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# Tocqueville Shariah Gold Hedge Fund Outperforms Price, Index

By Devon Maylie  
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LONDON (Dow Jones)--U.S.-based Tocqueville Asset Management LP's Shariah-compliant gold hedge fund is outperforming both the metal's price and its Philadelphia index year-to-date, delivering a similar performance to its other gold investments.

That performance should continue, portfolio manager John Hathaway told Dow Jones Newswires, because he forecasts gold to trade into the quadruple digits and stay there.

DSAM Kauthar Gold Fund, managed by Tocqueville Asset Management, is one of four hedge funds offered by Dubai Shariah Asset Management, a joint venture between Dubai Commodity Asset Management, a wholly owned division of the Dubai Multi Commodities Centre Authority, and Connecticut-based Shariah Capital Inc.

The DMCCA invested \$50 million into the fund as the seed investor. The gold fund compliant with Shariah, or Islamic law, now has \$70 million under management and Tocqueville has a total of \$1.2 billion under management in gold-focused funds.

The Shariah-compliant fund started six months ago and as of the end of June, the calendar year-to-date rate of return was 26.38%.

In comparison, spot gold was up 5.4% year-to-date and the Philadelphia Gold & Silver Index was up 14.71%.

"Performance is in line with our other accounts that aren't Shariah," Hathaway said. "The mutual fund is a bigger portfolio with more legacy positions but if you look at the performance figures and holdings they're almost identical."

The Kauthar Gold Fund invests only in publicly traded gold company stocks. It's not allowed to invest in gold bars or exchange-traded funds.

Shariah Capital's Islamic finance scholars review gold companies and provide the fund with a list that meet Shariah law requirements. Hathaway and his team then choose the ones to invest in. Hathaway said he also submits companies for review.

Gold companies for the most part don't have a lot of debt, which makes them compatible with Shariah. "It would be surprising to submit a name for review and not get it back as an OK stock to invest in," Hathaway said.

In its Shariah fund there are large diversified mining companies including Newmont Mining Corp. (NEM) and region-specific ones like West Africa-focused Randgold Resources Ltd. (GOLD).

"There will typically be larger and midcap names," Hathaway said, adding many of the companies in the Shariah fund are in his other funds too.

Why gold? Hathaway said gold talk is centered around the U.S. dollar and the possibility that it will lose value over time.

Many believe that the U.S. dollar won't be able to hold its value, Hathaway said.

"The euro has similar issues - almost all currencies have similar issues - but the U.S. dollar is a reserve currency and widely owned, which makes it more vulnerable than the euro, which isn't as widely owned," he said.

Given a backdrop of a large U.S. deficit and currency diversification talk from countries such as China, "it seems a

fairly good bet gold will start trading over \$1,000 an ounce," he said.

"I expect gold to get into the four-digit area and stay there permanently unless something miraculous happens in terms of the U.S. finance picture," he said.

A rising gold price means rising margins for well-managed producers," he said.

That is proving to be attractive for both Shariah and non-Shariah investors in the Middle East and Switzerland, said Shariah Capital Chairman and Chief Executive Eric Meyer.

-By Devon Maylie, Dow Jones Newswires; 44-(0)20-7842-9483; devon.maylie@dowjones.com