

COMMODITY

— THE CLUB —

“Investing in gold: Strategies for the future”

Hosted by:

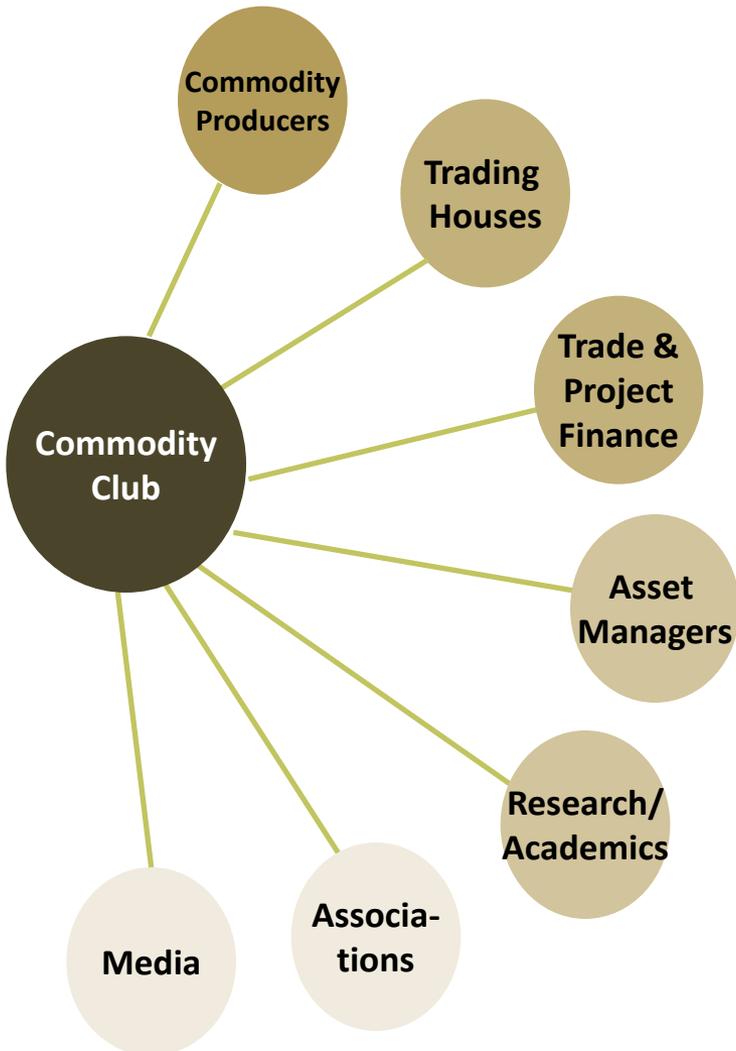
**SWISS &
GLOBAL**
ASSET MANAGEMENT

and



InCube Capital

Bringing together commodity experts along the value chain on an interdisciplinary basis



- **Build a network – personal interaction is key**
- During lunch and dinner events, club members can get to know each other personally and meet physically for interaction and discussions
- **Educational purposes**
- During dinner events, club members get the opportunity to expand their horizon and to acquire additional know-how from other areas
- **Exchange and combination of know-how**
- The active exchange of interdisciplinary know-how can lead to innovative solutions to today's global challenges in complex systems
- **Represent interests and inform**
- Club members and the board of directors uphold the interests of the commodity industry, while acting as an adviser for authorities which need to set out the most appropriate framework

Annual General Meeting, 11.04.2013

Events	Setting the agenda: Current topics from investment, research and physical side (lunch, dinner and off-site events)
Membership	Focus on experts and balance of interdisciplinary members Annual membership fee: 150 CHF
Communication	Actively communicate current topics internally in the club and externally via selected media
Organisation	Strengthening the Board of Directors

