

# P&C Global Gold and Natural Resources Fund

## Monthly Investors Report as at 30 September 2010

Swiss Valoren No 1.557.566 Bloomberg Ticker: PCGLDFD CY

**Fund's objectives:** Seeking absolute returns in USD and portfolio insurance through diversification into asset class with low correlation to financial assets (bonds, equities and currencies).

**Investment vehicles:** Gold mining equities (<100%), physical gold, silver and precious metals (<100%), cash (<50%). Plus other natural resource equities and commodities. Cash used for capital preservation. Significant gold sector exposure expected.

**Investment restrictions:** Min 20 holdings, 10% max single share holding, 15% max single issuer, 5% max unlisted equities, normally no currency hedging.

### Asset Allocation

Metal Resource Shares:	97.6%
Physical Gold:	-
Physical Silver:	0.2%
Cash (net):	2.2%

### Fund Statistics

Number of Months:	91
Number of Up Months:	54
Average Up Month:	+8.3%
Number of Down Months:	36
Average Down Month:	-8.2%
Largest Monthly Rise:	+28.1% (May 2009)
Largest Monthly Fall:	-43.1% (Oct 2008)
Number of Positions:	30
Unlisted Positions:	0
Largest Stock Position:	7.1%

### Monthly Performance (gross)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr
2003	-	-	-3.8%	-0.6%	13.3%	2.0%	9.8%	19.1%	4.5%	7.4%	7.1%	3.3%	80.0%
2004	-5.0%	2.0%	6.8%	-19.4%	1.4%	-6.1%	-2.2%	4.9%	9.9%	5.2%	8.4%	-9.2%	-7.7%
2005	-2.7%	7.6%	-4.0%	-11.6%	-4.0%	5.9%	3.6%	1.7%	22.1%	-8.2%	9.85%	6.72%	25.0%
2006	18.5%	-2.3%	3.5%	15.4%	-10.0%	-5.4%	-2.56%	1.15%	-8.11%	9.02%	5.40%	-2.15%	19.7%
2007	-2.99%	1.94%	1.27%	3.80%	0.57%	1.53%	-2.01%	-12.08%	21.11%	11.1%	-11.0%	3.0%	12.8%
2008	0.17%	8.8%	-12.7%	-9.0%	6.9%	-1.0%	-13.4%	-17.1%	-18.9%	-43.1%	19.4%	21.6%	-57.2%
2009	1.8%	1.2%	6.9%	-7.8%	28.1%	-14.1%	4.7%	1.8%	12.2%	-2.9%	19.0%	-1.8%	51.4%
2010	-10.3%	7.7%	2.3%	16.6%	-5.6%	1.1%	-3.7%	12.3%	9.5%				30.3%

All prices and comparative numbers are unaudited and for indication purposes only

### Key Information

Subscription price:	USD 2,361.49 (as at 30 September 2010)
Min Investment:	USD 100,000
Type of Fund:	Cyprus private fund under International Collective Investment Scheme Law No 47(1) 1999 of Cyprus
Fund Manager:	P&C Global Fund Management Ltd, Cyprus
Sub-Manager:	P&C Global Wealth Managers SA, Switzerland
Custodian:	RBC Dexia Investor Services Trust, UK
Administrator:	CP Palema Ltd
Auditor:	KPMG
Sales Fee:	Up to 5% permitted
Dealings:	Monthly (last business day of month)
Management Fee:	1.80% p.a.
Performance Fee:	12% p.a. absolute returns (High Water Mark principle)

