THE GOLD WARS

A Golden Renaissance

A Tribute to Ferdinand Lips (1931 – 2005)

HINDE CAPITAL

WHAT ARE GOLD WARS?

Gold Wars are between governments and gold. This ultimately restricts the constitutional rights of the people.

Gold is the vital barometer of the health of a nation's currency. The suppression of gold by government allows them to mask the mismanagement of their currency.

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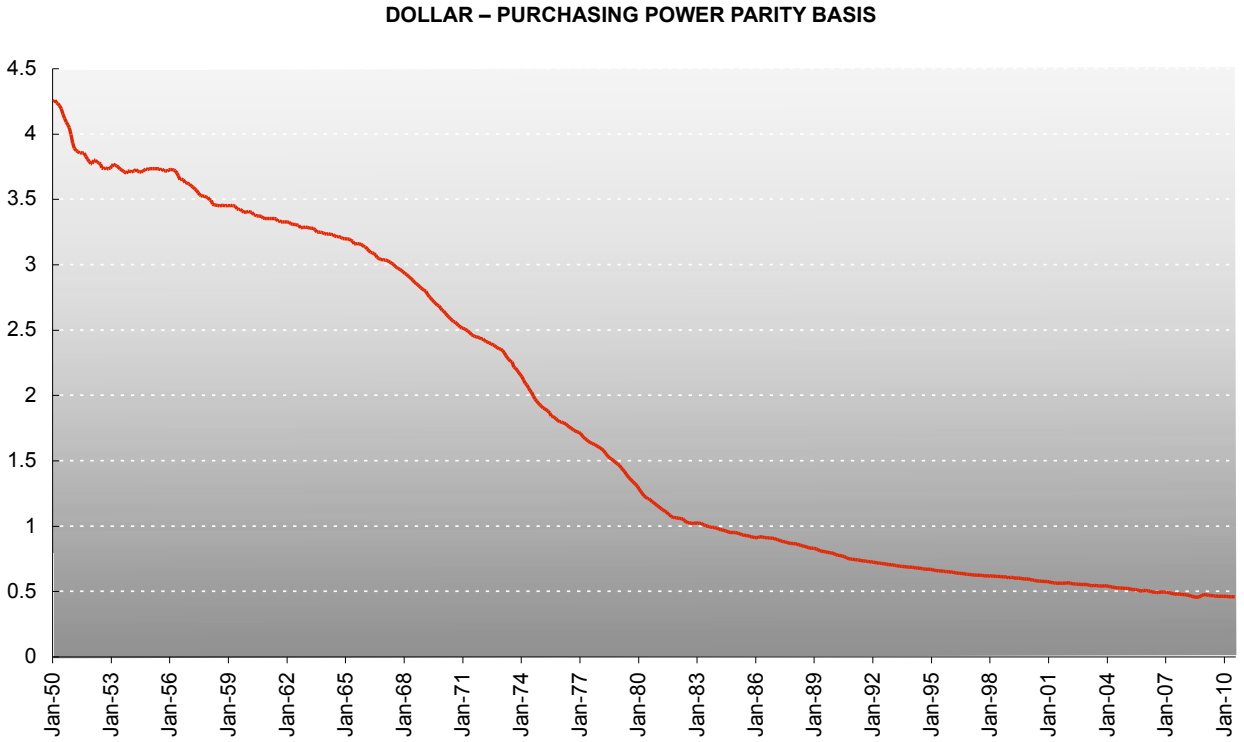
MONETARY POLLUTION

The dollar's purchasing power has been trashed in the post-war period. One dollar can buy you less than one ninth of what it could have in 1950.



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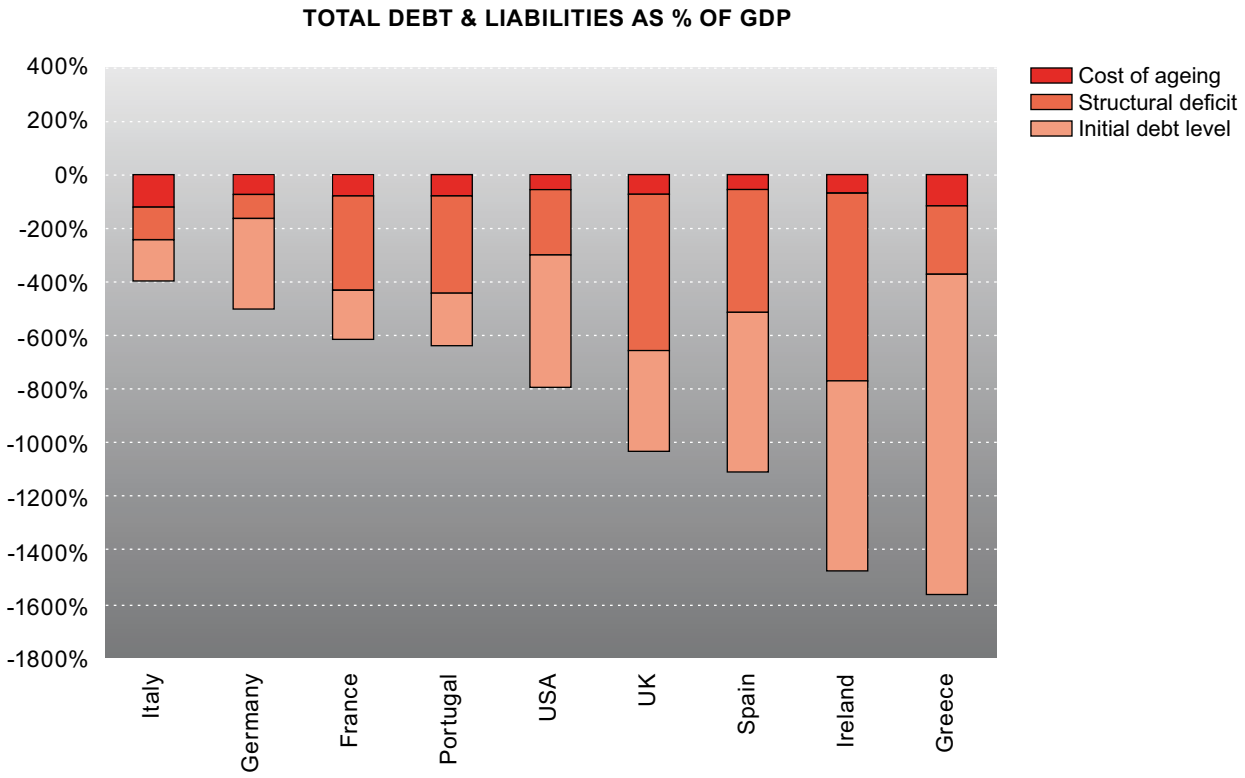
GLOBAL DEBT MOUNTAIN

Today's system of paper money is still very young. It depends solely on the belief that the debts upon which it is based will be repaid someday.



Sources: EU Commission, Eurostat, CBO, IMF, Morgan Stanley Research

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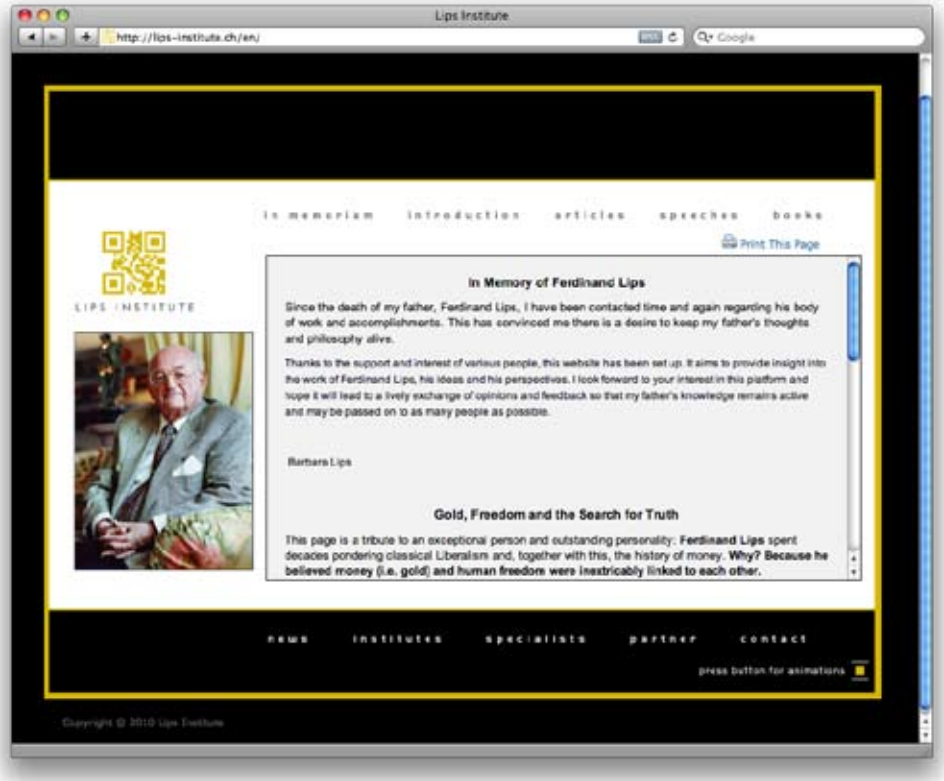
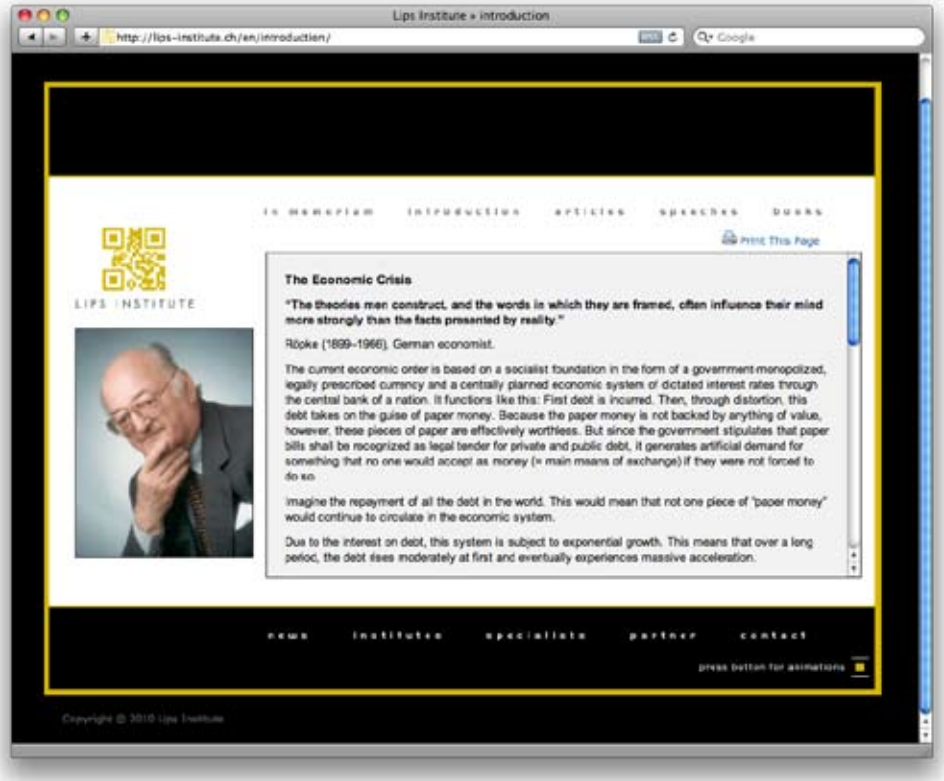
FERDINAND LIPS (1931 - 2005)





"Gold Ferdi, the Pope of Gold", *Karl Otto Pohl*, former Head of the Bundesbank

He's back but arguably he never left us – as his life's work lives on through the Lips Institute www.lips-institute.ch

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GOLD WARS

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GOLD WARS OF THE 20TH & 21ST CENTURIES

1. The Classical Gold Standard is abandoned in 1914
2. The Genoa Gold Standard 1922
3. Great Depression of 1930s – Exchange Stabilization Fund, Gold Reserve Act 1934
4. Bretton Woods 1944 – Gold Exchange Standard
5. Collapse of the London Gold Pool 1960s and 70s
6. Stagflation of 1970s and US Treasury and IMF Gold Sales
7. The Failure of the Second London Gold Pool of 1990s and 2000s?

