

GOLD OUTLOOK IN 2011



4 WHAT ARE SOME OF THE POTENTIAL RISKS FOR GOLD INVESTORS?

The danger to gold would be a repeat of the financial crisis we went through in 2008. Gold was widely sold off then. But in the light of recent developments – weak US economic data, Europe’s debt crisis and the current strong appetite for gold-related assets – we think it is unlikely to happen to gold price again.

We would be concerned if global real interest rates started to turn positive. But the near-term likelihood seems remote. We believe it is unlikely that Bernanke will do an about-turn on the Federal Reserve’s stimulus policies for now.

5 IN VIEW OF THE CURRENT MACRO BACKDROP IN TERMS OF OPPORTUNITIES AND CHALLENGES, WHAT INVESTMENT APPROACH SHOULD INVESTORS CONSIDER GOING FORWARD?

Depending on their investor profile, investors may consider investing in gold as well as in other resource sectors which exhibit positive macroeconomic fundamentals, looking for companies which possess robust micro qualities.

While the main focus is on long-term growth, investors may want to consider investing in companies where valuation levels can be justified. They may also want to look for positive macro and micro drivers in the industry of the companies they want to invest in. Such factors would include rational producers, disciplined industry supply, rising secular demand for the company’s end product, the scalability of business and exploitation of economies of scale.

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“We would also highlight strong retail demand from India and China, the two largest markets for gold jewellery. Demand in these two markets has grown given bullish price expectations, domestic inflation concerns and relatively strong local currency.”

Robert joined UOBAM in 2008. Robert holds degrees from Exeter University and UCLA, and has qualified as an Associate of the UK Society of Investment Professionals. Currently, he has specific responsibility of global commodities (ex oil & gas) and Canadian equities and manages the United Gold & General Fund and the United Global Resource Fund. In total, he has over 9 years’ experience as a sell side analyst and 6 years’ experience as a fund manager.

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