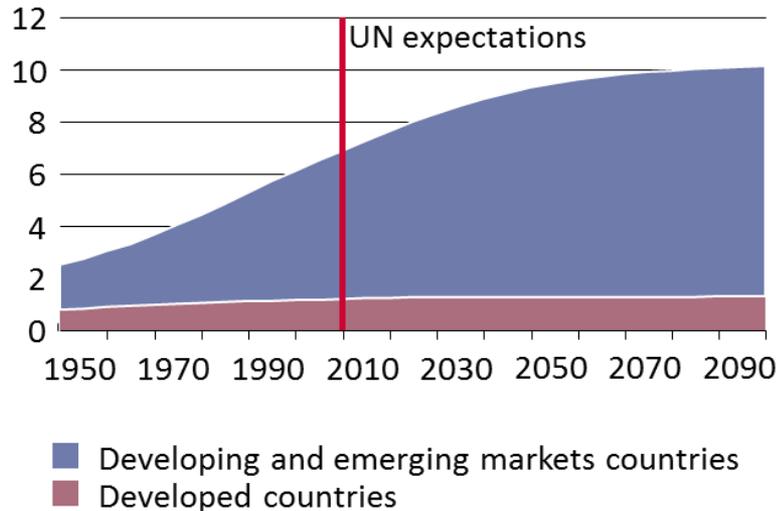
Board of Directors



President	Peter Sigg Head Commodity Products, LGT Capital Management
Vice President	Lorenz Arnet Founding Partner, InCube Capital AG
Treasurer	Alexander Petrovic Head of Finance (Non Ferrous, Ferrous & Bulk Commodities.), Trafigura Pte Ltd.
Actuary	Alexander Tobler Portfolio Manager, Alnua Investment Managers
Consultant	Stephan Müller Product Management & Development Physical Commodities, Swiss & Global Asset Management Ltd.

Increasing demand for Commodities

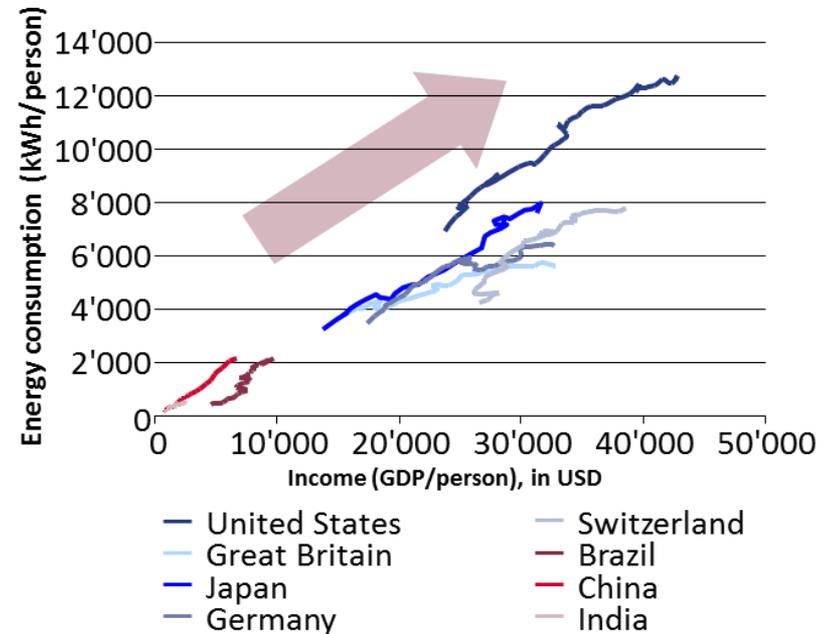
Evolution of world population
(in billion)



Population growth

Mainly driven by developing and emerging markets countries

Evolution of income and energy consumption
(1970-2010)



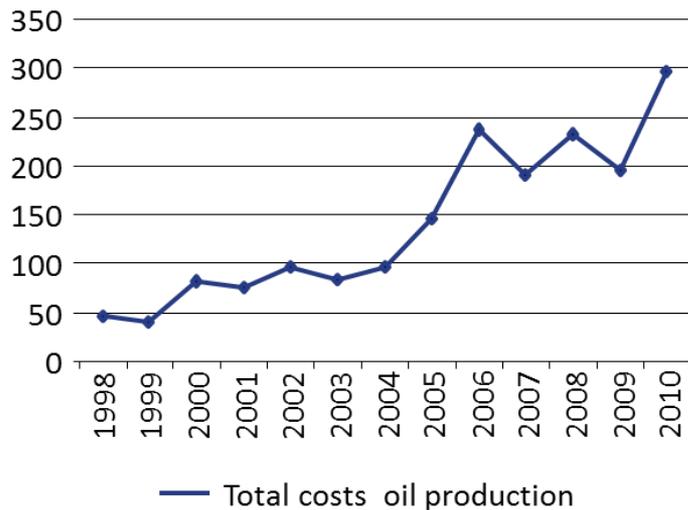
Prosperity

Increasing consumption of commodity goods due to increasing income

Source: LGT
Investments open up new opportunities, but they also involve risks.
Please consult the legal information at the end of this presentation.