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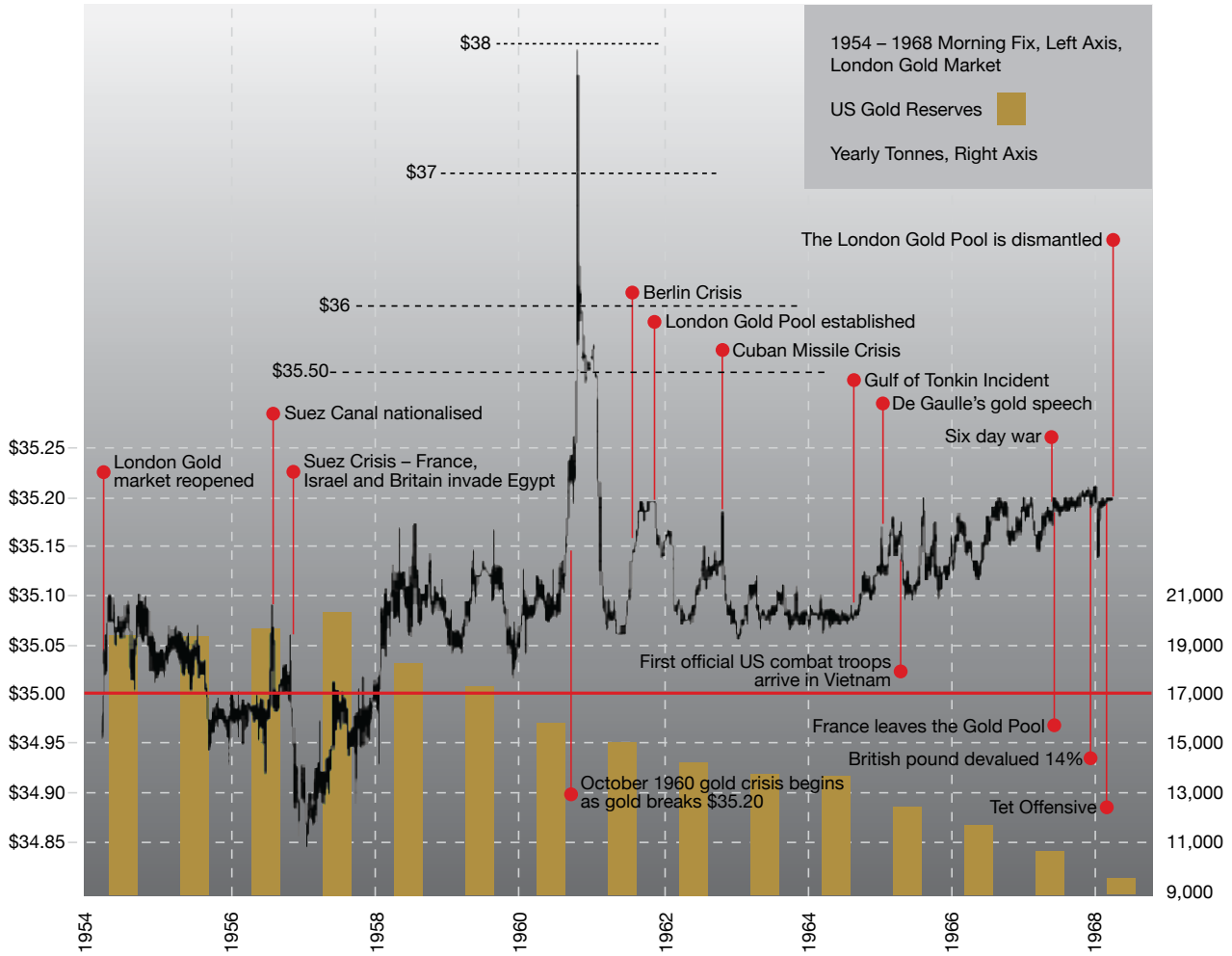
THE LONDON GOLD POOL 1960 – 68

The Gold Price was fixed at $35 a troy ounce



Source: Financial Graph & Art

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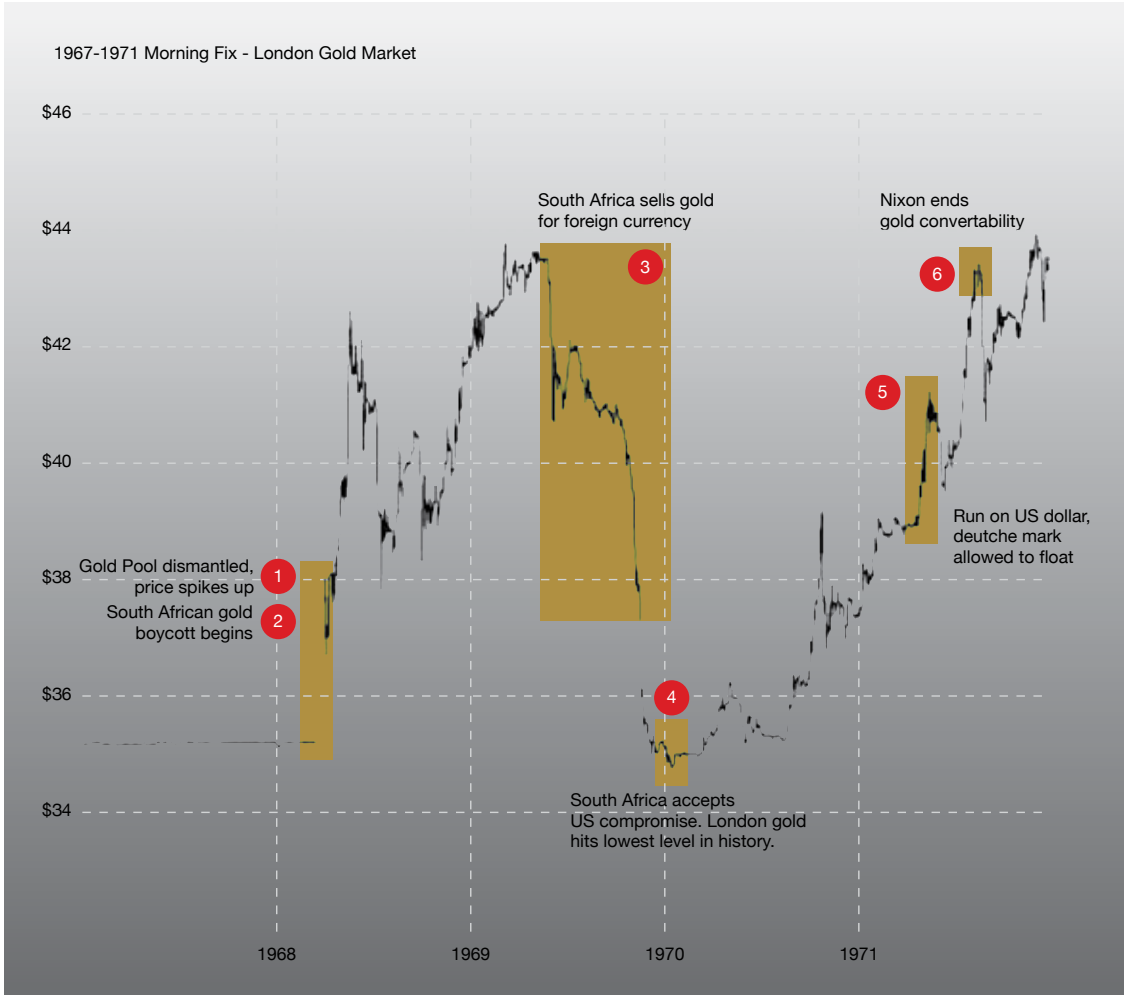
THE TWO-TIER GOLD MARKET 1968

When the Gold Price was fixed at $35



Source: Financial Graph & Art

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GOLD IS UNDERVALUED

Price is the level at which one exchanges; value is whether it is worth it. Nominal new price highs in gold do not signal an overvalued market.

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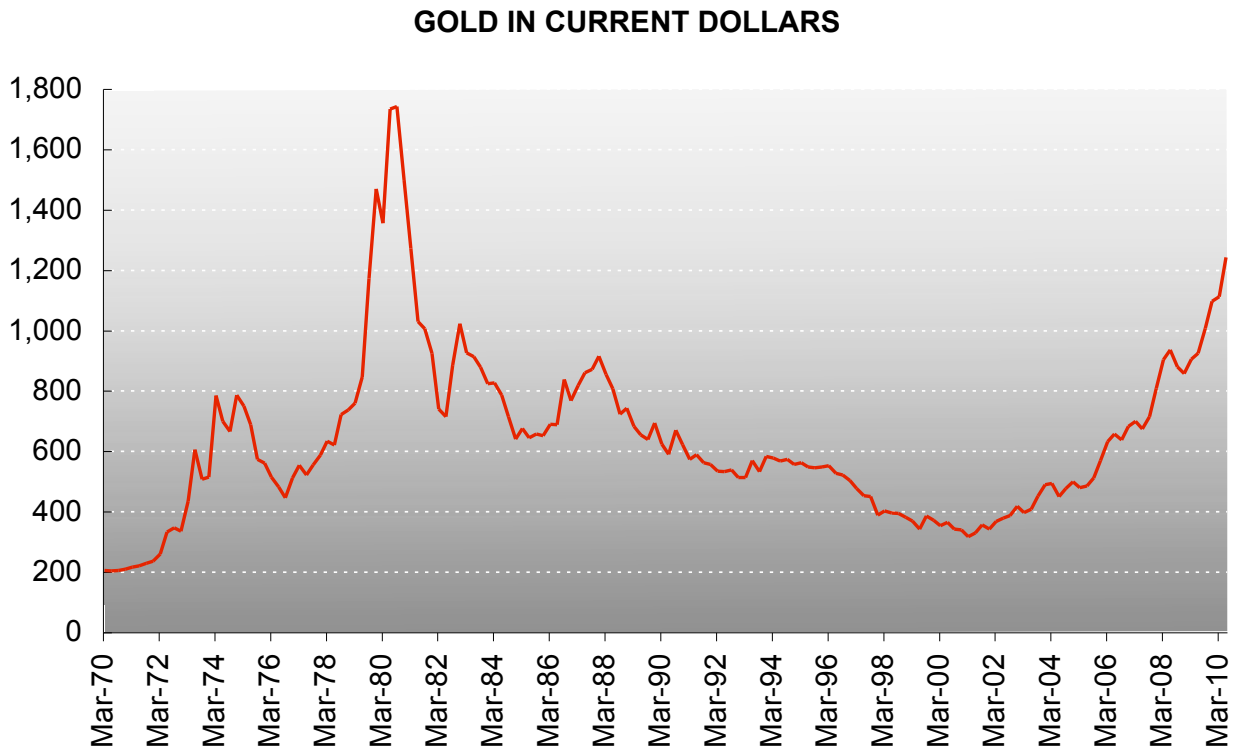
GOLD IN 'REAL' DOLLARS IS STILL VERY UNDERVALUED

Gold in current dollar terms is still 30% off the high it reached in 1980. Re-basing, hedonistic adjustments, etc have lowered the CPI levels and with it the true value of gold adjusted for inflation.



