



## Portfolio Manager Perspective

## Gold will hit \$1,200 an ounce, Midas precious metals fund manager predicts

Gold has underperformed, but low interest rates are 'stoking the inflationary engine,' says Thomas Winmill

By **Jeff Benjamin**

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The rise in the price of gold is only getting started, according to Thomas Winmill, president of Midas Management Corp. and manager of the \$115 million Midas Fund.



Whether you look at gold as a commodity or an alternative currency, there are factors in place to drive the price to \$1,200 an ounce over the next six months, he predicted.

While gold has been hovering around the \$1,000-an-ounce mark for the past week, the price gain so far this year, around 15%, is way behind other precious metals, such as silver and platinum, which are each up more than 40% so far

this year.

"A lot of commodities are up strongly and gold has actually underperformed," said Mr. Winmill, who expects gold to reach \$1,100 an ounce over the next three months before climbing further during the first quarter of next year.

One factor holding back the price of gold, he said, is reduced demand from jewelry makers in India, where a weak rupee has slowed gold consumption.

The fact that orders for gold by jewelry makers in India are 40% below where they were a year ago suggests to Mr. Winmill that pent-up demand for gold will eventually start driving the price higher.

"In third world countries, gold is a form of wealth storage," he said. "But while the

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demand side lately has been looking weak, the supply side has been about the same.”

Beyond the pure commodity aspect of gold, Mr. Winmill considers alternative currency factors such as monetary and fiscal policy.

Last week the International Monetary Fund announced plans to sell 400 tons of gold over the next 12 months in a move that would hold down the price of gold.

But even that is not likely to be enough to offset the inflationary policies of the Obama administration, Mr. Winmill said, citing gold as a key hedge against inflation.

“Right now with interest rates where they are, money is basically free and that is stoking the inflationary engine,” he said. “Then there is the fiscal policy of a massive increase in government spending, which is also driving down the dollar.”

Mr. Winmill's strategy involves holding only about 100 ounces of bullion in his fund, and mostly gaining exposure to the gold market through select mining companies.

Two of his current favorites are Vancouver, British Columbia-based Eldorado Gold Corp. and Toronto-based Kinross Gold Corp.

“We own the mining companies for the operating leverage,” he said. “We consider the people, the projects and the pricing in our analysis.”

This year, through Friday's close, the Midas fund was up more than 61%, which compares to an 18% gain by the S&P 500 over the same period.

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