Increasing costs for exploitation and production of Commodities

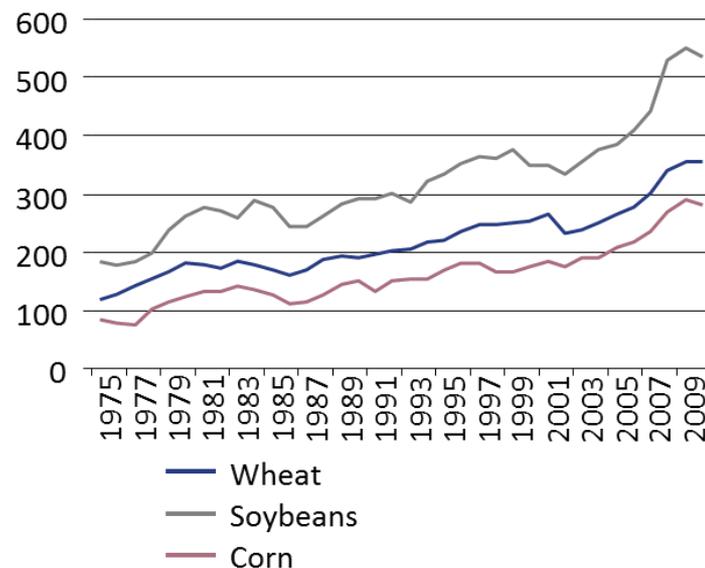
Evolution of total costs of selected crude oil companies (in USD billion)



Boost in costs for crude oil exploitation

Mainly driven by higher costs, e.g. for exploration, technology and licences

Rise in production costs of agriculture commodities (in USD per acre)



Increasing prices for farm products

Due to rising costs for seeds/fertilizer/energy resources and scarcity of arable land

Source: Bloomberg

Source: LGT

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Reasons for a strategic allocation to commodities/gold

Diversification

- Potential to improve portfolio returns

Inflation protection

- Commodities preserve purchasing power

Real assets

- Physical underlying in a virtual world

Attractive asset class

- Structural increase in commodity prices expected

Source: LGT
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Markets: Shale oil revolution boosting supply



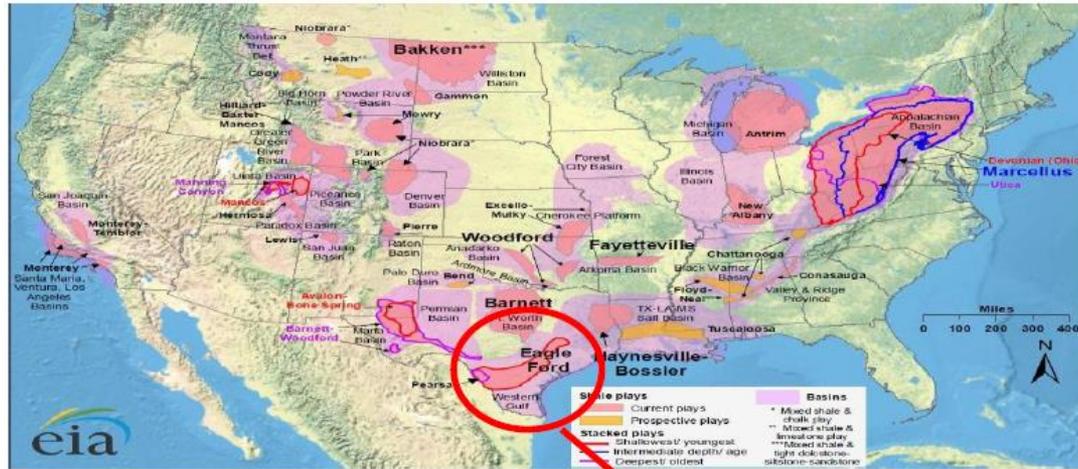
- New technologies (horizontal drilling and hydraulic fracking) boost recovery of shale oil/gas
- Production of shale oil in US has increased from 5 mio bpd to 7 mio bpd: + 40% since 2009