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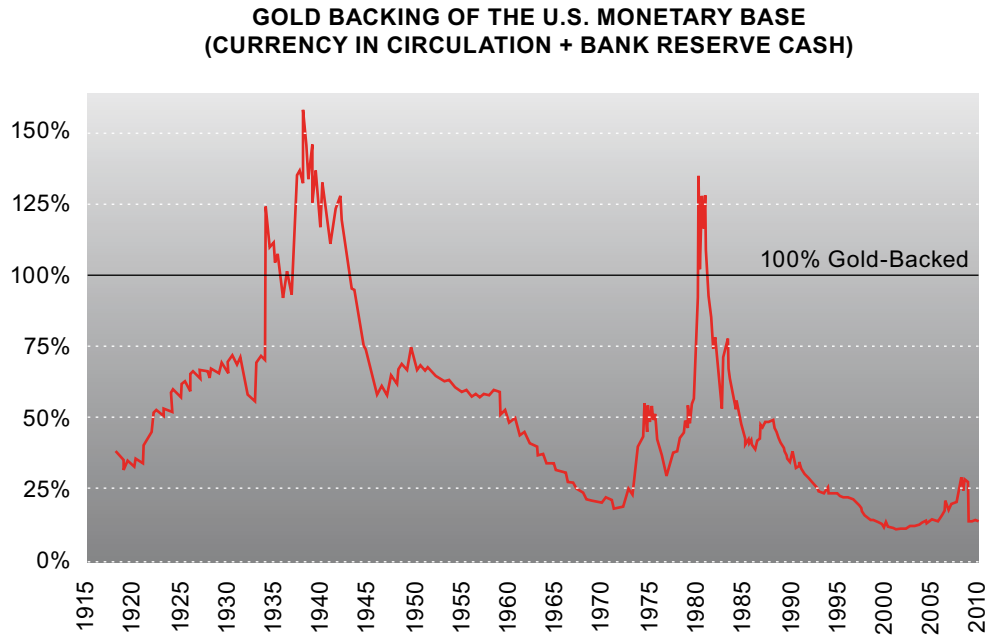
GOLD IS UNDERVALUED IN CURRENCY TERMS

The official gold reserve in banks throughout 1930s to 1950s was 40% but in reality was much higher. Even to achieve this backing, assuming current gold supply, the price of gold will have to rise by three to four times.



Sources: U.S. Federal Reserve / World Gold Council

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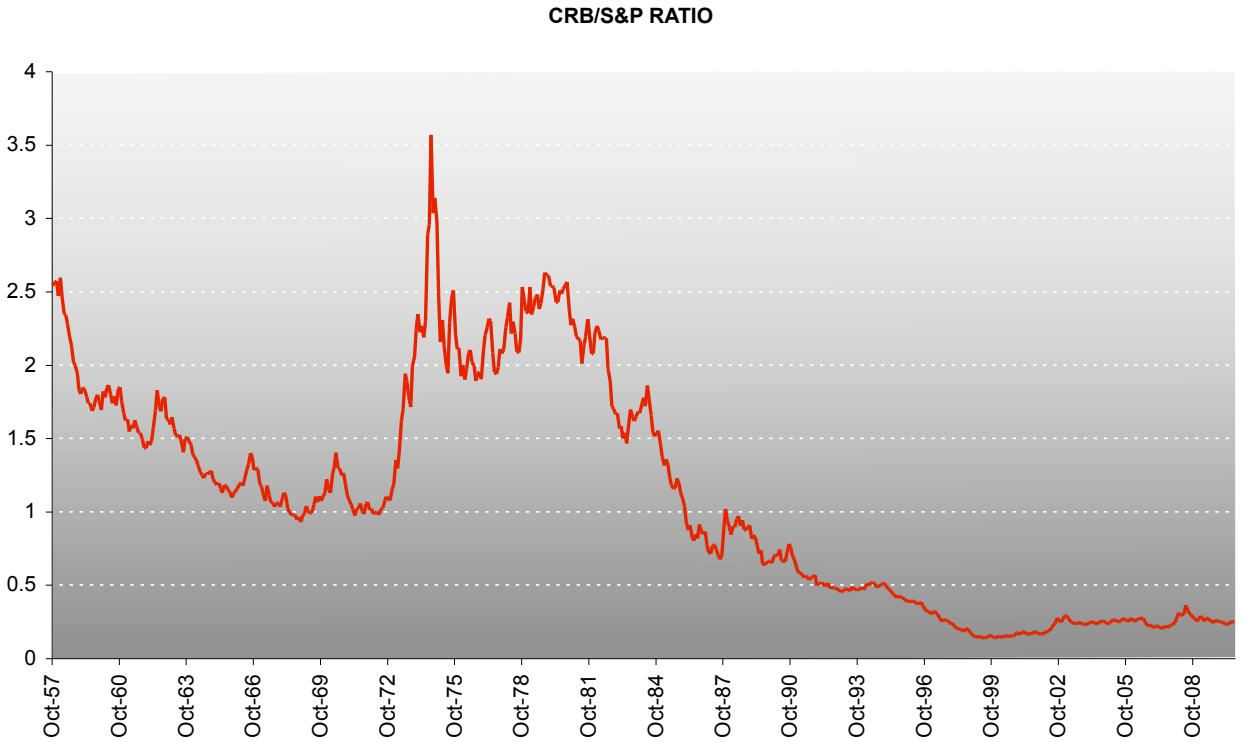
COMMODITIES ARE UNDERVALUED RELATIVE TO US EQUITIES

Commodities as a whole are very cheap compared to equities. At Hinde we believe commodities will rise as currency creation competes with supply constraints. This will be gold positive.



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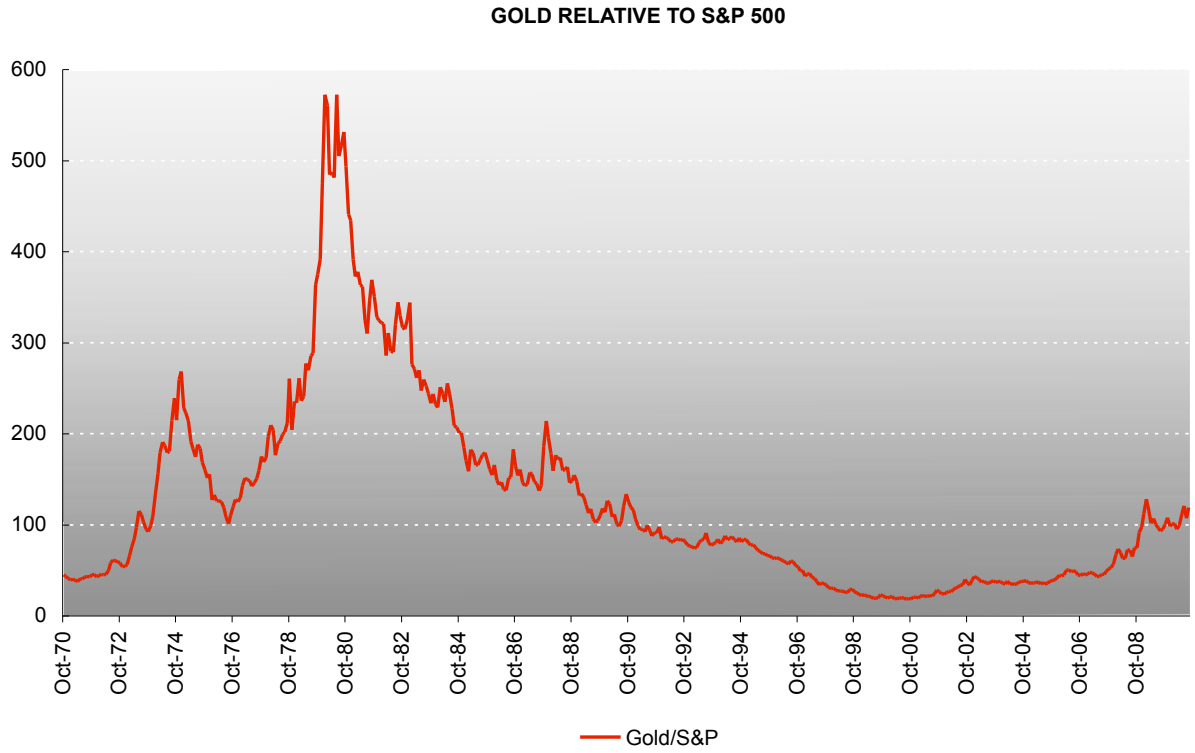
GOLD IS UNDERVALUED VERSUS US EQUITIES

Gold vs S&P would have go up six times to match the 1980 highs.



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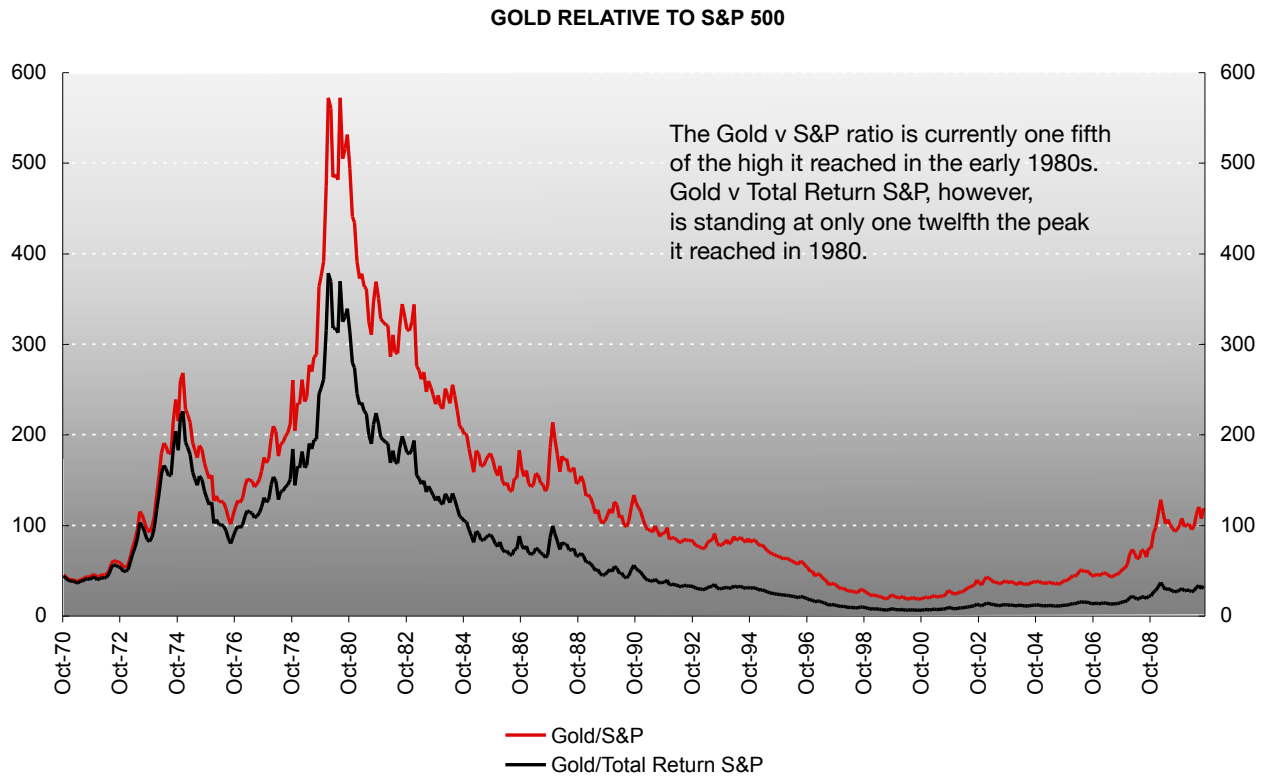
GOLD IS UNDERVALUED VERSUS US EQUITIES

Even more so on a total return basis:



