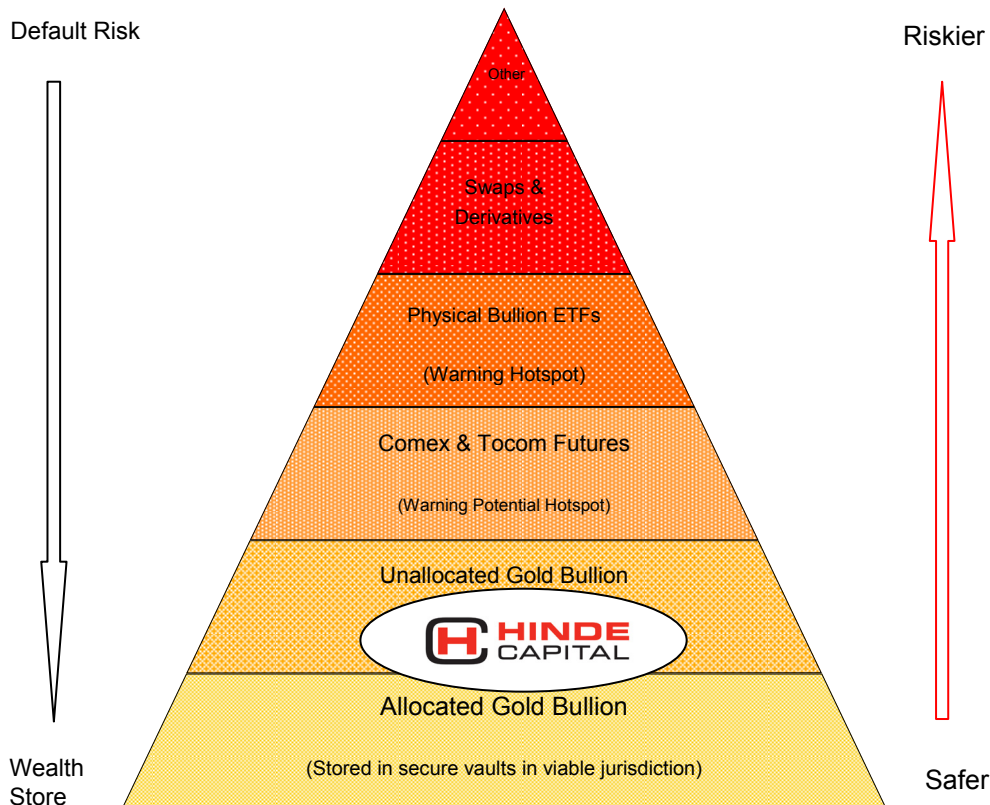


# HindeSight

## Hinde Gold Fund vs Physical Bullion and ETFs

Hinde Capital seeks to offer preservation of capital against erosion of the purchasing power of money, through an investment in Hinde Gold Fund. Capital growth is by necessity an important yet secondary objective.



Allocated Gold -is held with a dealer in a customer's name evidencing that uniquely identifiable bars of gold have been "allocated" to the customer and are segregated from other metal held in the vault of that dealer. The **client has full title** to this gold with the dealer holding it as custodian.

Unallocated Gold -most gold traded in the London market is traded and settled in unallocated form. Gold held in this form does not entitle the holder to specific bars of gold but gives the holder a right to require the delivery of certain amounts of gold. Unallocated gold **is not the investor's property**. They are lending their gold to the bank, just like a cash deposit, but with no deposit protection).

Hinde Capital Ltd (authorised and registered by the FSA) is the investment manager to Hinde Gold Fund , a managed fund for all types of investors from global high net worth to institutional monies, with a minimum investment level of US\$100,000 or the Euro or GBP equivalent. The Hinde Gold Fund holds at all times between 75% and 100% of its assets in allocated gold in secure vaults in Zurich.

Hinde Gold Fund provides exposure to the upside appreciation in the precious metals sector while smoothing out the downside volatility. We reduce and increase allocations to the sector so as to provide an on average constant investment to the gold price, but returns above the gold price are achieved by allocation timing shifts. The Fund operates allocation shifts from 75% to 125% and on occasion will take a 50% or 150% exposure.

The Fund targets a 'yield' above the gold price by several elements. Timing allocation shifts, switching small percentages of the fund between correlated assets as an alternative to bullion, and trading switches with equity and other precious metals. Separate to this allocation the Fund on average holds 10% in small cap miners, to which the Managers apply a bottom-up approach. We fundamentally believe small caps have potential for substantial returns irrespective of the gold price over the long run.