Markets: Major increase in US oil and gas production



- Drilling in North Dakota (Bakken), one of most sparsely-populated areas in US
- Lights are due to drilling rigs, housing estates of drilling personnel and gas burn-off

Markets: Major increase in US oil and gas production



Texas night sky in 2007



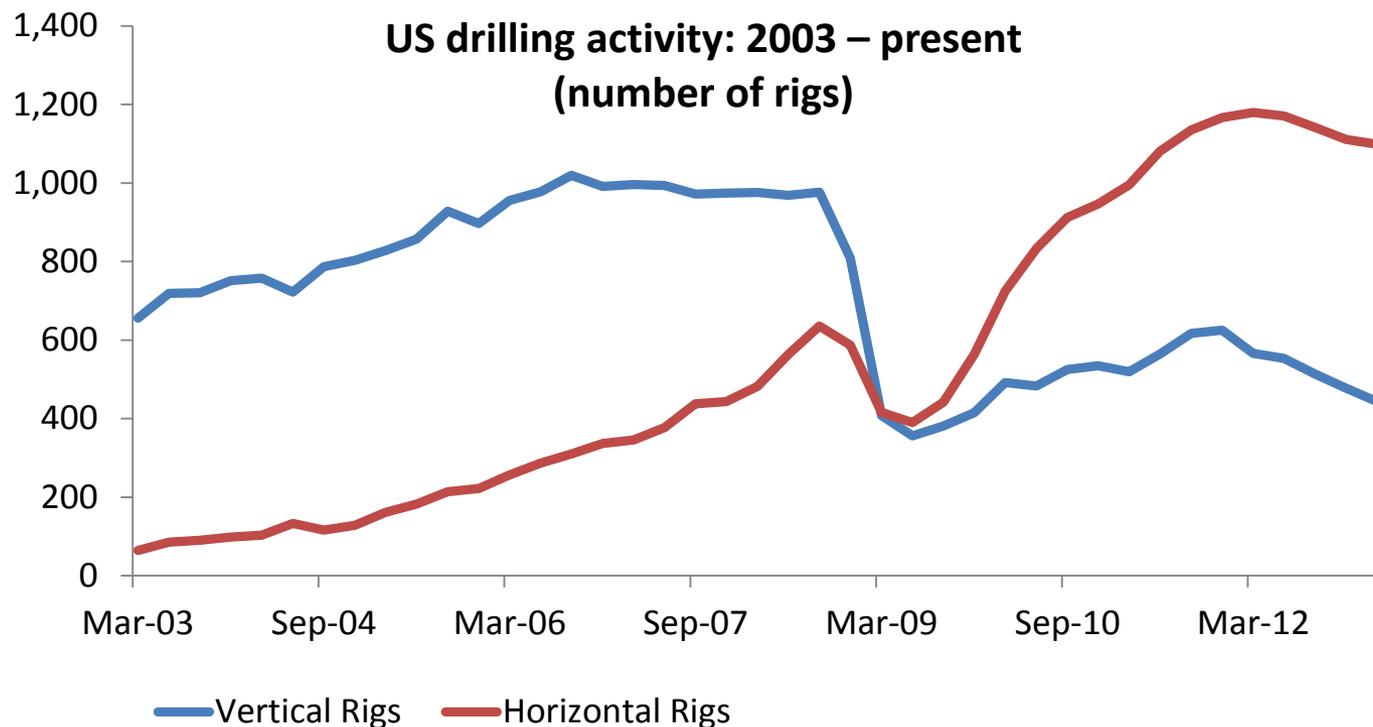
Texas night sky in 2012