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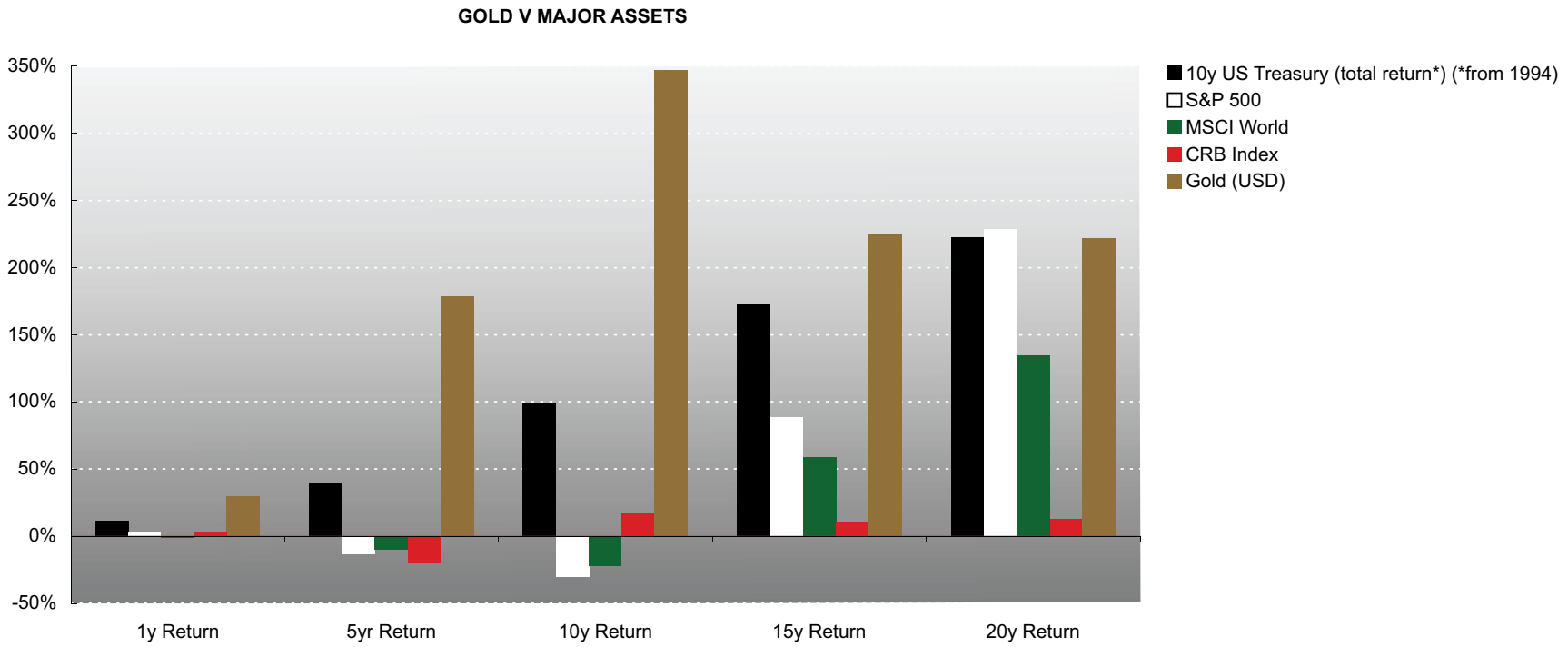
GOLD UNDERVALUED BUT OUTPERFORMING ALL ASSET CLASSES

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



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GOLD IS UNDEROWNED



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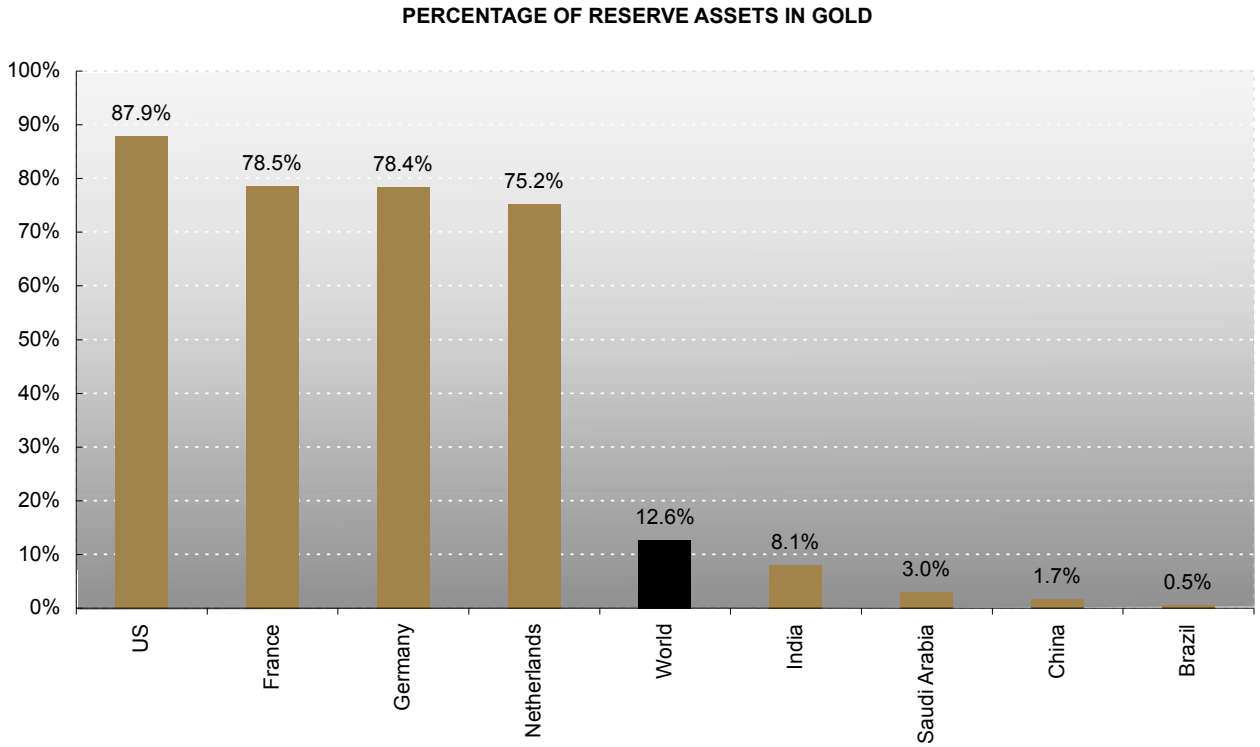
MOST CENTRAL BANKS HOLD LITTLE GOLD

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.



Source: IMF

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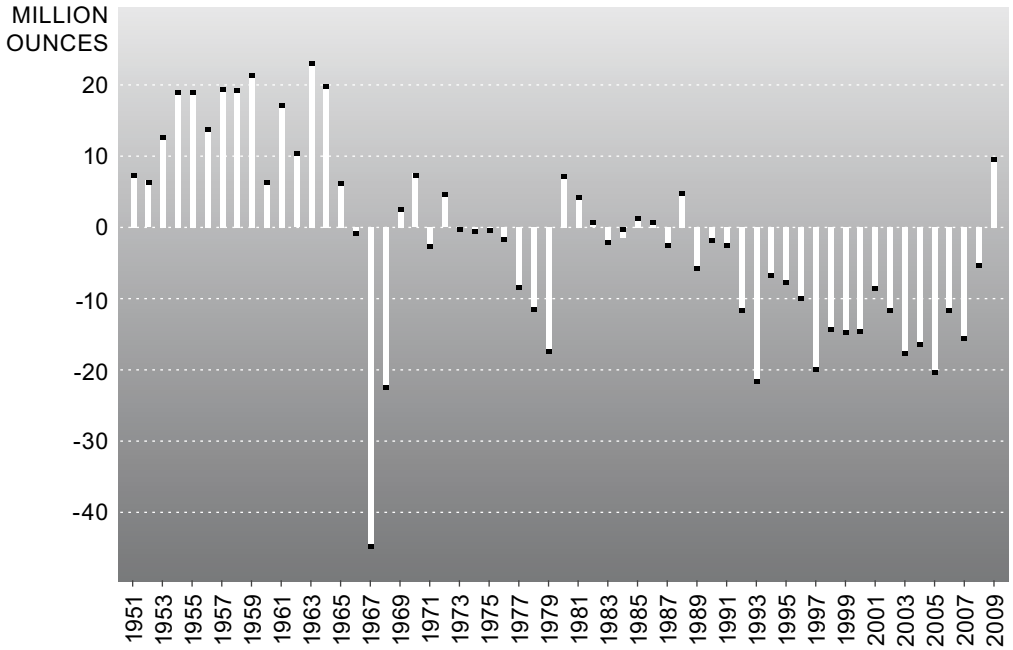
MOST CENTRAL BANKS NOW LOVE GOLD

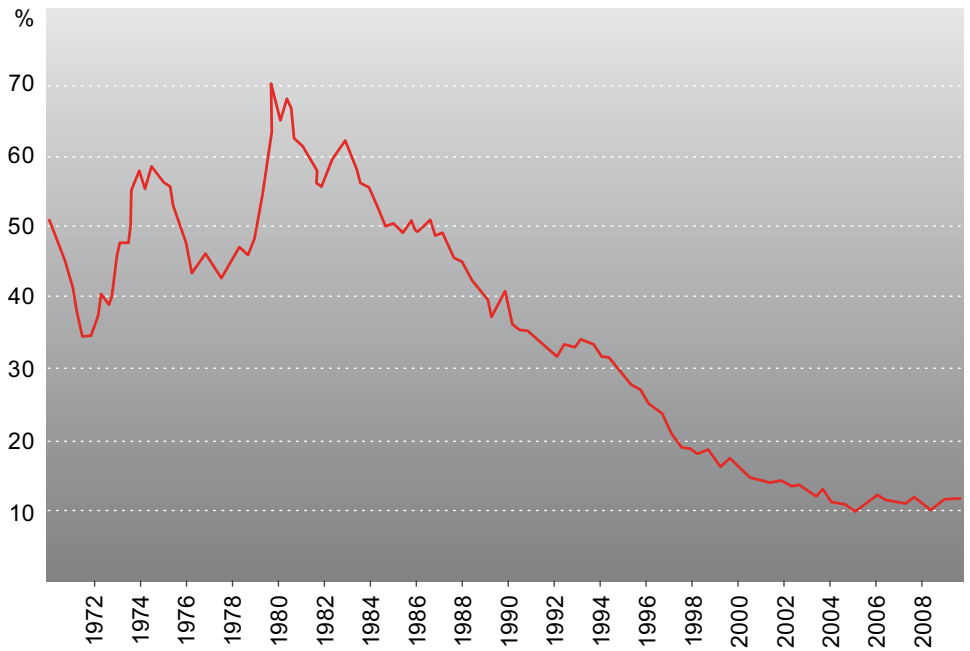
For the first time in forty years, central banks are beginning to buy more gold. China, Russia, India and Sri Lanka and others are now buyers on any weakness in the gold price.

