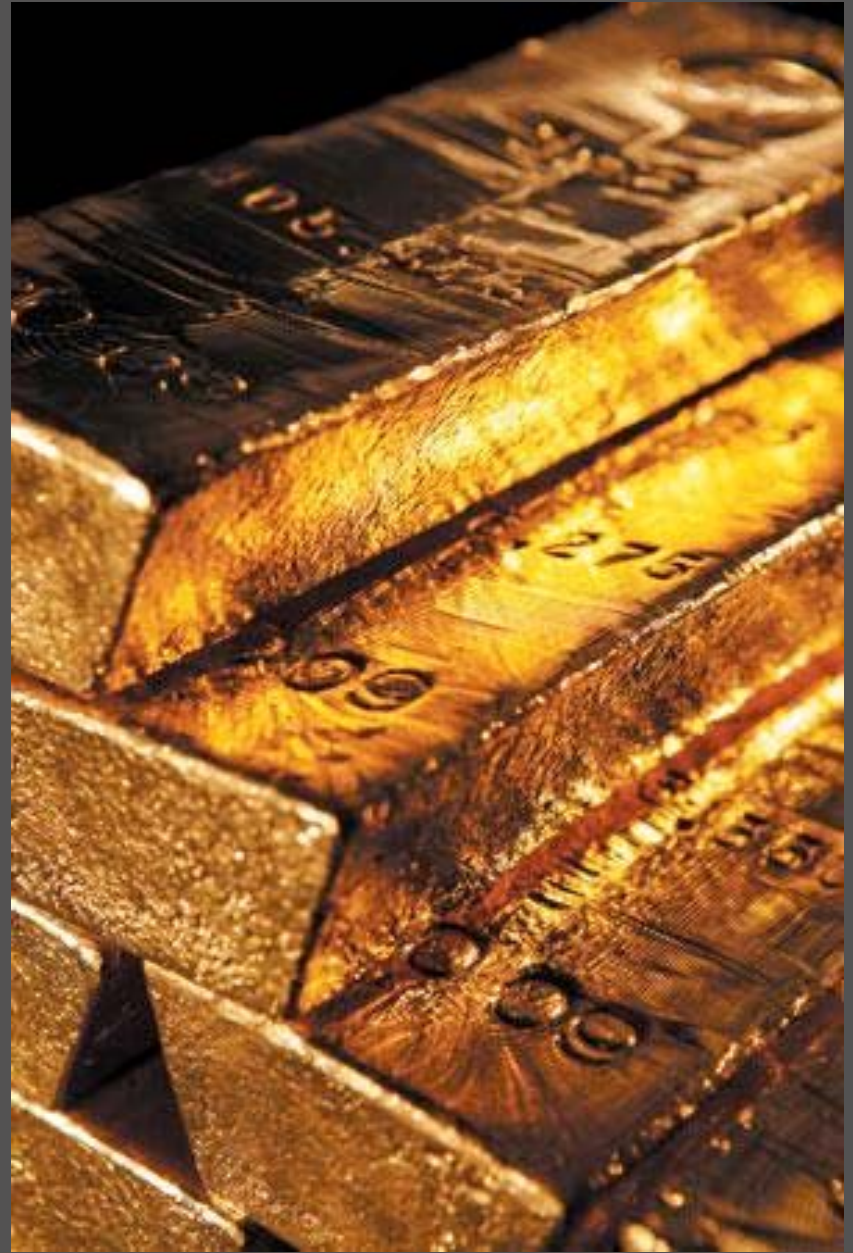


GOLD



GOLDMINE OR GOLDTRAP?