Source: DOE, NASA, Barclays Research

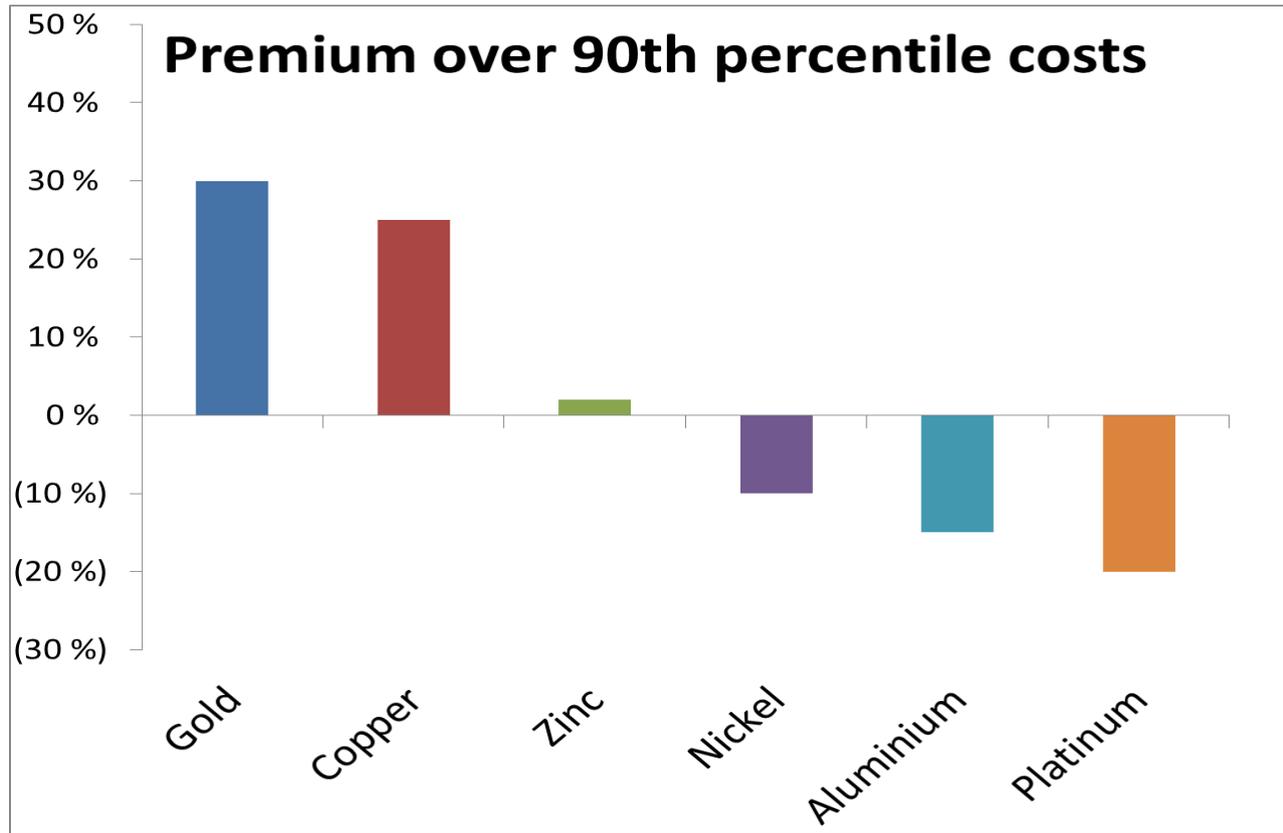


New technologies transform US oil exploration



- New technologies (horizontal drilling, hydraulic fracking) have overtaken traditional techniques
- Momentum to decelerate, as depletion rates of new fields increase
→ export of technology abroad ? Environmental concerns?