NET CENTRAL BANK SALES



Source: IMF

CENTRAL BANK % RESERVES IN GOLD SINCE 1970



Source: IMF

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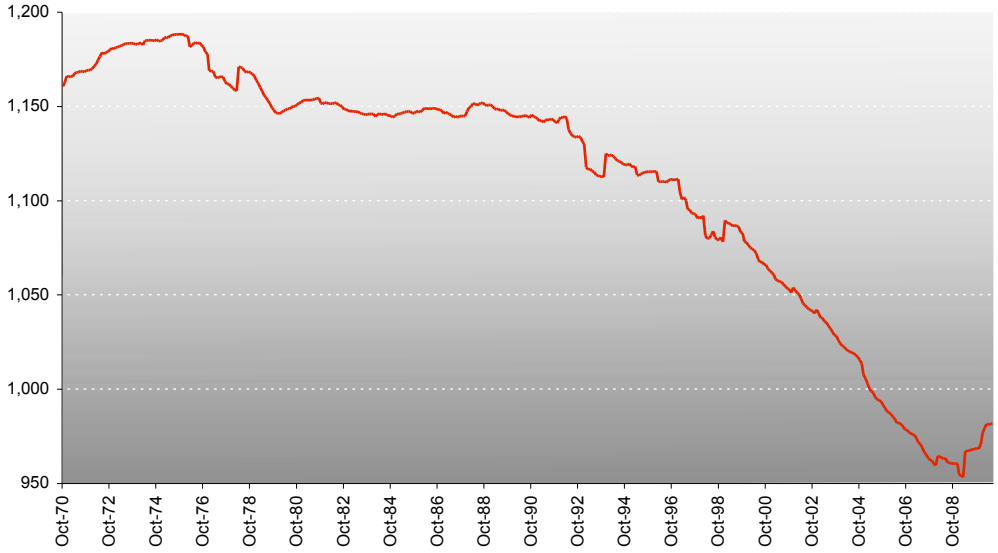
PAPER CURRENCY DWARFS GOLD ACCUMULATION

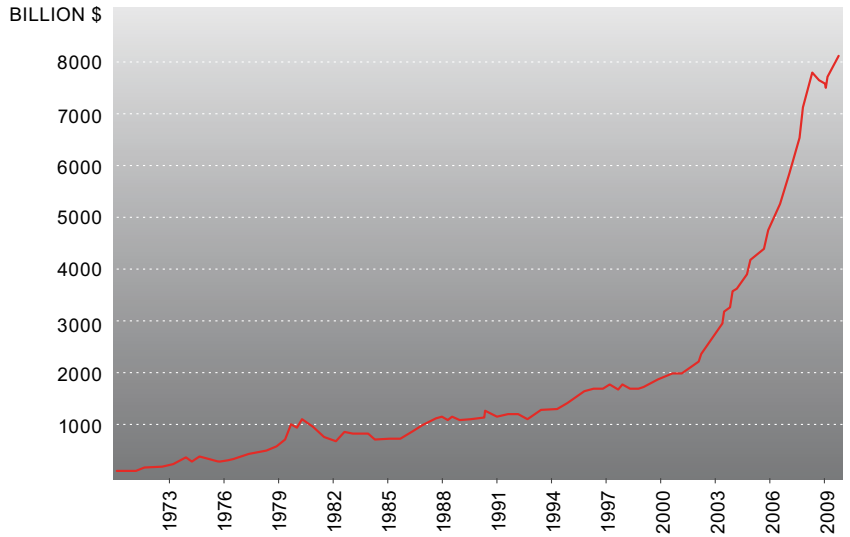
Central banks are net buyers. But as fast as they might buy their paper currency reserves keep growing faster. Russia has bought over 220 tonnes of gold between 2000 to 2010. In 2000 the ratio of Russian gold holdings to their currency was 24.6%; now it is 5.1%.

CENTRAL BANK HOLDINGS OF GOLD IN MM TROY OUNCES



Source: IMF

CENTRAL BANK TOTAL INTERNATIONAL RESERVES – $ VALUE



Source: IMF

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BUY WHAT CHINA IS BUYING: CHINA GOLD & SILVER LIBERALISATION

The defining moment for the War on Gold? August 2010 will be the time we look back and say that was when the war was potentially won. China's PBoC announced "to further develop the gold market". This country has a serious affinity for gold.



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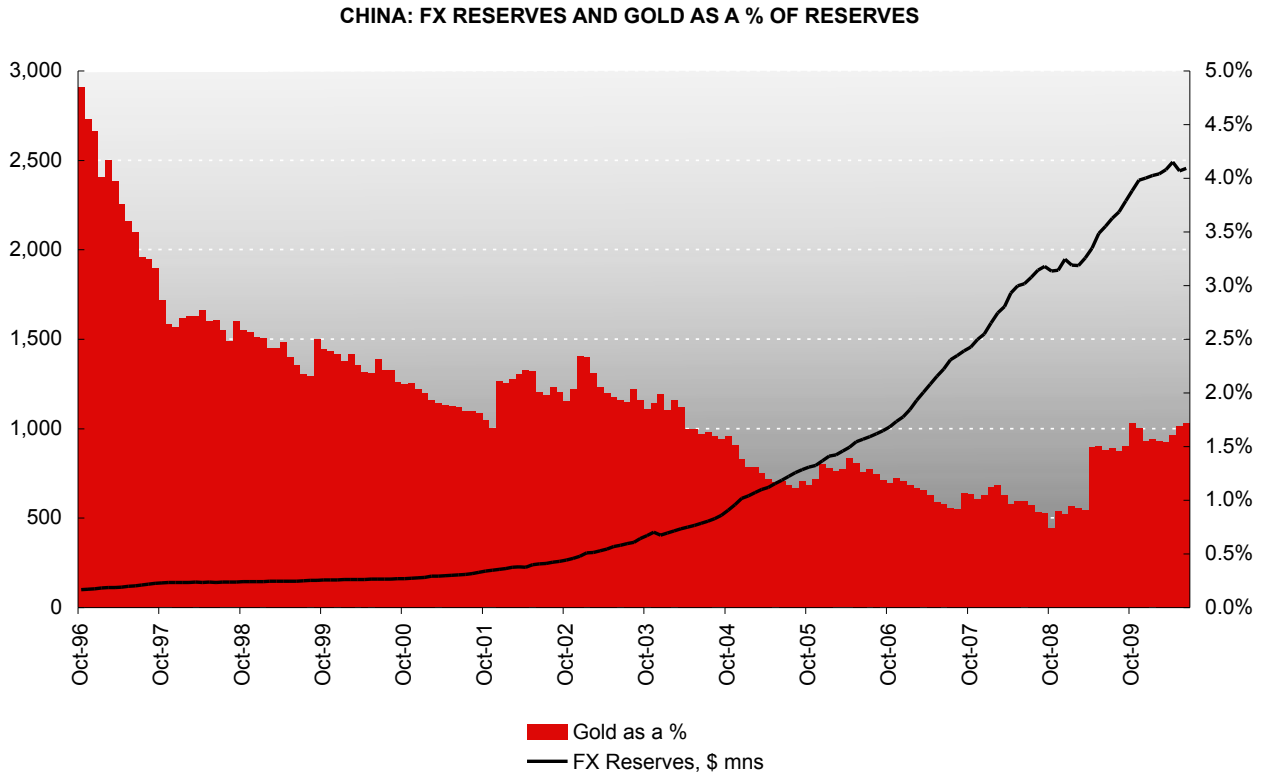
CURRENCY REFORM – YUAN LIBERALISATION

China has so far been accumulating mainly dollar assets rather than gold as its reserves balloon. The potential free float of the Yuan paves the way towards currency reform with Russia et al.



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BRICS ADVOCATE CURRENCY REFORM



January 2009 Russian leader Mr Putin said the leading powers should ensure an “irreversible” move toward a system of multiple reserve currencies, questioning the “reliability” of the US dollar as a safe store of value. “The pride of Wall Street investment banks doesn’t exist anymore,”

March 2009 PBoC Governor Zhou calls for new reserve currency “that is disconnected from individual nations and is able to remain stable in the long run, thus removing the inherent deficiencies caused by using credit-based national currencies.”

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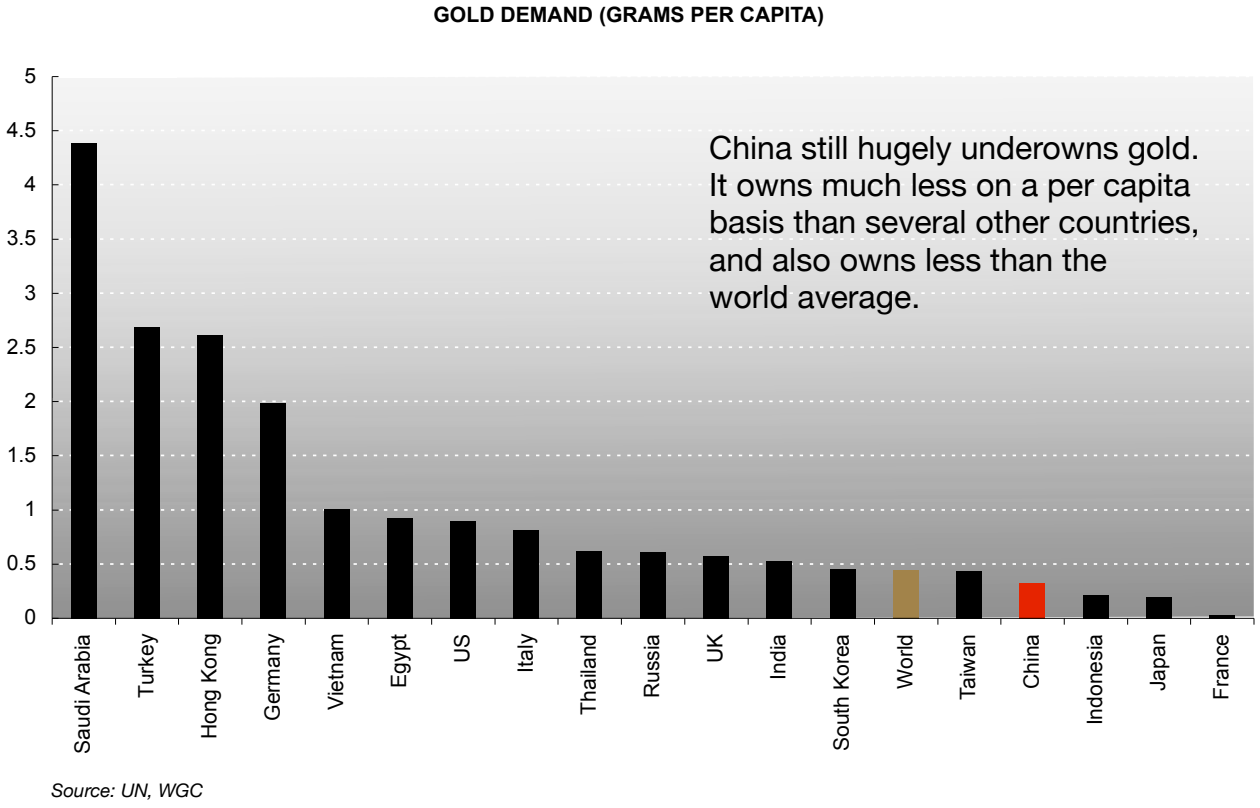
GOLDEN DEMOGRAPHICS: EMERGING MARKET OWNERSHIP IS LOW

It's not just emerging central banks that are underinvested. On a per capita basis, China and India own much less than many other countries, as well as below the world average. This is noteworthy for two gold loving countries.



Source: UN, WGC

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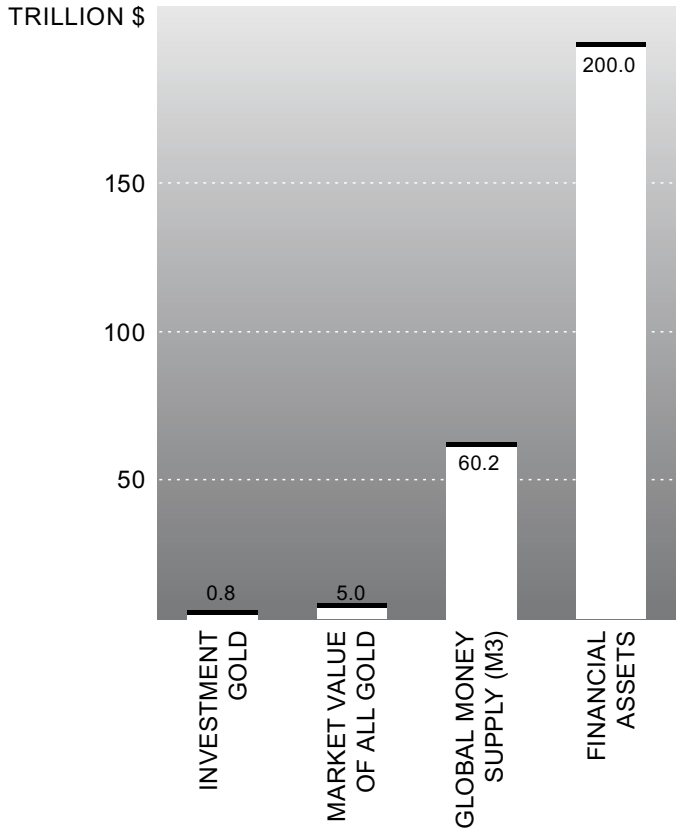
GOLD INVESTMENT IS INFINITESIMAL

