

MARCH'S  
HOT TOPIC  
GOLD

## EUROPE'S GOLD RUSH

Interest in gold has risen sharply as fears about the stability of the financial sector have gripped investors. According to the World Gold Council (WGC), investment demand for gold, including ETFs and bars and coins, was 64% higher in 2008 than in 2007. At the beginning of this year demand has got even stronger and in mid February the gold price rose above the psychologically important \$1,000 an ounce mark. Citigroup has forecast that it could reach over \$2,000 by the summer. Around 60% of gold is sold for jewellery, mainly in Asia, but when the gold price is high these sales diminish. Recently demand has been driven by investors. The price is being underpinned by weak supply, following a period since 2001 when mining output has declined due to lack of exploration. Unless a central bank starts offloading its gold, this situation is unlikely to change in the near future.

## A GOLDEN OPPORTUNITY

The most striking trend has been the reawakening of investor interest in holding physical gold with demand for bars and coins rising 87% last year according to the WGC. The most dramatic surge was in Europe where bar and coin demand increased from just nine tonnes in Q407 to 114 tonnes in Q408, a 1,170% increase. Last year also saw a record increase in the number of gold investment funds offered to European investors with 11 new launches bringing the total number available to 62, although assets fell back slightly as gold mining shares were hit by general stock market falls.

## GLITTERING FUTURES

Gold ETFs and exchange-traded commodities (ETCs) are proving increasingly popular. The best seller last year was Swiss ZKB's Gold ETF. In the UK, ETF Securities, which claims to be the provider of Europe's largest gold exchange-traded securities, saw assets in its physically backed gold ETCs rise to an all-time high in February. But there is also a growing interest in gold equity funds which invest in gold mining companies. These companies provide leverage on further gold price gains and are seeing their costs decrease while their profit margins rise. Investors increasingly see gold as a necessary ingredient in a diversified portfolio. Gold fund sales totalled €2bn in 2008 against just €166m in 2007.

## IN BRIEF

**Net sales of gold funds in 2008 totalled €2bn** more than 17 times the inflows in 2007.

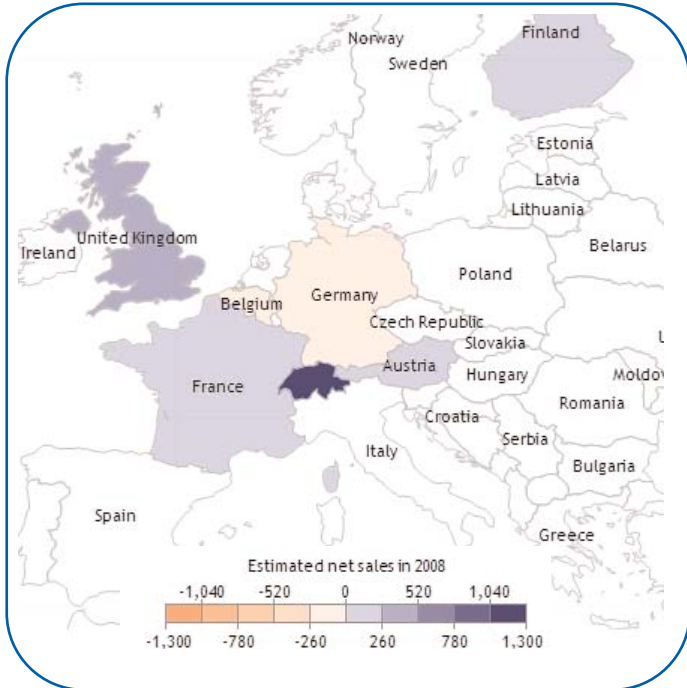
**Gold-mining securities funds** made up the majority of gold funds in Lipper FMI's database at the end of 2008. Five are commodities funds.