Metals: market prices vs production costs

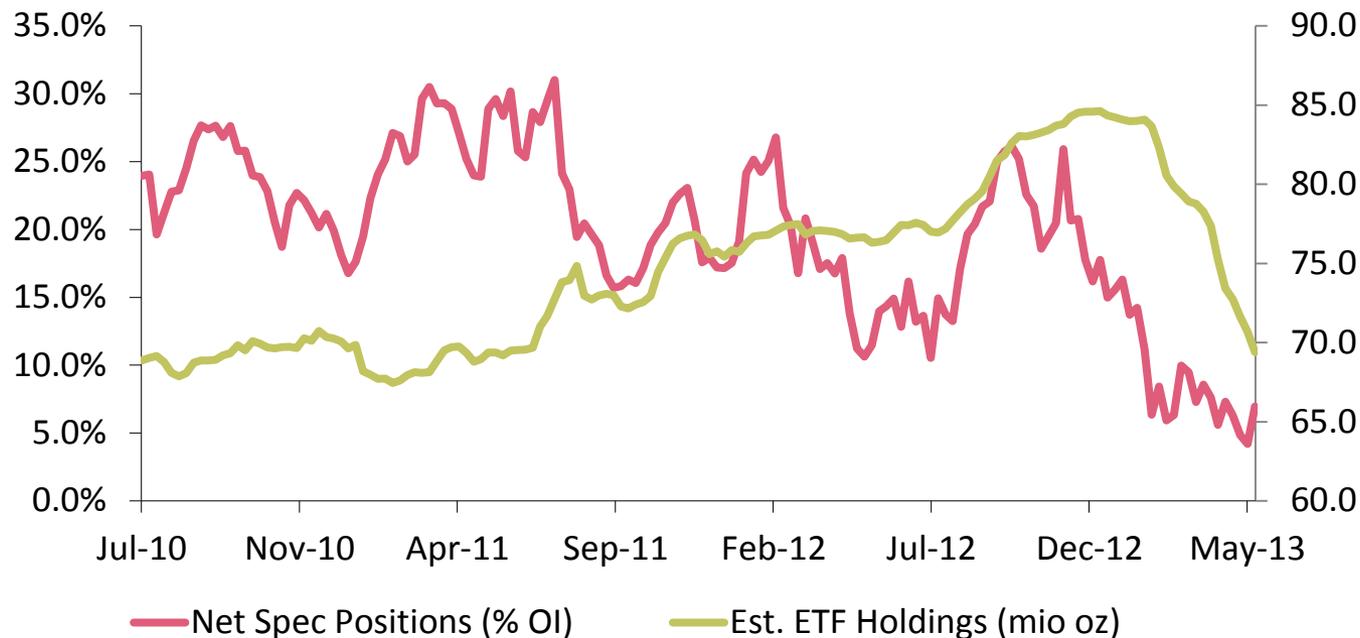


- Falling prices pressure profit margins: mining increasingly loss-making
- Most high-cost producers in China: to reduce production in response to low prices

Source: LGT/Macquarie Bank
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Massive gold liquidation by institutional investors

Gold, Net Spec Positions, ETF holdings



- Large-scale ETF liquidation combined with reduction Comex positions reflects changing investor sentiment towards gold (largely due to expected QE-tapering)
- Physical demand (coins, jewelry) and central bank buying remain strong, but not sufficient to absorb institutional selling
- In our view, most of this liquidation is behind us: gold price to stabilize

Source: LGT/Bloomberg
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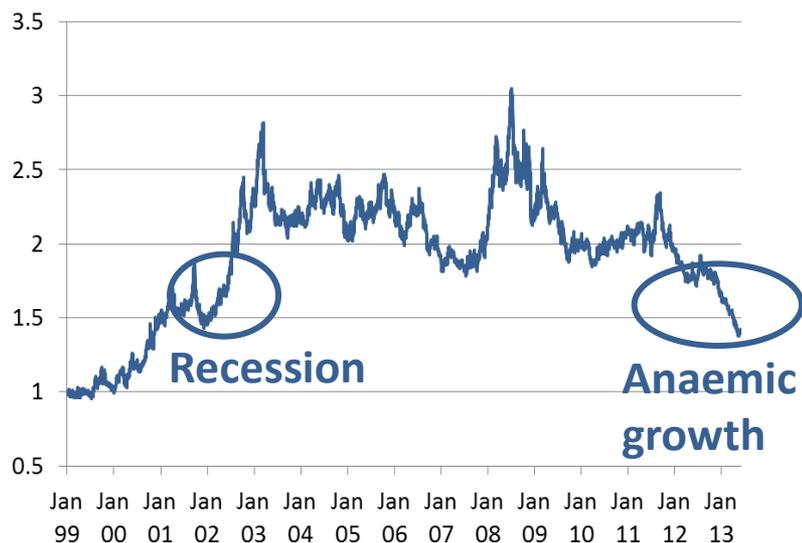
Rising prices and agricultural investments



- Are high prices driven by fundamentals or speculative investments?
- What are the positive and possible negative effects of participation of investors in agricultural commodities?

