



South River
Asset Management

The Future of Gold as an Asset Class



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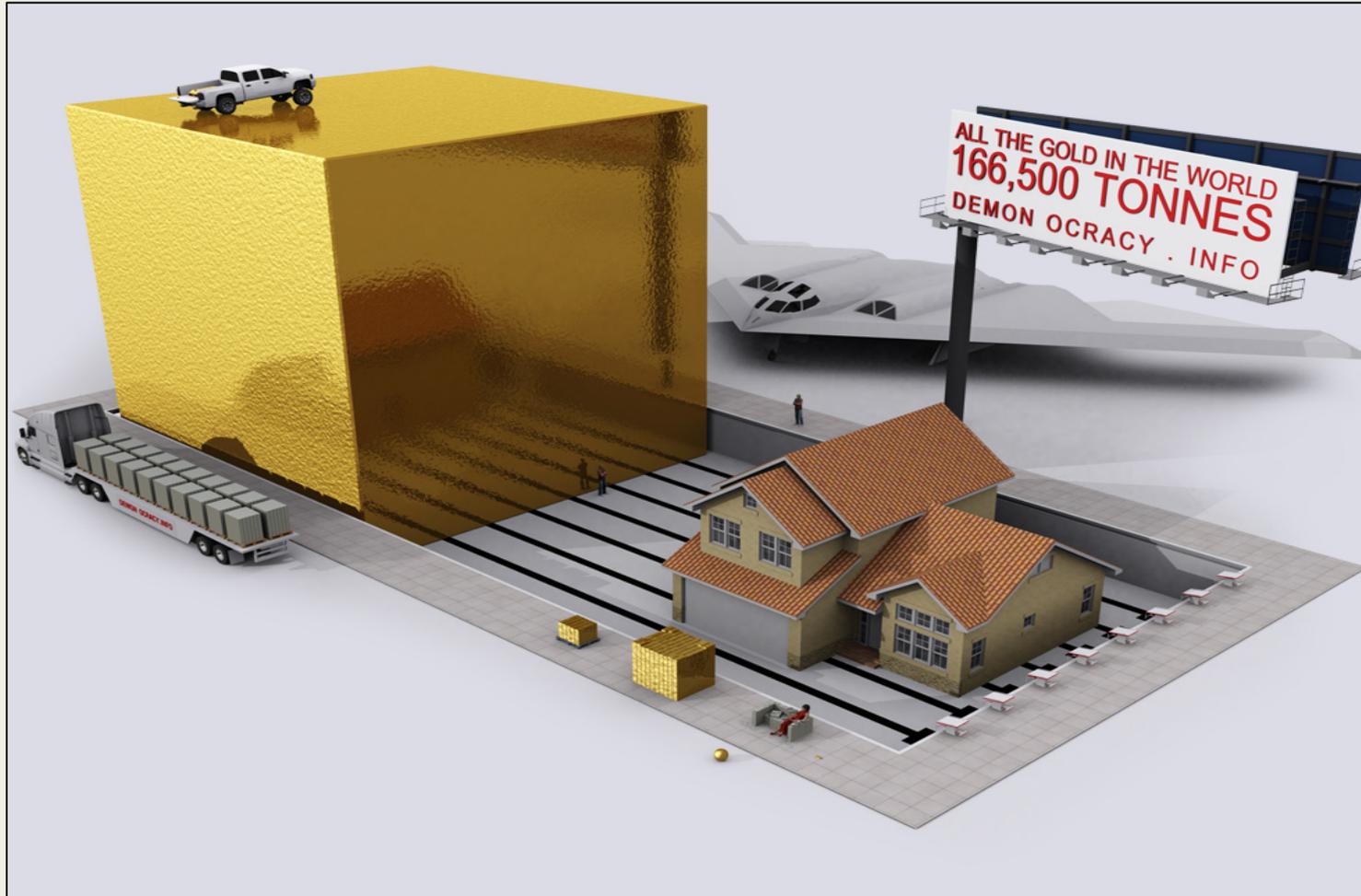
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“Money is Gold, everything else is credit”

JP Morgan testifying to congress 1912

Throughout history no paper currency has survived in its original form. The purchasing power of the US dollar has declined by 90% since 1950 and some European currencies like the Lira depreciated over 99%. The situation is the same for most currencies. When governments come under financial pressures be they war debts or just excessive spending, they print money. Gold is the only currency which government cannot print or attach liability to.