Imagine the impact of a shift out of bond markets into Gold…



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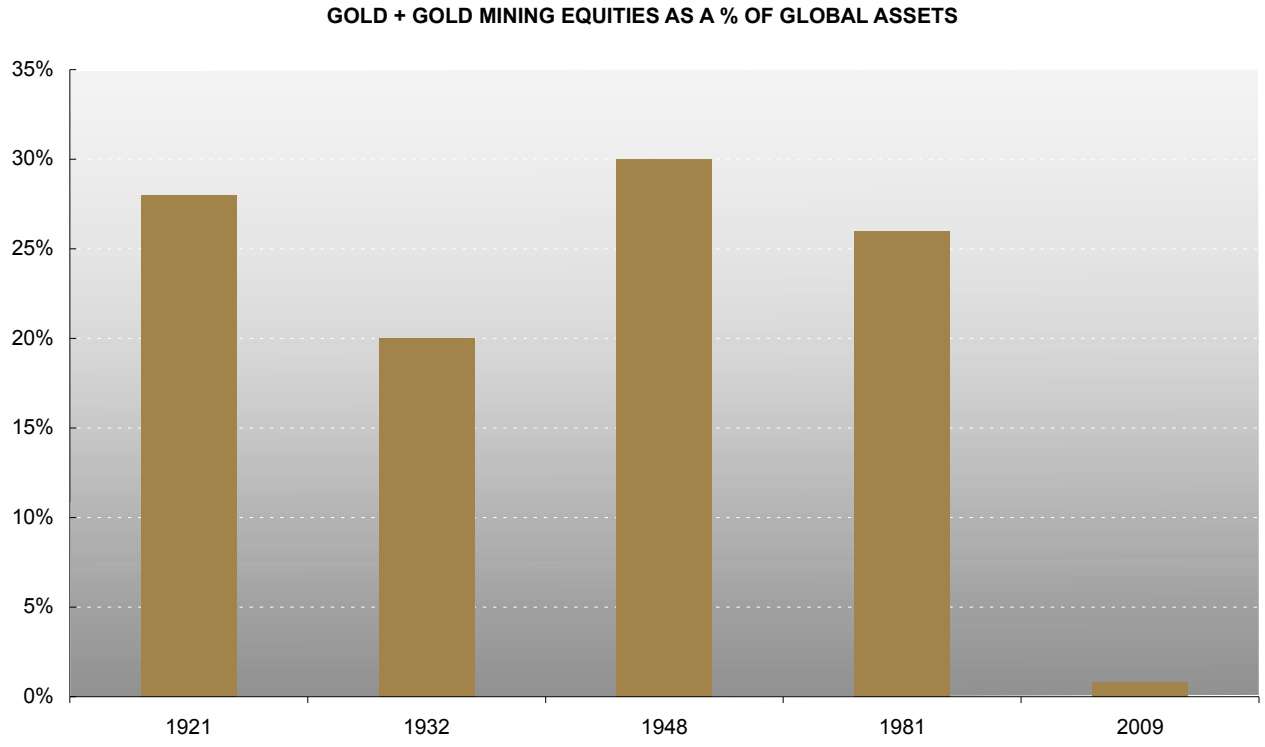
GOLD INVESTMENT HISTORICALLY MINUTE

In 1932 the allocation of gold relative to global financial investments was 20%. Today it stands at 0.8%. To rise to 2% would require 85,000 tonnes, approximately 34 years mine supply at existing rates.



Source: Erste Bank

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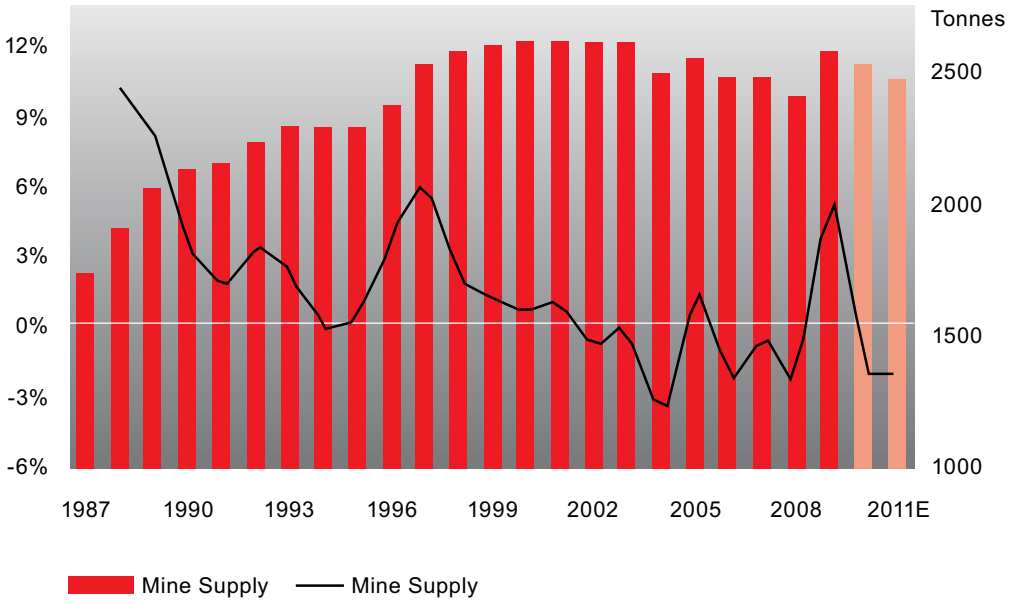
GOLD UNDEROWNED AND FALLING SUPPLY, RESERVE GRADE

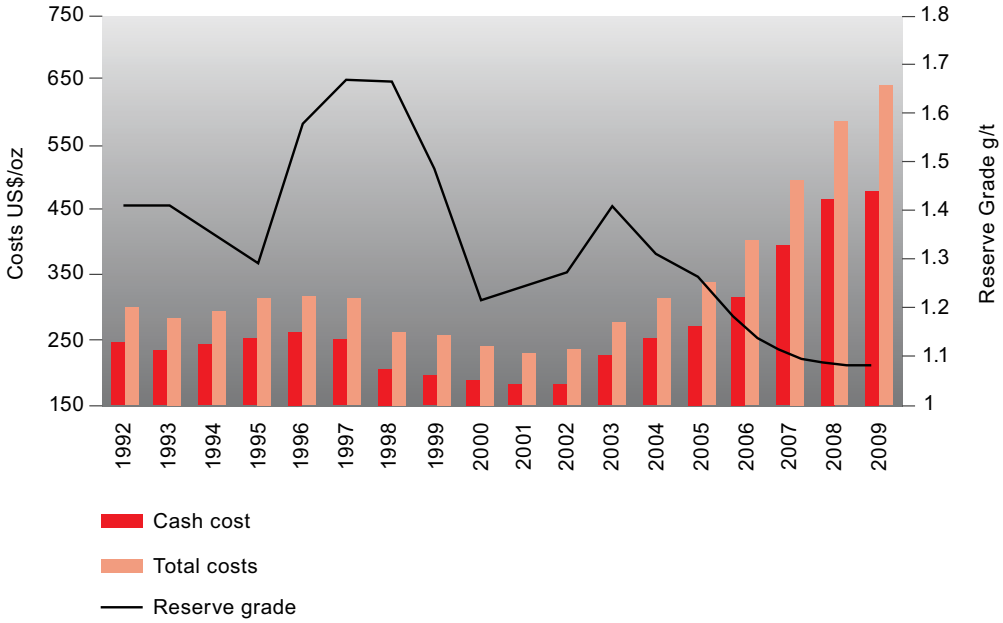
So much demand but not so much supply. There have been less than 5 gold discoveries over 10mm troy oz. this past decade. Barrick needs to replace 9mm troy oz. of production a year.

GOLD MINE SUPPLY HEADING DOWN



Source: World Gold Council, UBS

GLOBAL MINE COSTS AND RESERVE GRADE g/t



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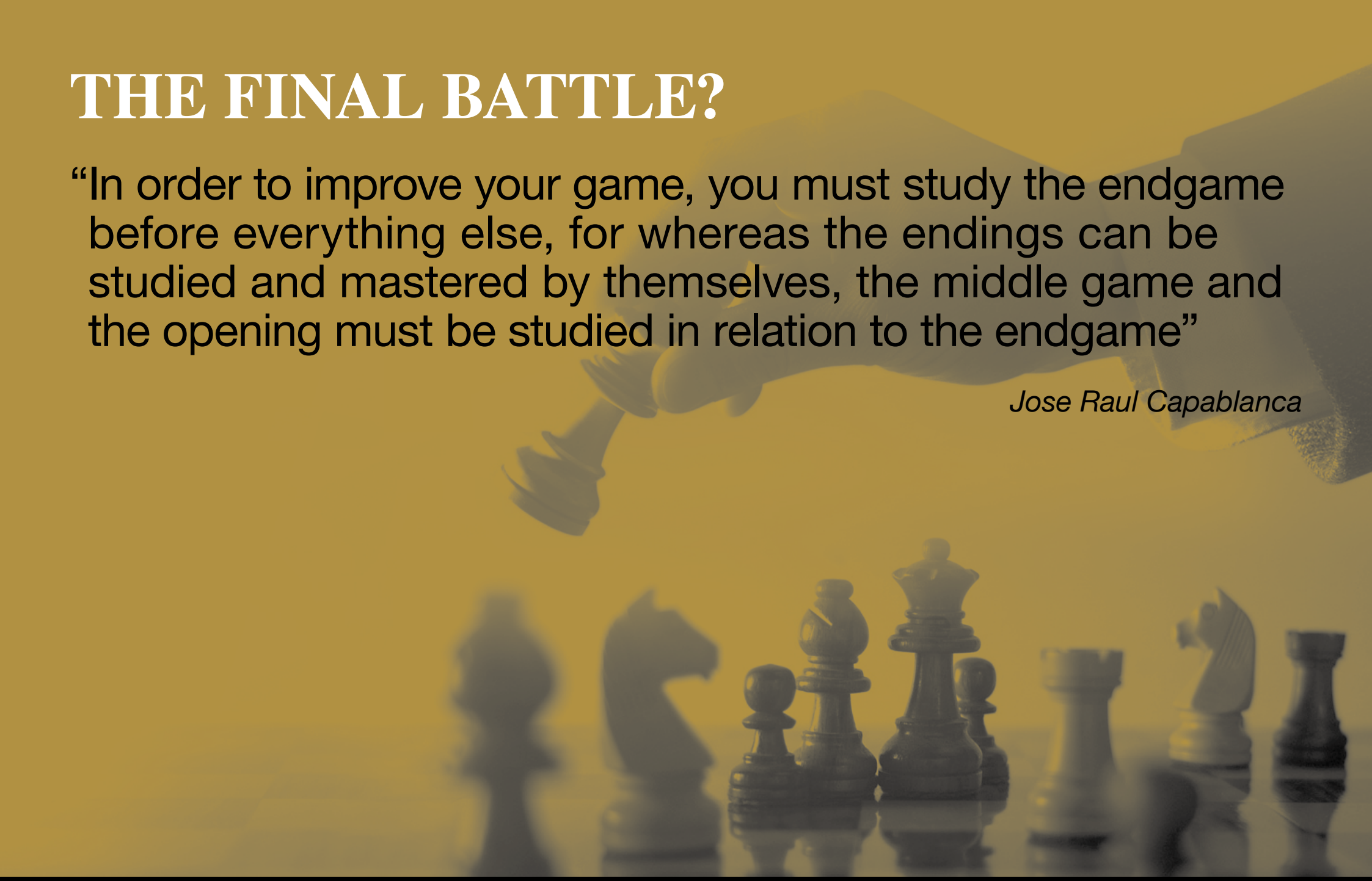
THE FINAL BATTLE?

"In order to improve your game, you must study the endgame before everything else, for whereas the endings can be studied and mastered by themselves, the middle game and the opening must be studied in relation to the endgame"

Jose Raul Capablanca



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GOLD 'SHORTS' UNDER PRESSURE

A series of actions have perhaps uncovered the distressed nature of the short perpetrators in the precious metals market.