Commodity valuation vs equities: attractive from historical perspective

Commodity: equity ratio
(since 1999)



Commodity: equity ratio
(since October 2012)

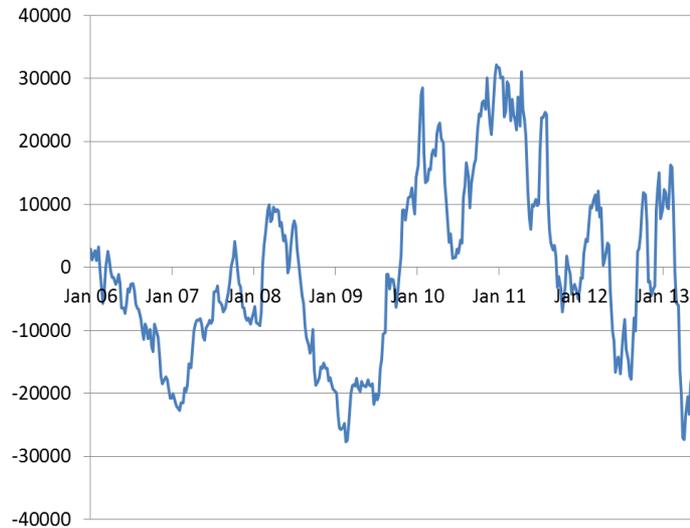


- Commodity: equity ratio (MSCI World vs. DJ UBS Commodity Index) at historical low
- Commodities price in global recession: we see continued anaemic growth
- Attractive valuation vs other “risky asset classes”

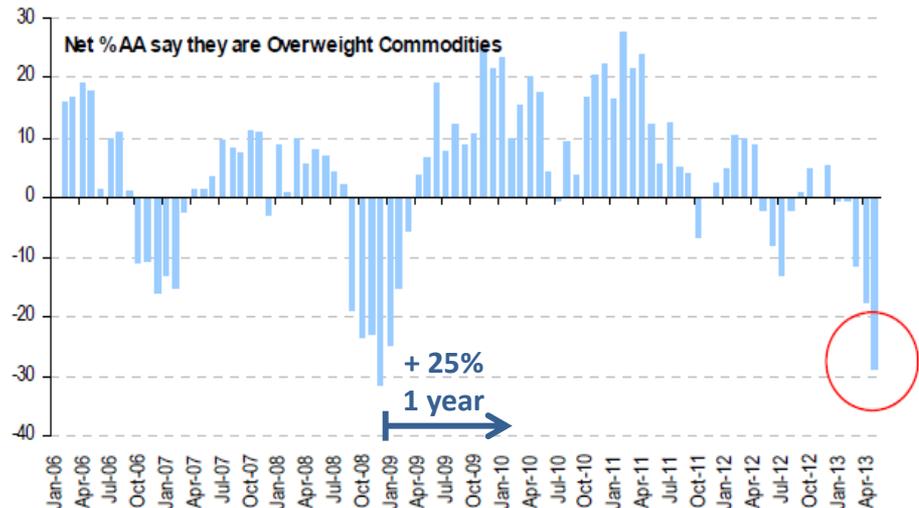
Source: LGT, Bank of America, Bloomberg
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Negative sentiment at multi-year low: good counter-indicator in the past

Copper: speculative positions CMX (since Jan 2006)



Fund positioning in commodities (since Jan 2006)



- Commodities good diversifiers and return-drivers in certain scenarios
- To prepare for these scenarios by increasing commodities allocation: commodities are currently attractively valued
- Fund positioning and market sentiment rather too negative when considered in macro context; Additional price support through cost curves

Source: LGT, Bank of America, Bloomberg
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Outlook Events 2013

Educational Dinner Events

- | | |
|-------------|--|
| 3rd Quarter | Sustainable commodity value chains and controversy on speculators (co-organized with greenbuzz.ch) |
| 4th Quarter | Energy revolution / Resource scarcity (Club of Rome) |

Lunch Events

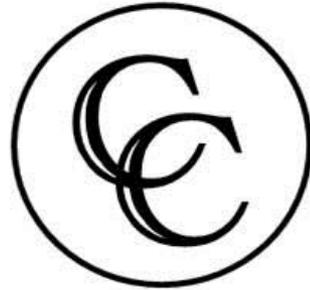
- | | |
|-------------|---------------------------|
| 2nd Quarter | Commodity lunch in Zug |
| 3rd Quarter | Commodity lunch in Geneva |
| 4th Quarter | Commodity lunch in Zurich |

Updates, news, publications and contacts under www.commodityclub.ch

Commodity Club Gold Trophy



- Gold price forecast of club members and event participants
- Assessment of adequate gold quota in an investor's portfolio
- Indication of existing positions and intended actions
 - Communication of results/forecasts on an aggregated level
 - Communication of winner in Q1/2014 with challenge cup



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wish you an interesting event!