Gold vs other commodities

- Over the long run commodity prices are determined by demand (consumption) and supply, demand and supply are a part of the gold price, but not the only part
- Gold demand is based on its status in the world as a store of value, not on a need for consumption, **Gold is a Store of Wealth** that people buy when other stores of wealth are devaluing



Global Gold demand is Stronger than ever



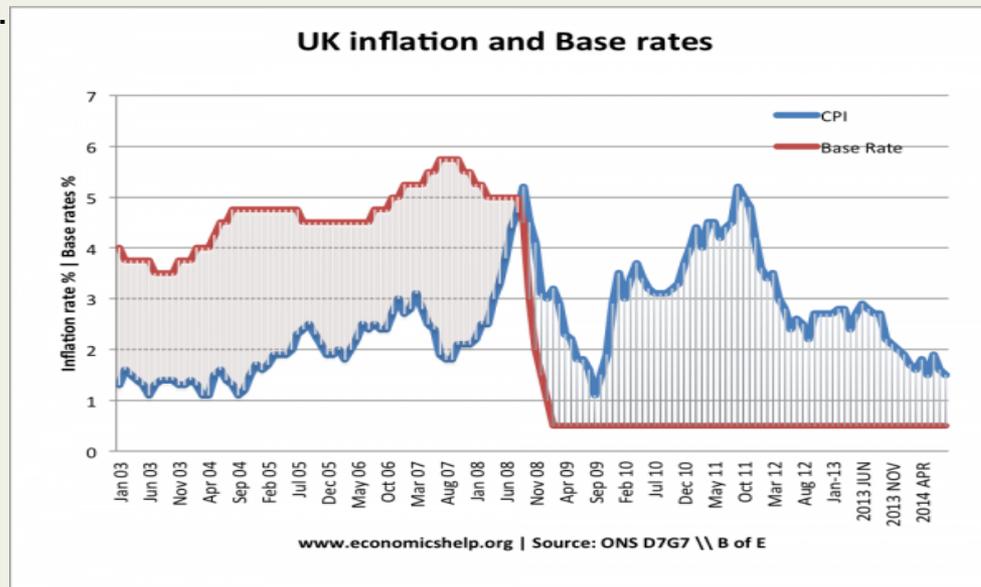
Of the 7.3bn and growing world population 60% live in Asia, and Asians culturally believe enthusiastically in gold.

Shanghai gold exchange is now the largest in the world 1400/3000 tonnes of gold produced last year went to China alone.

As low flat and negative rates persist and inflation rises, real rates of return are negative globally and investment is flocking to gold and the stock market

Precious metals enter bull markets when real yields decline and stay negative

- The world needs inflation and negative yields in the wake of quantitative easing.
- There are now more than \$8 trillion worth of government bonds with negative interest rates. By keeping inflation higher than the base rates can eventually inflate away a large portion of the debt
- Negative real rates will not end until the debt to GDP level of western countries comes back to normal
- Negative interest rates are essentially an expropriation of savers' money, and gold is a viable alternative.

