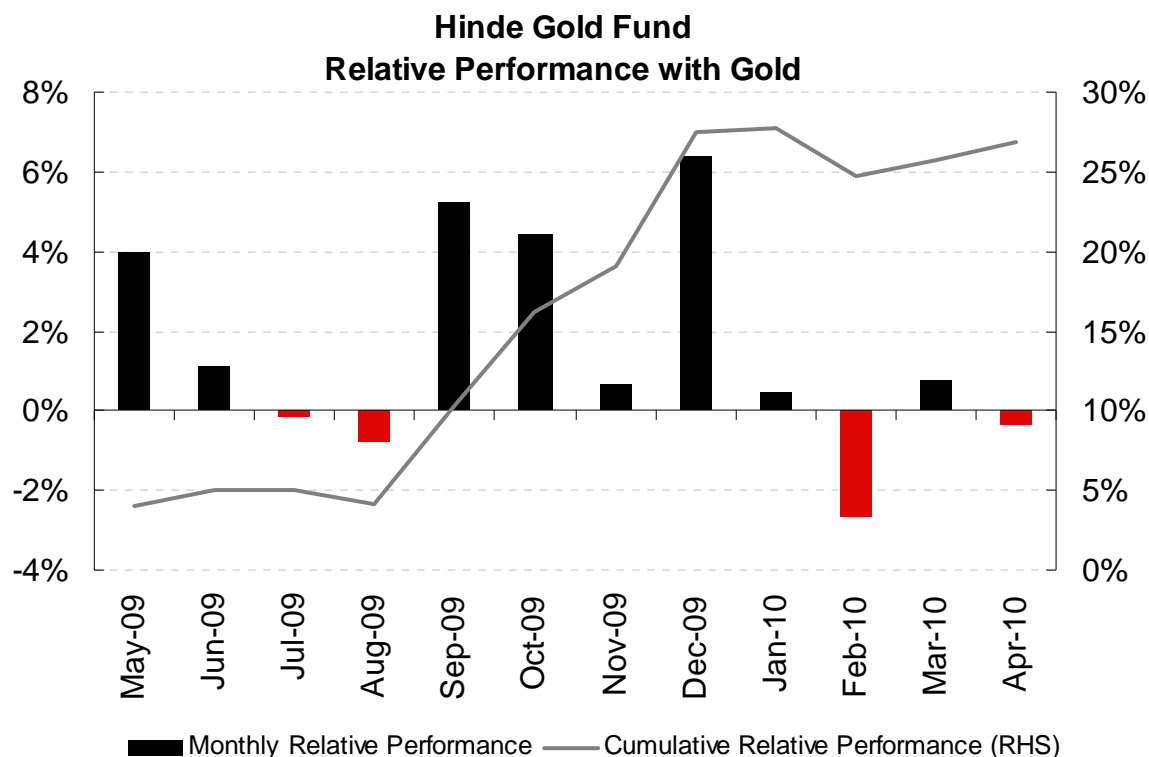




# Hinde Gold Fund



Hinde Gold Fund is a managed gold investment. It aims to outperform the gold price, while smoothing any downside volatility.