Mysterious BIS Gold Swaps July 2010

- 380 tonnes of gold is swapped between BIS and unnamed commercial bank
- FT and WSJ post conflicting commentary from BIS themselves on counterparties involved

CFTC Hearings March 2010

- Precious Metals trader blows whistle on manipulation of Comex market
- Comex commercial bank short positions have been reducing as investigation mounts

IMF Quietly Selling Gold

- 15 tonnes a month for first half of 2010

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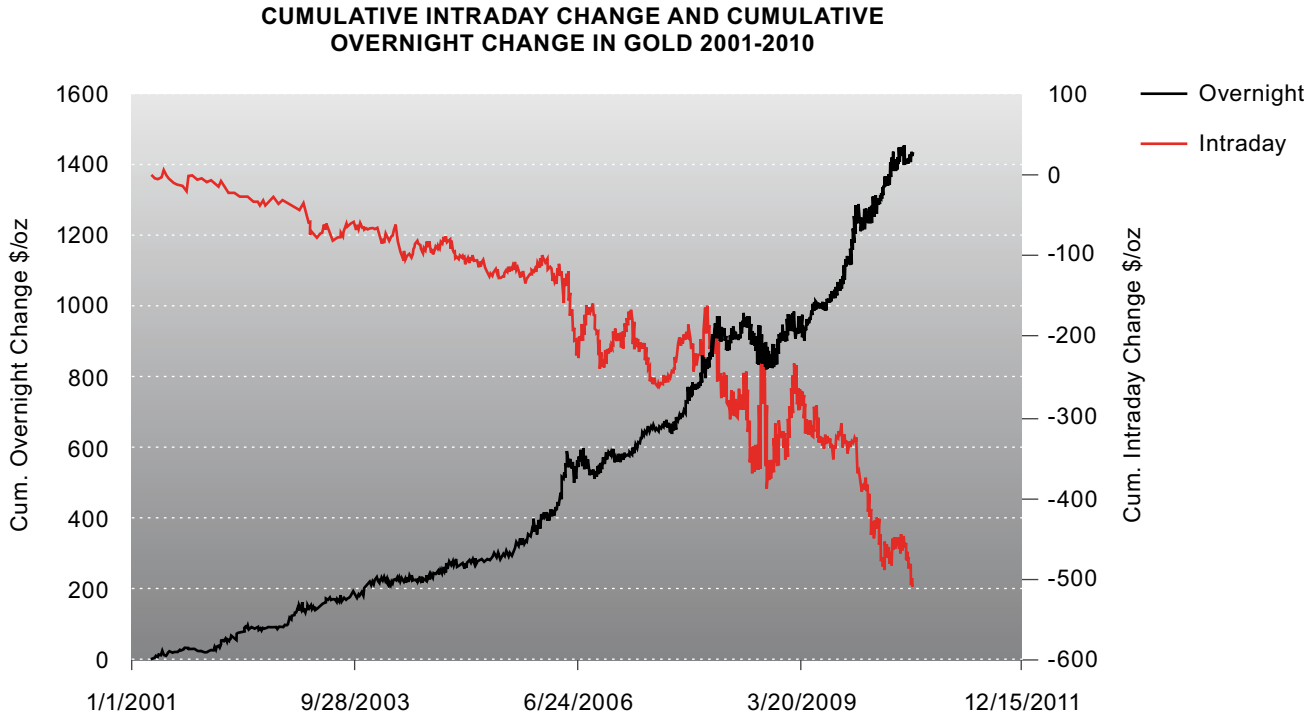
FAILURE OF THE SECOND LONDON GOLD POOL 2000 TO ?

Physical Gold dumped into the PM Fix to contain its price in a covert version of the 1960's London Gold Pool. Selling at PM fix and purchasing at the AM fix for last nine yrs returns US$1,400 per troy ounce.



Source: Adrian Douglas, www.marketforceanalysis.com

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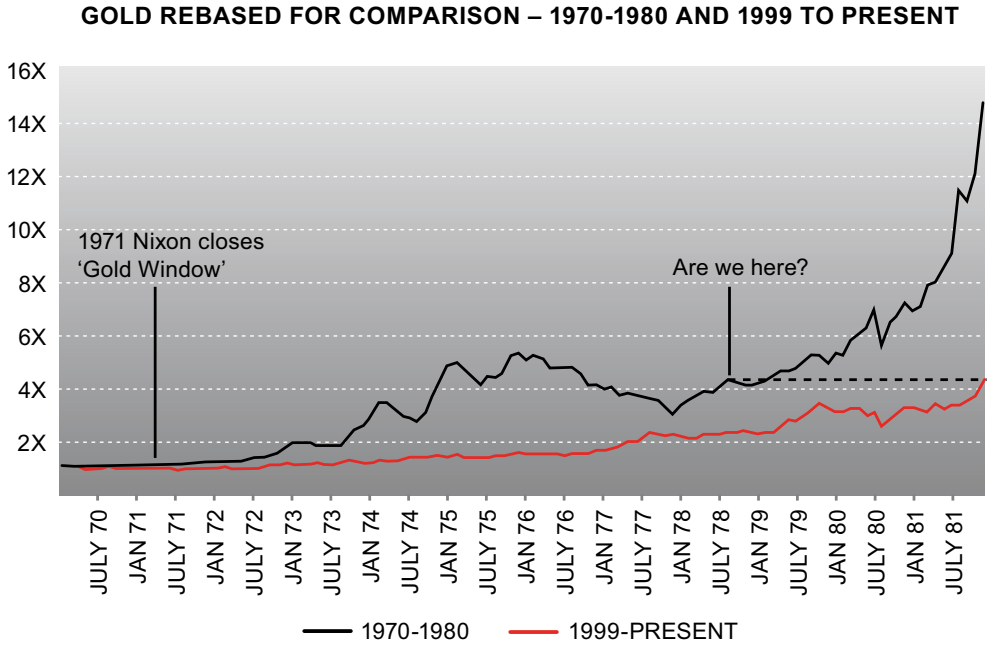
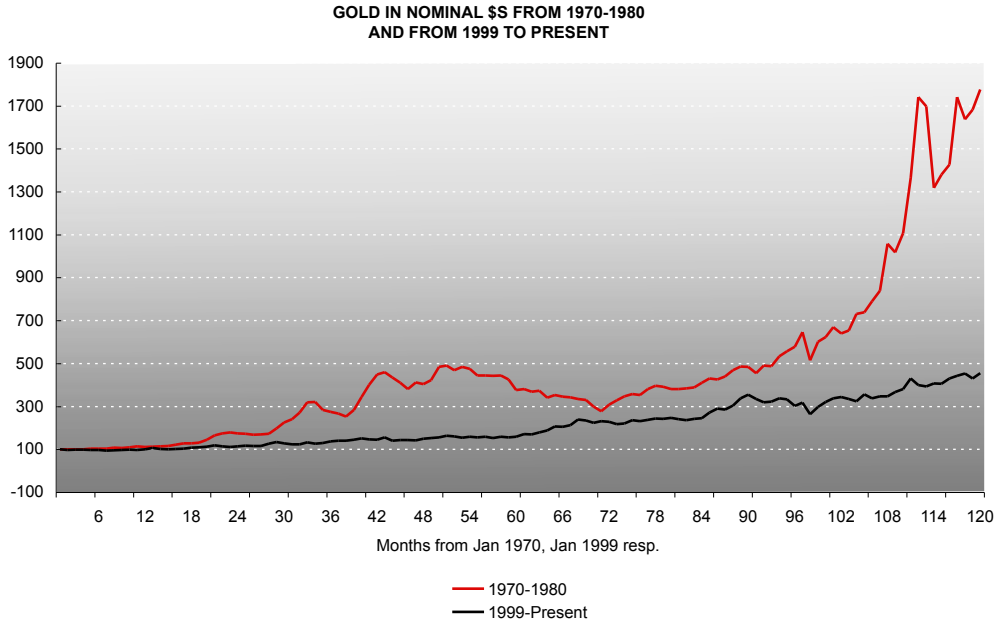
GOLD – WHERE ARE WE NOW?

Gold went up considerably more in the 70s compared to the last decade.





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HINDE GOLD FUND: A UNIQUE INVESTMENT

- A long bias gold bullion fund with close adherence to USD spot gold price
- A managed gold investment in three share classes EUR, GBP or USD
- A potential return in excess of the spot gold price
- A cheap method of owning physical allocated gold
- A secure method of owning physical allocated gold
- An investment in growing gold ounces vis a vis up to 25 % small cap mining holding
- A liquid investment, no subscription or redemption fees, and same month dealing

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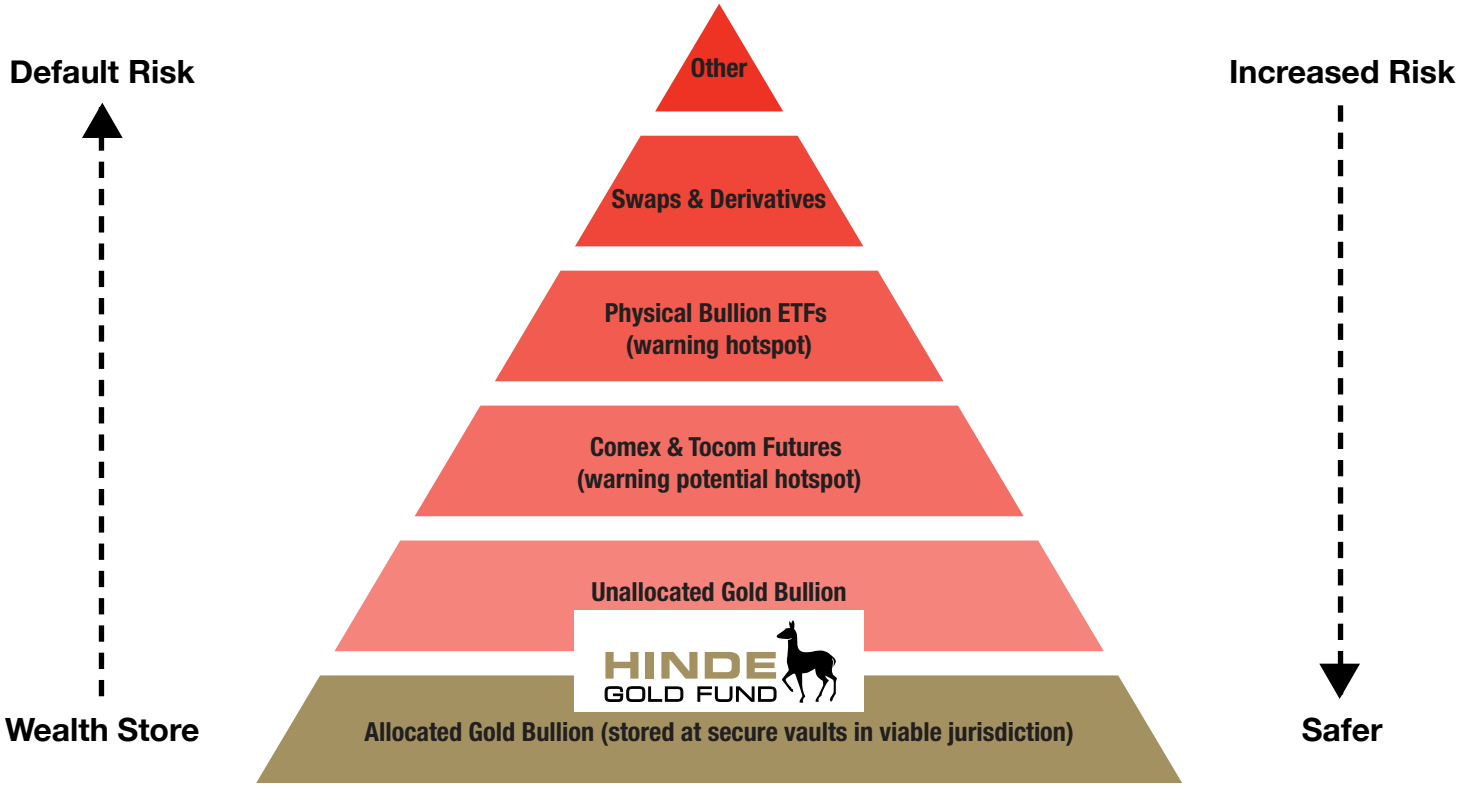
HINDE GOLD FUND: A HIGHLY SECURE INVESTMENT



ETFs and other vehicles for gold investment have inherent risk investors may be unaware of. An investment should hedge out all possible credit risk. Hinde Gold Fund achieves this by investing in allocated gold held in a reputable Swiss Private Bank.