## HINDE GOLD FUND

- A long bias gold bullion fund with close adherence to USD spot gold price
- A managed gold investment
- A potential return in excess of the spot gold price
- A liquid investment, no subscription or redemption fees, and same month dealing
- A cheap method of owning physical gold
- A secure method of owning physical gold
- An investment in growing gold ounces vis a vis 10-20% small cap mining holding

## BUYING PHYSICAL GOLD AS AN ALTERNATIVE

If individuals want to purchase physical gold they can be charged up to 10-15% fees after retail pricing mark-ups, insurance, transport and storage are taken into account. There is usually a fee to pay to liquidate holdings when the time comes.

Taking into account management fees of 1.5% and 20% performance fees (which based on for instance a 20-25% performance will be approximately 5%) Hinde Gold Fund is a cheaper way to buy physical gold inclusive of storage. In addition we provide a management service designed to reduce downside volatility and provide returns in excess of the gold price. Our product is very liquid and there are no redemption fees.

## BUYING A GOLD EXCHANGE-TRADED FUND

Physical bullion ETFs are *exchange traded funds*. They are paper products or derivatives that track the price of gold or silver. They can be purchased through stockbrokers and they trade in the same way ordinary stocks do, but without the same entitlements.

ETFs are *paper assets* and thus exposed to fiat paper demise in the same way as paper currencies. They are merely a pledge in paper form for gold or silver bullion ownership. The viability of ETF structures under stress has not been tested, and the ability for an investor to achieve delivery of allocated gold through ETF ownership is questionable.

A failure of the ETF provider leaves the investor as a creditor. AIG created such a risk. The counterparty risk is high for most ETF providers. The Federal Reserve had to bail out AIG; others will not be so lucky or deserving of such attention. Furthermore the ETFs are under the stewardship of the regulators such as the SEC in the US who can change the rules as they did when recently banning naked short selling on financial stocks. Theoretically regulators could make ownership of gold via an equity very difficult. They could even ban or prohibit ownership. In the US gold is deemed a collectible investment and so taxed at 28% not at the lower capital gains tax rate. Furthermore ETF's charge investors a management fee of approximately 0.40%, and

there is a bid-offer spread, so that the value of an investor's interest will erode in an ETF each year if the gold price stays flat. Add in stockbroker fees, and stamp duty in UK and costs rise to near 1.5%.

Gold ETF providers state that individuals can take physical delivery of gold. This has rarely been done and is certainly not encouraged. The physical gold, if demanded, is placed into "unallocated bullion" accounts. This means the investor has a "general entitlement" to the gold. Just like the fractional reserve banking system ETF providers are relying on the fact that investors will not all demand their gold at the same time. Like a bank they would be unlikely to deliver. The providers also state that they reserve the right to settle on cash not bullion terms under certain or extreme market circumstances. The purpose of investing in Gold is to have one's assets in a definable hard asset, not a paper asset, at such times. The ETF defeats the object and may expose the investor to loss of their investment.

#### *ETF ownership, indemnification and risk factors*

Ownership and intermediation risk are high. There are many entities, intermediaries, custodians and sub-custodians between you and the gold (or silver) in the ETF. The largest and best known ETF the GLD (SPDR Gold Shares) is not required by the SEC to have an audit on the assets that are meant to back the fund. The gold is never in the investor's possession. It is not owned by them. The shares of the ETF confer a form of right to the underlying asset, but legally the gold is owned by the trustees. The trustees duty is to defend the entitlement of the beneficiaries under the trust. The legal position is the trustee's promise to pay and the custodians ability to do so.

**The sale of gold by the Trust to pay expenses will reduce the amount of gold represented by each Share on an ongoing basis irrespective of whether the trading price of the Shares rises or falls in response to changes in the price of gold.**

**The Trust may be required to terminate and liquidate at a time that is disadvantageous to Shareholders.**

**The Trust's gold may be subject to loss, damage, theft or restriction on access.**

**The Trust may not have adequate sources of recovery if its gold is lost, damaged, stolen or destroyed and recovery may be limited, even in the event of fraud, to the market value of the gold at the time the fraud is discovered.**

**Because neither the Trustee nor the Custodian oversees or monitors the activities of subcustodians who may temporarily hold the Trust's gold bars until transported to the Custodian's London vault, failure by the subcustodians to exercise due care in the safekeeping of the Trust's gold bars could result in a loss to the Trust.**