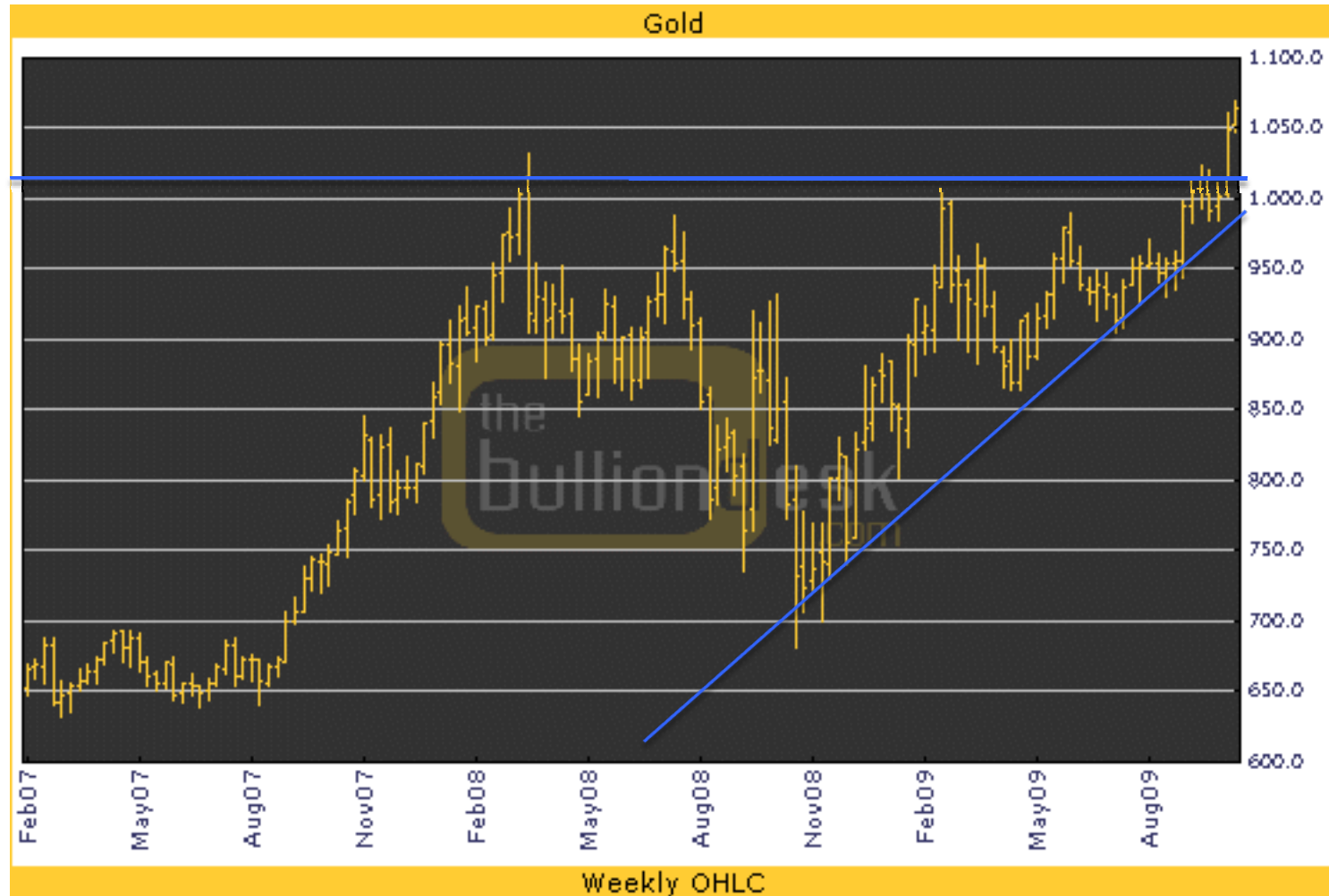
Facts about Gold

- MINIMAL intrinsic value
- MINIMAL industrial use
- Hedge against expected inflation and poor economic performance
- Inverse relationship with US\$
- Use as a store of wealth

Determinants of Gold Price

- Perceived value/Market sentiment
- Extreme economic conditions
 - ▣ Bank runs
- Expected Inflation
- Political Conditions

Gold as an Investment



Current opinions - Economist

- Seen by many as a hedge against inflation
- Modest pickup in inflation expectations
- Oil-producing countries were talking about replacing the dollar as the pricing currency
- Christopher Wood of CLSA, a broker based in Hong Kong, has a long-term target of \$3,500 an ounce

Current opinions - Newsweek

- Hedge against the sinking Dow and fear that Obama's stimulus package will trigger wild inflation
- Increase in the number of reasonable, well-read, people who are buying some gold and putting it aside
- Buyers are likely to find they've been part of a giant, golden bubble
 - ▣ Gold, he cautions, is at an all-time high
- The best thing to do, says Nadler, is buy a little gold and hope the price goes down. If gold goes down, your 401(k) will likely go back up—and you won't have to dig for treasure in your own backyard

Current opinions - Bloomberg

- Most of the gold rally has been attributable to a weaker dollar
- You still have robust investment flows and we think gold can easily reach \$1,100 an ounce this year
- With dollar weakness, inflation fears, a huge budget deficit, energy prices creeping up, metals such as gold, silver and copper will be pushed up in price
- Abandonment of the dollar have taken the smart people over to precious metals

Current opinions - CNBC

- The recent surge in the price of gold could "collapse" and quickly move back toward the \$1,000 mark as the precious metal has not confirmed its upward trend yet
- What we need is the creation of this trend before we can look at these 1,500 targets as being reasonably achievable