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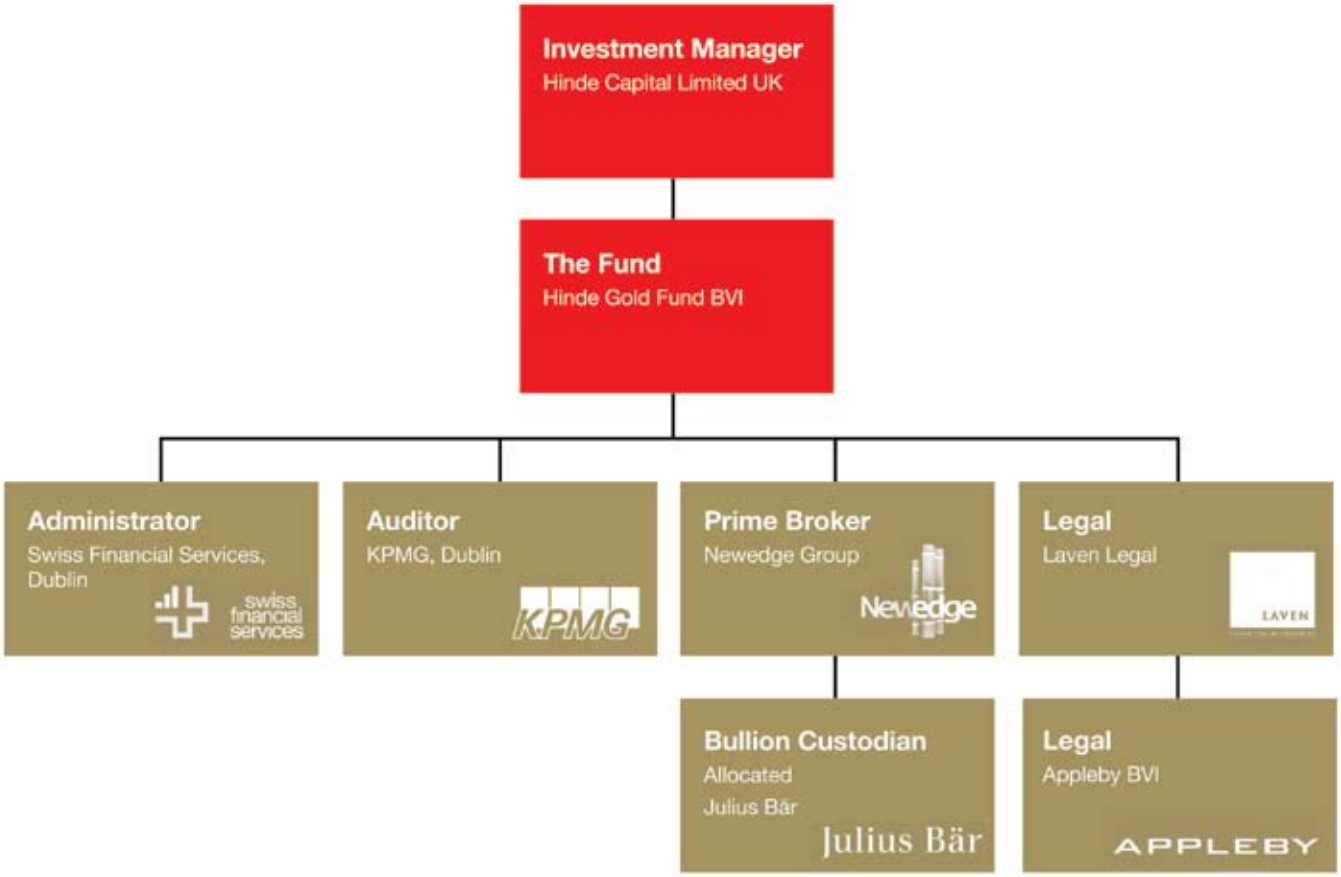
Hinde Capital's structure ensures the firm's operations are thoroughly audited and transparent.



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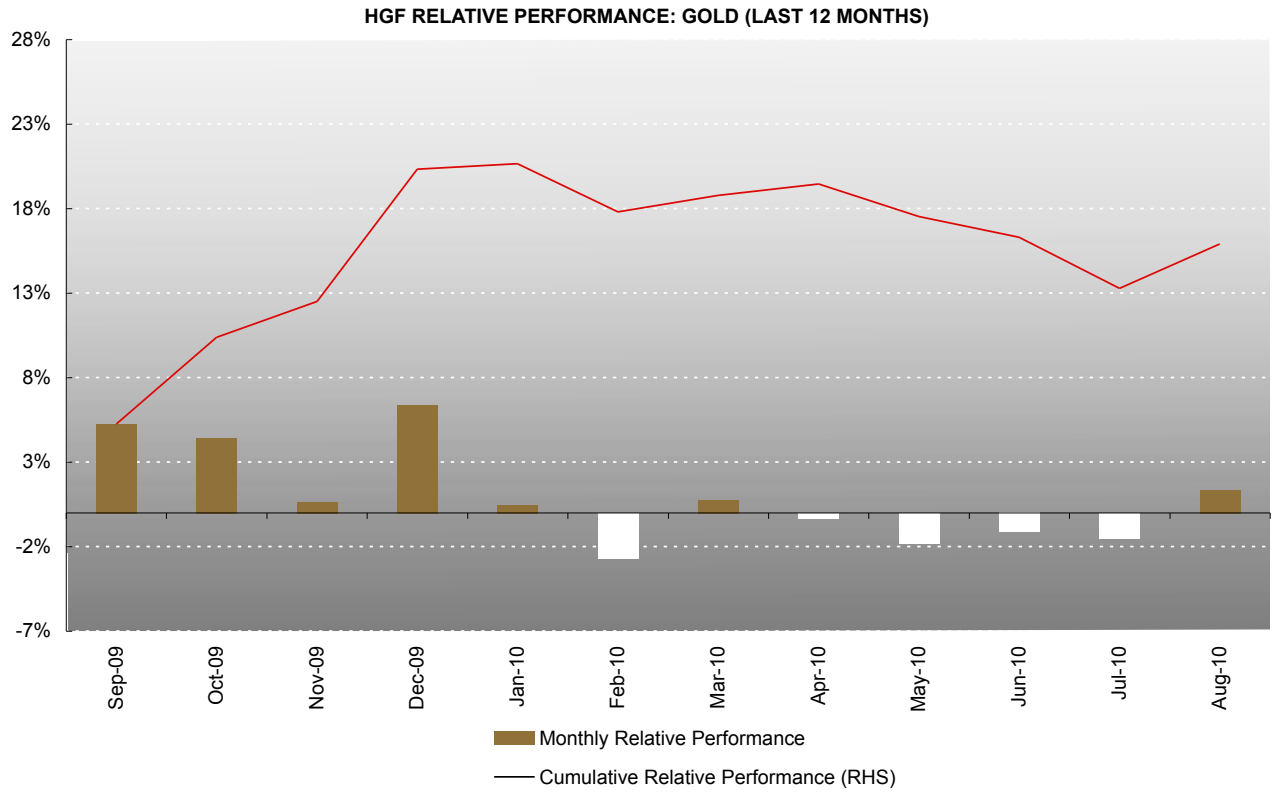
HINDE GOLD FUND

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



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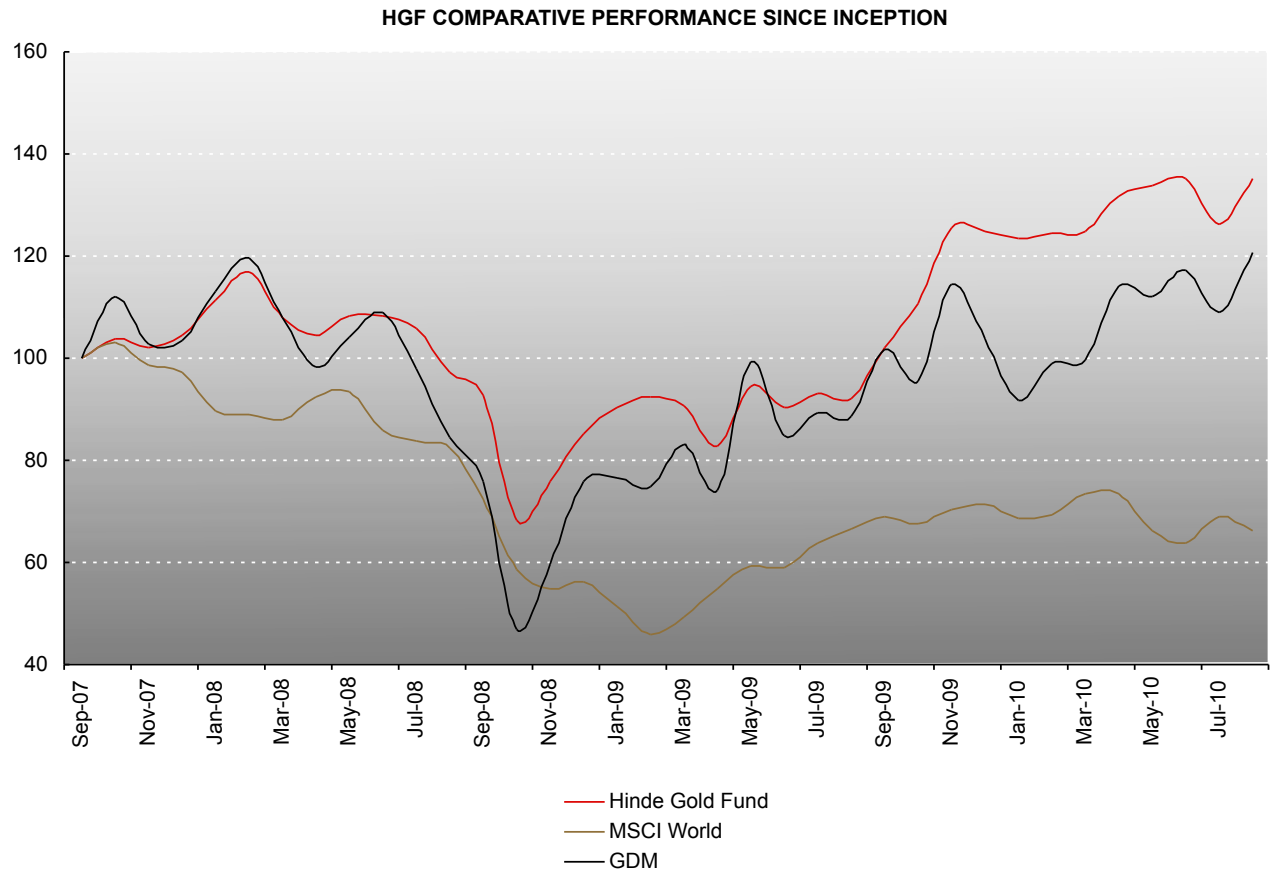
HINDE GOLD FUND

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



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OUR GOLDEN SECRET TO SUCCESS: A BRILLIANT CEO, CFO?



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HINDE CAPITAL: INVESTMENT MANAGERS

BEN DAVIES, CEO

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 to Greenwich Capital in 1999. He graduated with a BSc in Management from Loughborough University. 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, CFO

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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