**Gold held in the Trust's unallocated gold account and any Authorized Participant's unallocated gold account will not be segregated from the Custodian's assets. If the Custodian becomes insolvent, its assets may not be adequate to satisfy a claim by the Trust or any Authorized Participant. In addition, in the event of the Custodian's insolvency, there may be a delay and costs incurred in identifying the bullion held in the Trust's allocated gold account.**

**The Trust's obligation to reimburse the Marketing Agent, the Authorized Participants and certain parties connected with its initial public offering of 2,300,000 Shares for certain liabilities in the event the Sponsor fails to indemnify such parties could adversely affect an investment in the Shares.**

These are the very real risks cited in the prospectus. Remember AIG, Enron, Refco, all reputable custodians, failed, with devastating losses for investors. Here is a summary of the main risks quoted:

- ETFs are derivatives backed by gold not outright title ownership of physical bullion
- They have indemnification risks (listed above)
- They have intermediation, and credit risks to auditors, custodians, sub custodians and marketing agents
- They have tax liabilities, in some jurisdictions higher than capital gains tax
- They have ongoing annual fees, and expenses at expense of gold allocation

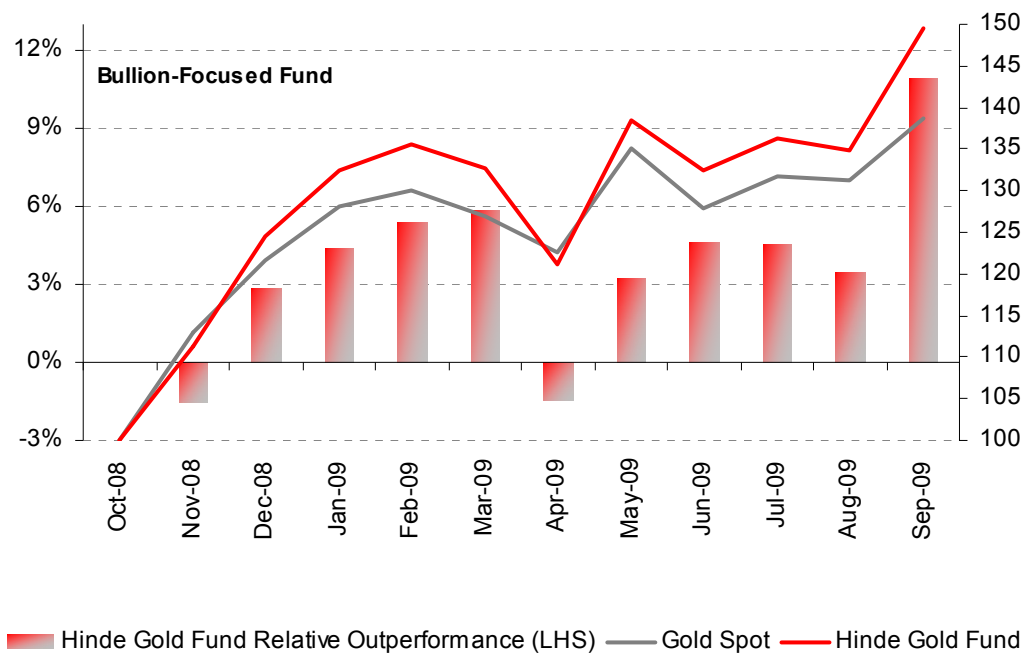
ETFs are at best a vehicle for gold speculation, but preferably for use as a hedge against a physical bullion holding from time to time. Nonetheless ownership of ETF shares even for small durations exposes the holder to all the risks at any moment of time.

ETFs are clearly not a viable ownership for the true store of wealth, that of owning allocated gold.

Hinde Gold Fund is a fund that holds physical gold bullion audited annually with monthly reporting of holdings, and annual and quarterly reporting of the investment manager Hinde Capital Ltd.

Hinde Gold Fund is a cheap, safe and liquid vehicle which owns and manages primarily allocated physical bullion by which to offer a potential return above the USD spot bullion gold price, within 3 share classes – Euro, GBP and USD, net of fees.

**Hinde Gold Fund Year 2 v Gold Bullion**



## Disclaimer

Hinde Gold Fund Ltd is an open-ended multi-class investment company incorporated in the British Virgin Islands

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The securities referenced in this document have not been registered under the Securities Act of 1933 (the "1933 Act") or any other securities laws of any other U.S. jurisdiction. Such securities may not be sold or transferred to U.S. persons unless such sale or transfer is registered under the 1933 Act or is exempt from such registration. This information does not constitute tax advice. Investors should consult their own tax advisor or attorney with regard to their tax situation.