**The gold mining industry discovered only 15m ounces in 2008** compared with production of 80m ounces.

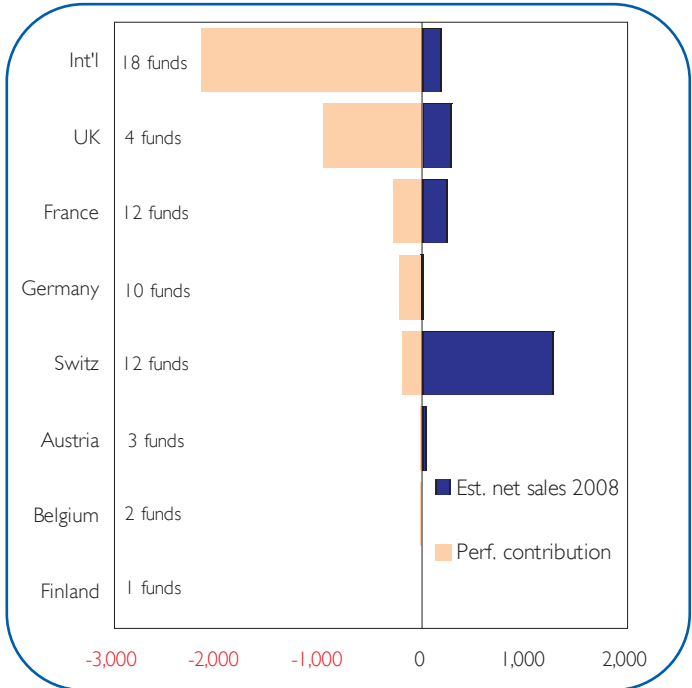
**Hansainvest launched Germany's first physical gold fund** this year. When investors sell out they will be able to opt for repayment in gold bars instead of cash.

**Investors see gold as a hedge against inflation** which many fear will return as a result of increased Government spending and quantitative easing (printing more money!).

## European map of Gold funds in 2008 (€m)



## Asset growth split by sales and performance in 2008 (€m)



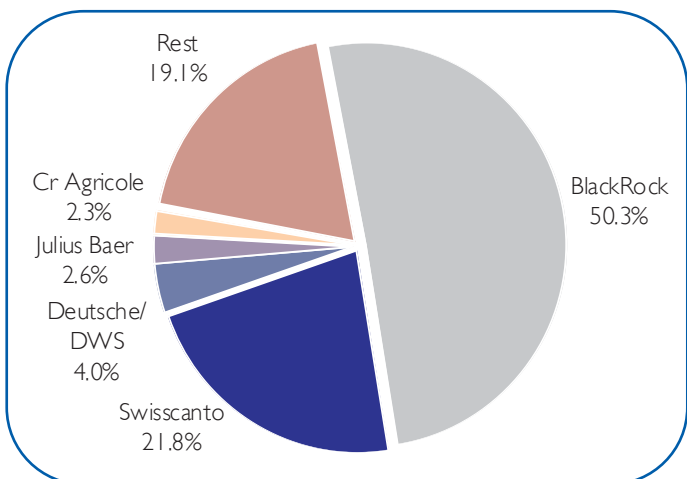
## Top master groups by sales in 2008 (€m)

Master Groups	Nat	Assets	Sales
Swisscanto	CH	2,027.1	1,417.6
BlackRock	US	4,672.6	406.4
Crédit Agricole	FR	215.4	192.3
Julius Baer	CH	237.1	67.4
Schroders	UK	40.7	58.1
Rest		2,098.4	-191.0
<b>Total</b>		<b>9,291.3</b>	<b>1,950.6</b>

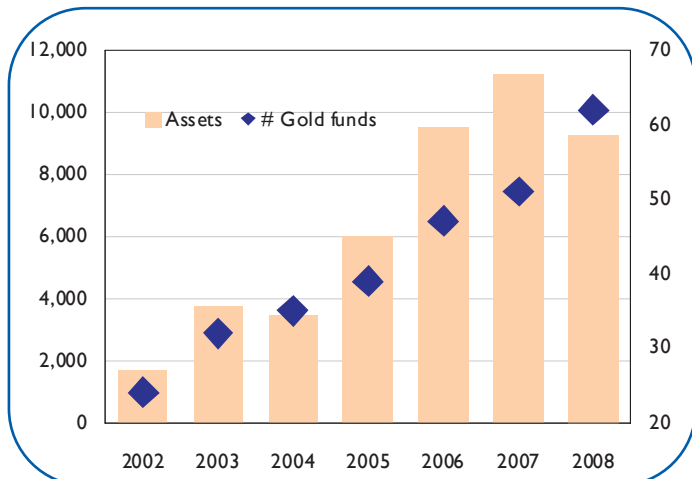
## Best Gold funds by sales in 2008 (€m)

Fund	Dom	Sales
ZKB Gold ETF	CH	1,373.8
BlackRock Gold & General	UK	292.3
LCL Actions Or Monde	FR	192.3
Julius Baer Precious Metals - Physical Gold	CH	179.7
BlackRock Global - World Gold	LX	114.0
Rest		-201.5
<b>Total</b>		<b>1,950.6</b>

## Top 5 master groups by assets in 2008 (€m)



## Growth of Gold funds by number and assets (€m)



Notes: Sales are estimated net sales. Latest year is the period Jan-Dec 08; Gold funds include commodity gold and equity gold funds