



Boutique fund mines a rich seam of profit from soaring gold price

LONDON-based Charteris is a boutique wealth manager that celebrated its 40th anniversary this year.

Although it looks after some £100million of clients' money, it struggles to get recognition for the funds it runs.

One, Premium Income, was wound up last month after it failed to get sufficient traction from investors, while two others – Global Macro and Strategic Bond – have combined assets of only £11million. Charteris says there are no plans to wind these up.

The jewel in Charteris's crown is Gold & Precious Metals, a £20million fund that is mining a rich vein on the back of rising gold and silver prices. The price of gold is near to an all-time high, trading at above \$2,700 per ounce – a result in part of continued tensions in the Middle East, the impending US election and strong buying from Asia.

The price of silver has also risen over the past year by 46 per cent in dollar terms (gold has increased by more than 40 per cent).

Like most commodity investment funds, Charteris doesn't invest in the metals directly.

FUND FOCUS

By Jeff Prestridge

Instead, it buys shares in the companies that mine gold, silver, and other precious metals.

Over the past year, the fund has delivered a strong return for investors of 49 per cent, but manager Ian Williams, also chief executive of Charteris, believes there are more returns to be had.

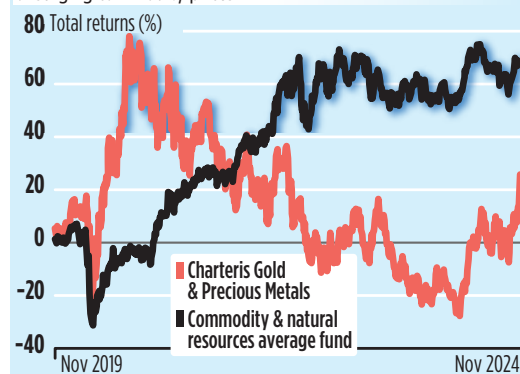
He says China's continued disinvestment out of US Treasury bonds and into gold will push the metal price higher. 'We are nowhere near the top,' he says. 'The tailwinds driving the price are strong.'

He also believes the recent meeting of so called BRICS countries in Russia will push its price higher.

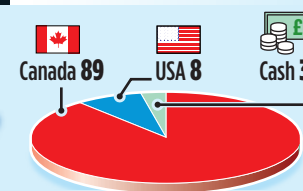
Member countries agreed to increase trade in precious metals between themselves and establish an exchange to rival those in the West such as the London Metal Exchange. Although BRICS stands for Brazil, Russia, India, China, and South Africa, it now includes Egypt, Ethiopia, Iran and the United Arab Emirates. Saudi Ara-

CHARTERIS GOLD & PRECIOUS METALS FUND

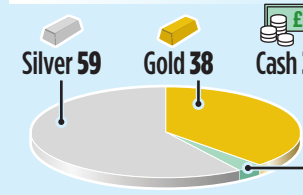
A fund that could make strong gains on the back of surging commodity prices



Where the fund is invested by country (%)



And by metal (% of fund)



TOP 10 HOLDINGS*

Company	% of fund
AYA Gold & Silver	8.3
Agnico Eagle	8.1
Alamos Gold	5.1
Silvercorp	4.9
Wheaton Precious	4.7
MAG Silver	4.5
Royal Gold	4.5
Fortuna Mining	4.4
Seabridge Gold	4.2
Silvercrest	4.2

*all Canadian apart from Royal Gold (USA)

bia is yet to make a final decision on joining.

While Charteris is badged as a gold and precious metals specialist, its portfolio is skewed towards silver mining companies.

Williams says: 'Looking back over the past 50 years, silver has traded at a price equivalent to two per cent of the gold price. Currently, it is trading at around 1.2 per cent. That suggests that silver could go to between \$50 and \$60 an ounce.' It currently trades at just under \$33.

The manager also likes the fact

that the silver market is in structural deficit, leading to a mismatch between supply and demand, driving prices.

The fund has 25 holdings with most listed in Canada and the US. The largest is Canadian-listed AYA Gold & Silver. 'The company's name is a bit of a misnomer,' says Williams. 'It's essentially a silver mining business with a big operation in Morocco. It's well managed with the potential to increase production.'

There are rival funds aplenty,

including those run by BlackRock (Gold & General), Jupiter (Gold & Silver) and Ruffer (Gold). Investors who prefer a fund where returns directly track the price of gold or silver should look at iShares Physical Gold and iShares Physical Silver.

Ongoing charges on Charteris Gold & Precious Metals total 1.36 per cent. 'It's an investment portfolio diversifier,' says Williams. 'An investor shouldn't have zero exposure to commodities, but nor should they have 100 per cent.'