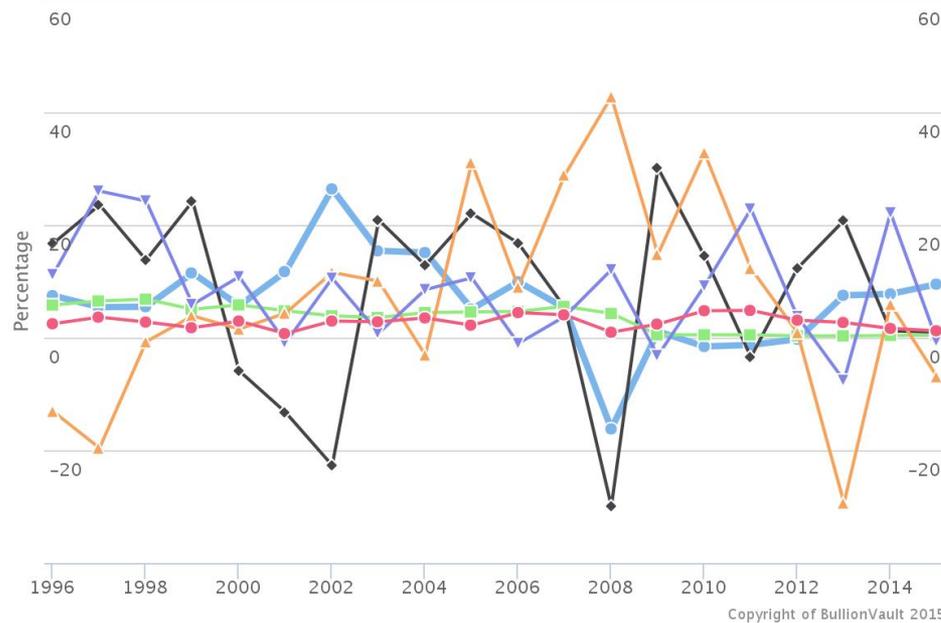


Precious metals are inversely correlated with the stock market

UK Asset-Class Performance

Select assets to be displayed

● Housing
 ◆ Shares
 ■ Cash
 ▲ Gold
 ▼ Bonds
 ● Inflation

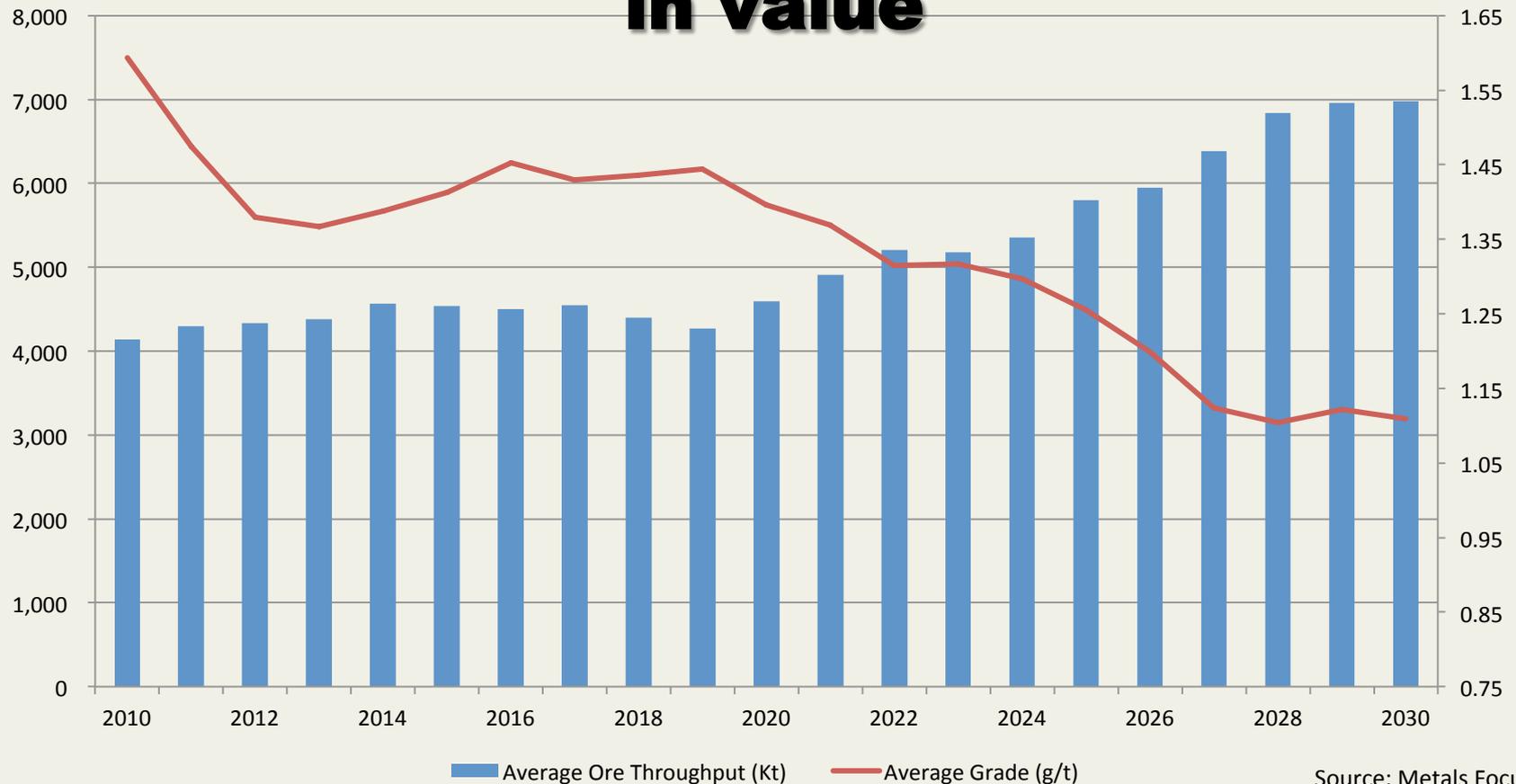


Over long periods of time gold and equity markets have an inverse relationship

Bear markets in equities start with over valuation and debt, which leads to bull markets in gold

Equity markets are turning... because in historical terms they have high valuations and higher levels of debt.

