



Press Release | SA's first Bullion Investment Manager Launched

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Private and institutional investors now have the choice of using an investment manager to invest in physical gold bullion as an alternative to holding cash denominated in a national currency.

SA Bullion Fund Management, the country's first dedicated gold bullion investment manager, has been established by Cape Town-based Hilton Davies and Germiston-based Rand Refinery, the world's largest refiner of gold.

"The regulatory environment for investing in physical gold in South Africa is highly complex," said Davies, managing director of SA Bullion.

Established in 2005, SA Bullion has spent the last few years ironing out regulatory issues. As gold falls within the area of foreign currency it was necessary for the firm to win the approval of the South African Reserve Bank.

Working with the Exchange Control Department of the Reserve Bank, the South African Mint and Rand Refinery, authorisation was granted in early 2007.

Investors can take full ownership

"What we sought to do is to create an investment vehicle where investors can take full ownership of bullion and do so at low administrative cost with complete security. As such, investors are not investing in a gold derivative, commonly known as paper gold, where there is credit risk related to the issuer; similarly there is no stock market risk involved," he explained.

Davies advised that gold should be viewed as a form of cash, and that its investment merit is as a currency on the ascendancy while senior currencies are depreciating due to excessive money supply growth.

SA Bullion's investment mandate makes use of the Krugerrand. The gold one-ounce coin is recognised as legal tender and as such, the South African Reserve Bank stands as guaranteed buyer.

But unlike other forms of gold, the coin does not attract Value Added Tax.

Elimination of costs of shipping

The usual costs associated with investing in Krugerrands also have been largely eliminated by the wholesale pricing being passed on to the investor, as well as the elimination of the costs of shipping and retailing.



The outcome is a portfolio that is investing into ounces of gold secured at Rand Refinery for which the client pays a low service charge, says SA Bullion.

"As SA Bullion's strategic partner we are delighted to bring the mainstream of investors into the gold market, particularly as we hold an extremely bullish view on gold," said Johan Botha, global markets executive of Rand Refinery.

Major exponents of the case for investing in gold include leading global economists such as Marc Faber and Richard Russell, who have been extolling the investment case for gold for several years.

Bottom of the down-cycle

Gold experienced a 20-year bear market from its peak in 1980 with the bottom of the down-cycle at around the turn of the century.

In the last three years gold has returned 22.1 percent per annum in dollars and 24.8 percent per annum in rand.

SA Bullion said by comparison, cash in rands has returned approximately 6.5 percent per annum before tax.

I-Net Bridge

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