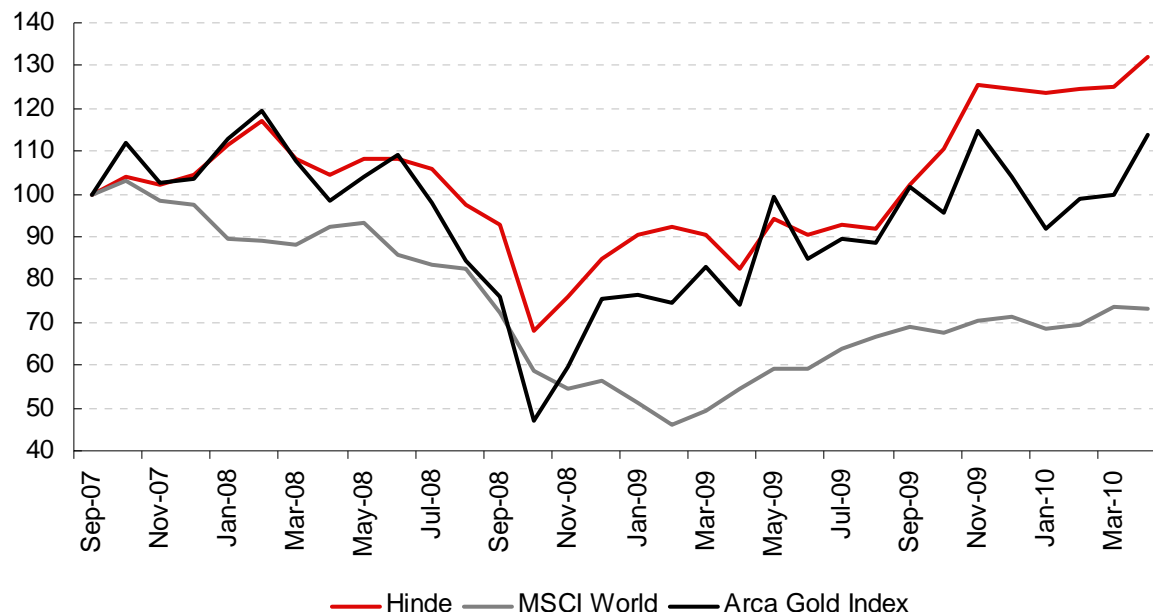


# Hinde Gold Fund



Hinde Gold Fund has performed well against other assets since its inception.

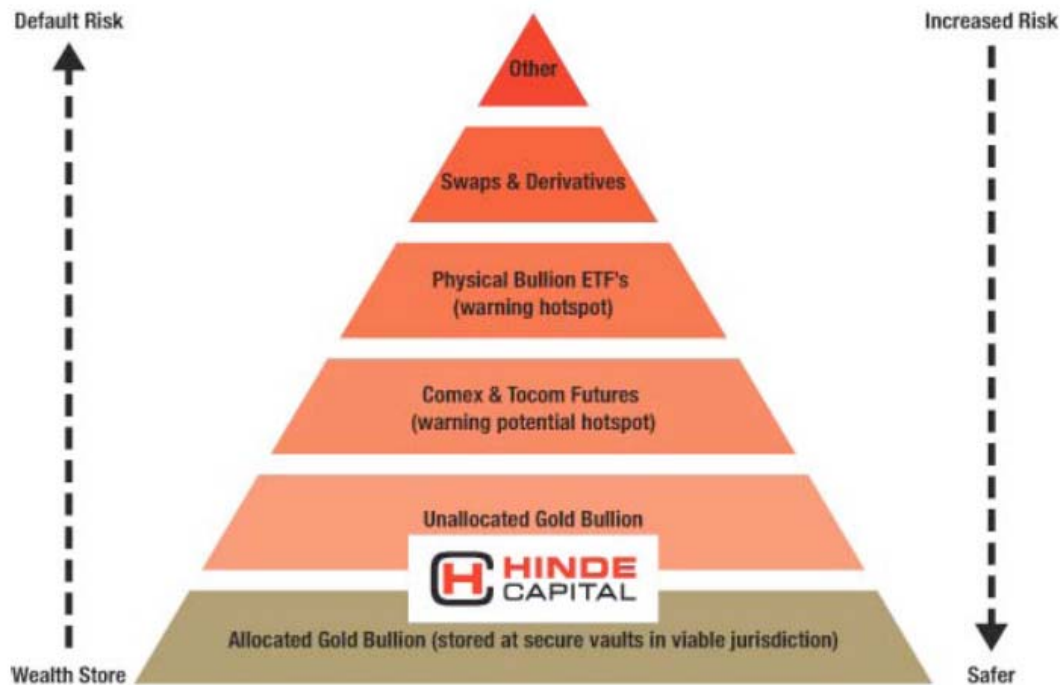
**Hinde Gold Fund Comparative Performance  
(since inception)**