Gold is literally getting more rare and more expensive –as opposed to the dollar which is printed and going down in value



Gold Demand in Asia has changed World Demand

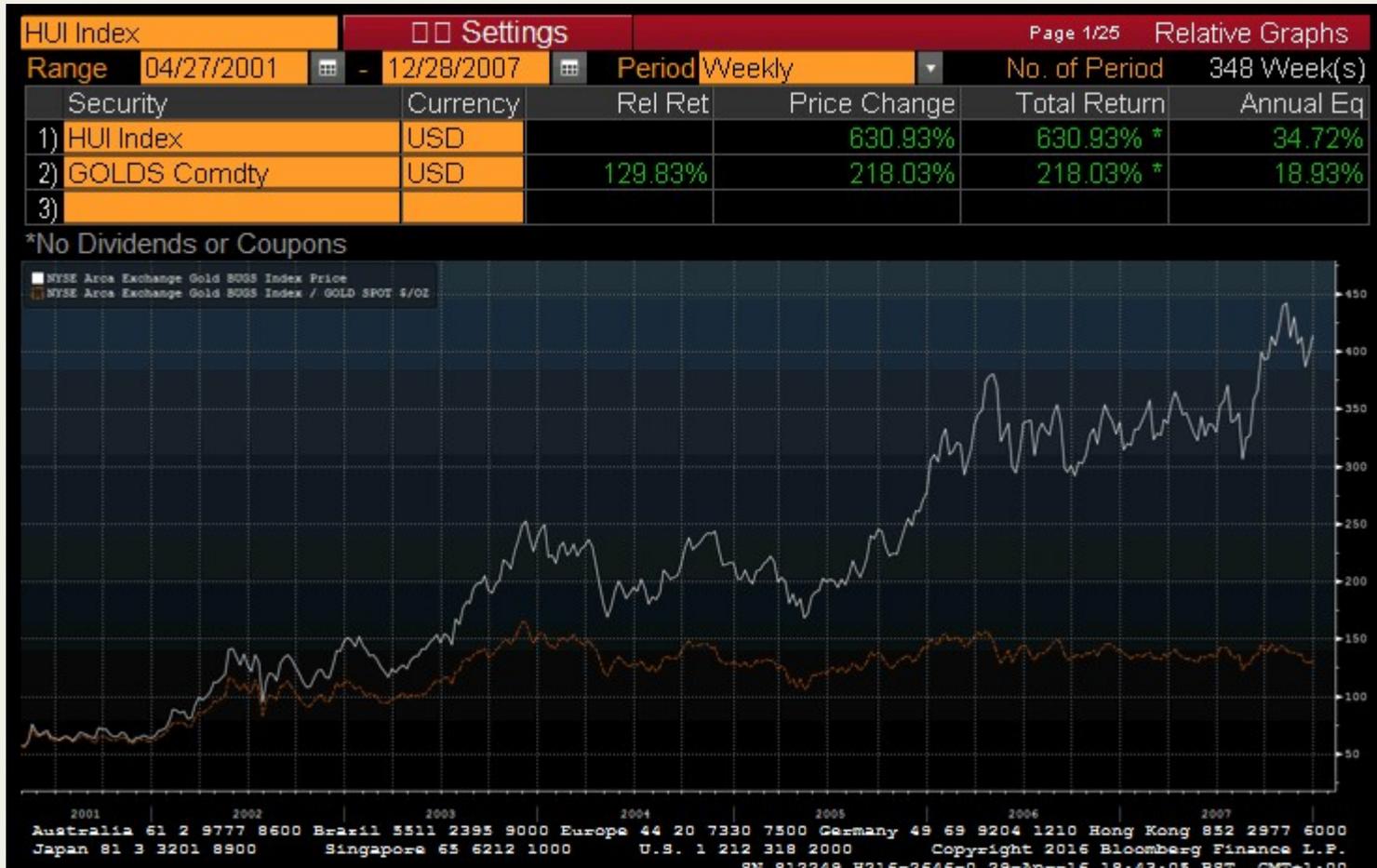


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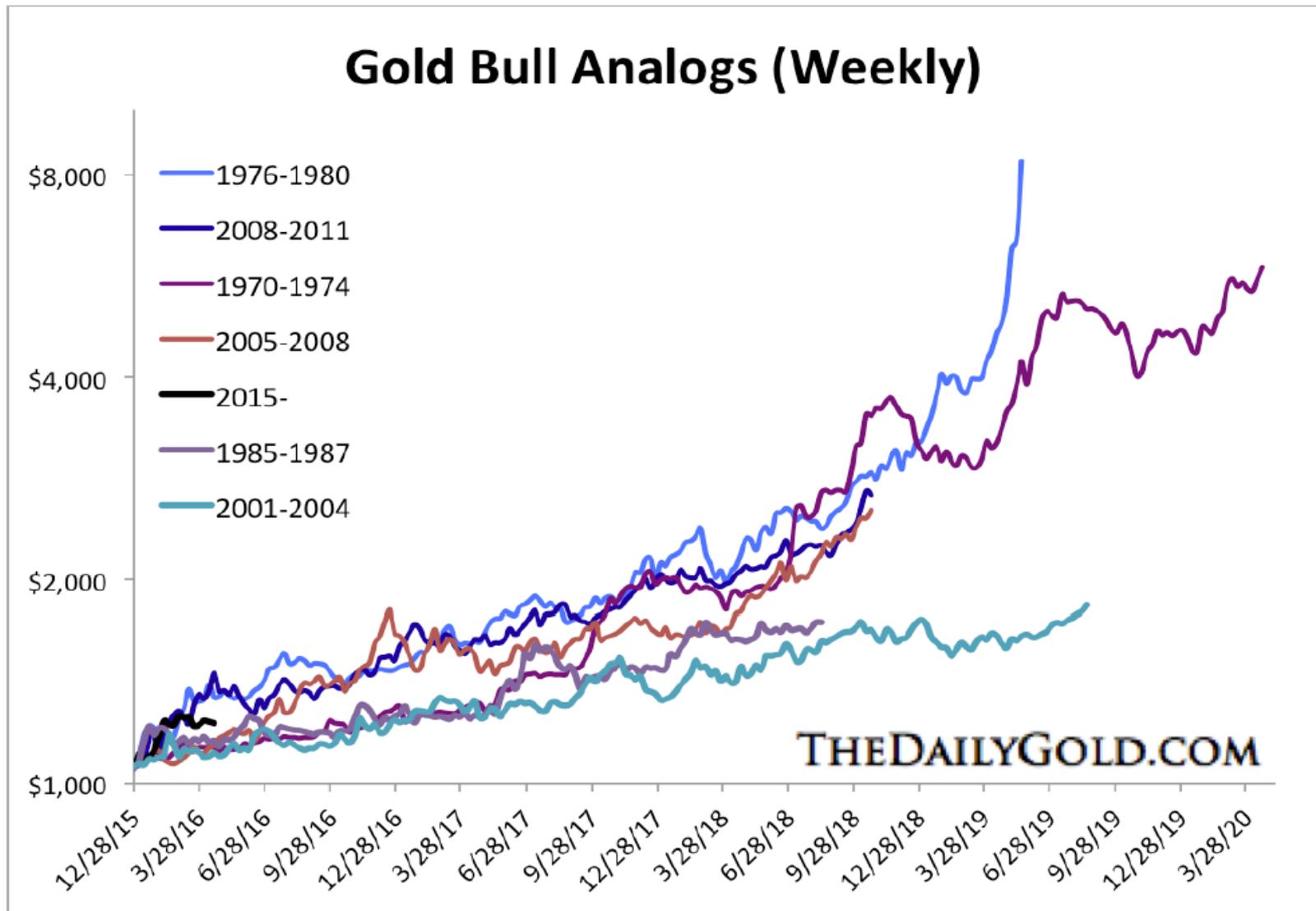
China has actively encouraged its citizens to buy gold and the Shanghai gold exchange is now the largest in the world

China has also recently issued a RMB denominated gold option, allowing gold to function as a currency and be used to pay for transactions as an alternative to the US Dollar, this could change the nature of gold as an asset class permanently

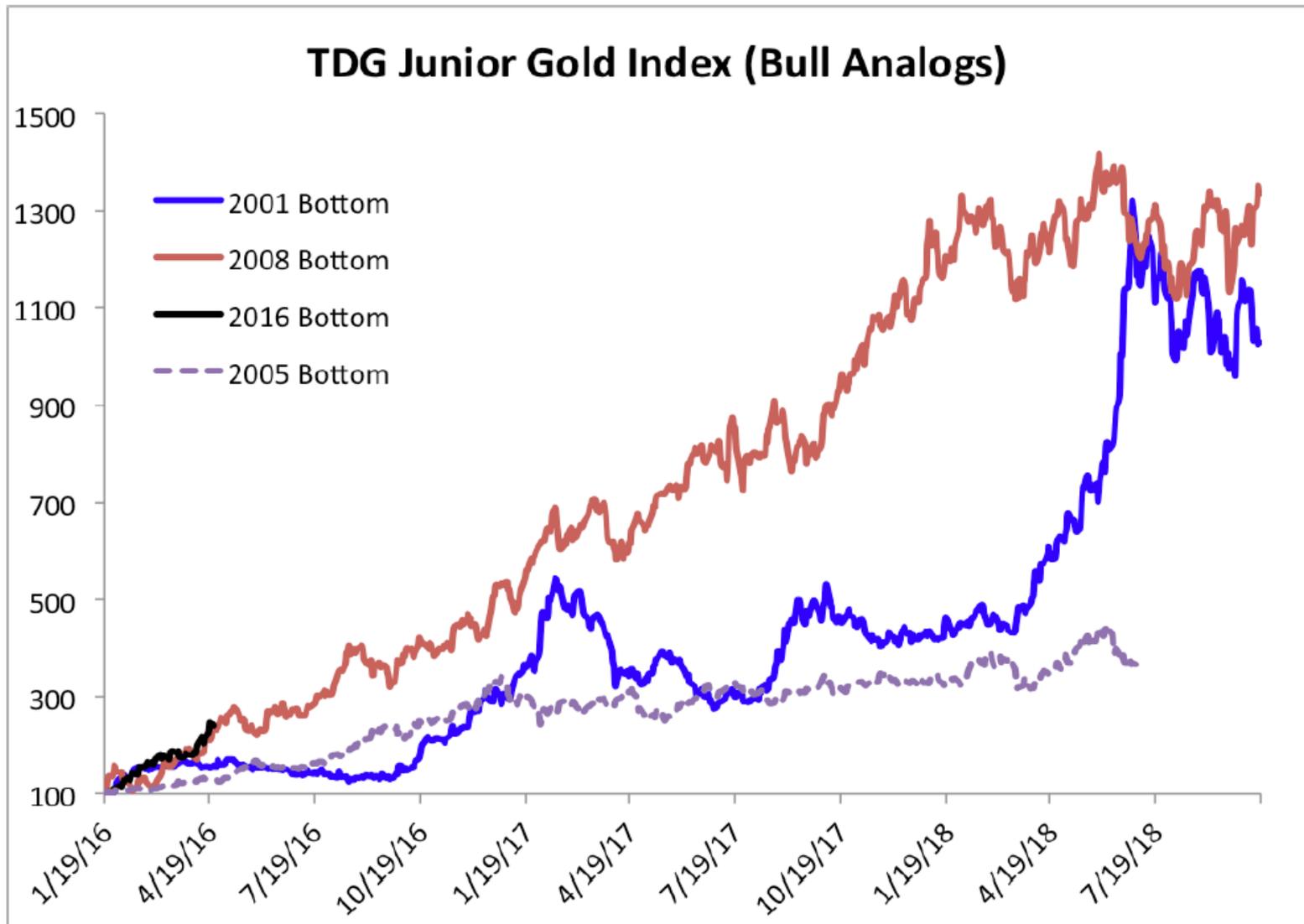
Why Gold stocks not Gold?



Where Is Gold in this Bull Cycle



Where are Gold Stocks in this Bull Cycle





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TC South River Gold and Precious Metals Fund

The TC Gold and Precious Metals Fund, invests in a focused portfolio of what we believe are some of the leading high quality gold companies. We select 'best in class' companies with superior long-term growth prospects. Our rigorous bottom-up approach stock selection identifies typically 60-70 global companies. We have ambitious plans for the fund as part of a wider and significant growth strategy for SRAM. We believe that the outlook for gold and for smaller company gold shares in particular is positive and we are aiming to position the fund to ensure it can continue to take advantage of a secular re rating in the gold market