# Hinde Capital: A Highly Secure Investment



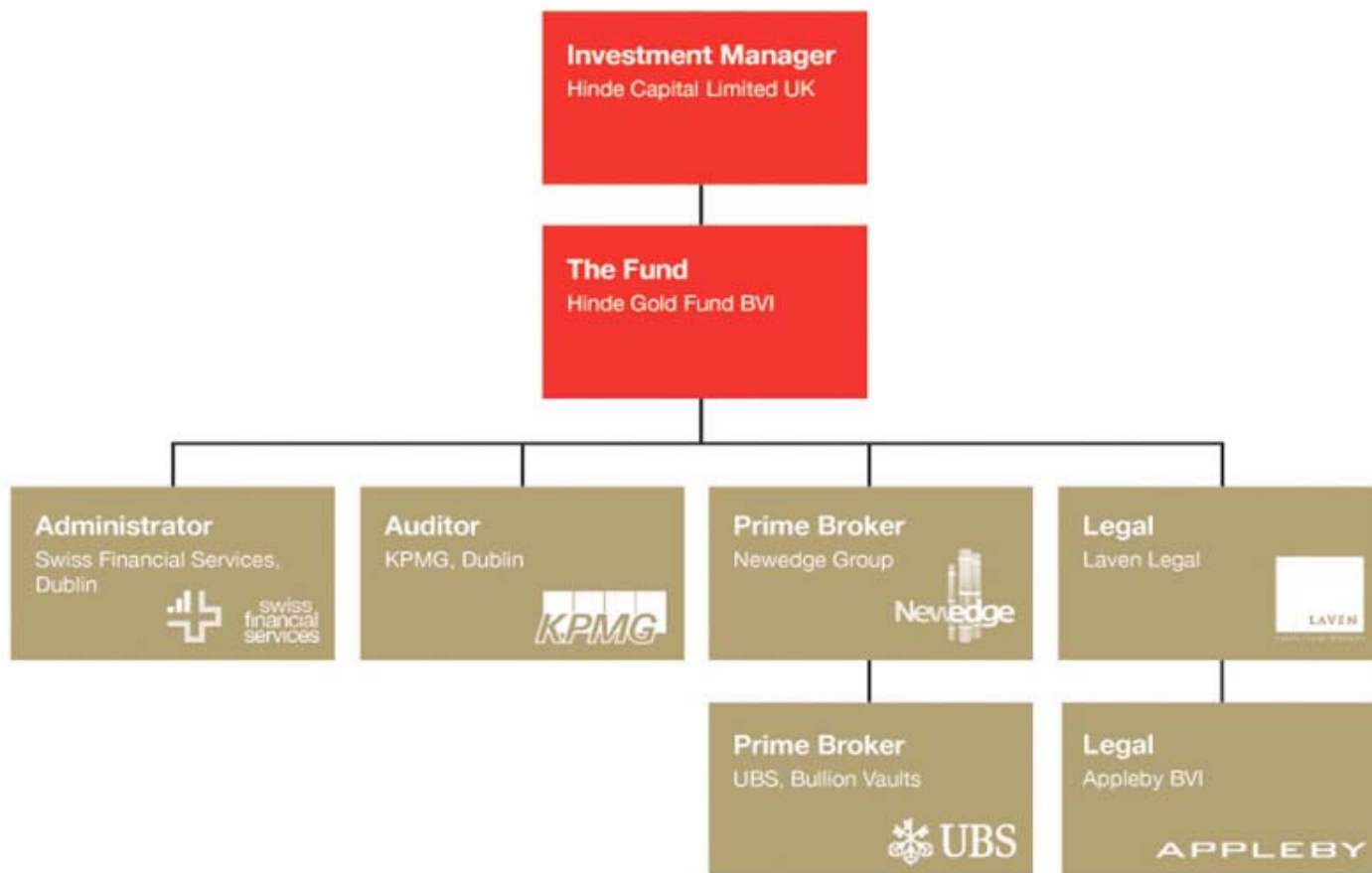
ETFs and other vehicles for gold investment have inherent risks investors may be unaware of. An investment in gold should hedge out all possible credit risks. Hinde Gold Fund achieves this by investing in *allocated* gold bullion.



# Hinde Capital:



Hinde Capital's structure ensures the firm's operations are thoroughly audited and transparent.



# Hinde Capital: Investment Managers



**Ben Davies** ran trading for RBS Greenwich Capital in London where he managed a macro portfolio. He started his career in 1995 trading in the Credit fixed income market at Credit Lyonnais, moving to IBJI as a fixed income specialist and finally Greenwich Capital in 1999. He graduated with a BSc from Loughborough University where he majored in accounting and economics. Ben Davies and Mark Mahaffey, former colleagues from RBS Greenwich Capital, established Hinde Capital in early 2007, primarily to focus on the precious metals and commodity sector.

**Mark Mahaffey** has 24 years experience in the international markets having held senior posts at several leading investment banks. He trained as a fixed income specialist at Daiwa Securities before joining Midland Montagu as Director of the US government trading desk. In 1990 he jointly set up the Greenwich Capital office in London where he managed a portfolio focusing on global macro themes, before joining IBJI in 2001. His most recent appointment from 2005 was Managing Director of Bank of America London Proprietary desk.

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