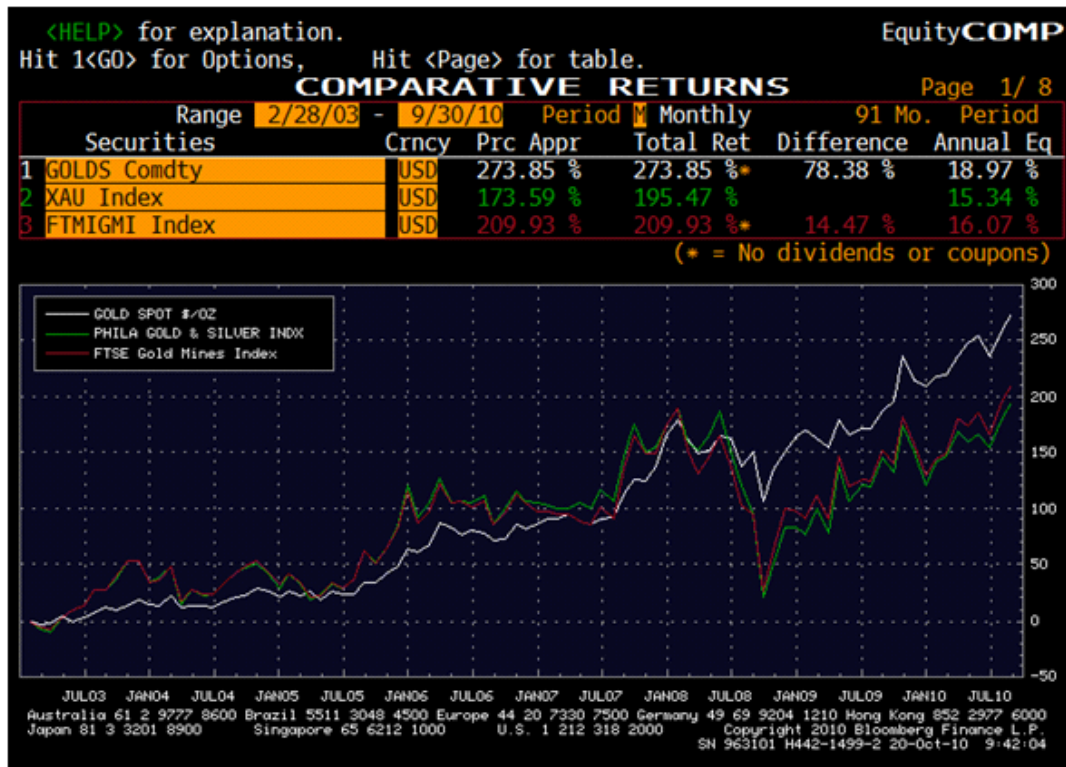
### Buys/Sales

Buys	Sales
G-Resources	Andean Resources
Endeavour Mining	Red Back Mining

### Top 10 Holdings

1. IAMGold	6. Endeavour Mining
2. Eldorado Gold	7. Goldcorp
3. Silver Wheaton	8. Osisko Mining
4. Barrick Gold	9. Franco-Nevada
5. Newcrest Mining	10. New Gold

Gold bullion continued its upward trajectory during the month of September, driven by fears of a global currency devaluation race and the prospect of another round of quantitative easing (QE2). The yellow metal gained 4.9% and broke through the USD 1,300 an ounce barrier towards the end of the month. This performance was matched – but not significantly exceeded – by gold equities in general. The Gold BUGS Index (HUI) was up 4.5%, the FTSE Gold Mining Index gained 5.0%, and the Philadelphia Gold and Silver Index (XAU) rose 6.4%. The P&C Global Gold and Natural Resources Fund managed to beat these sector indices, posting a gain of 9.5%, bringing the year-to-date performance to plus 30.3%.



Gold equities have underperformed gold bullion over the last seven years (source: Bloomberg)

Much of the fund's outperformance is attributable to the M&A activity in the sector. We held both *Andean Resources* as well as *Red Back Mining* in the portfolio. Both companies were approached and subsequently taken over by larger entities. In both cases we decided to liquidate the position relatively quickly and reallocate the funds elsewhere. The risk of doing that is obviously to miss out on a further more generous takeover offer. But it didn't look as if such offers were forthcoming, and anyway, we were very happy with the year-to-date performance and the takeover premium on both stocks.

Another stock position that no longer appears in the portfolio is *Lihir Gold*. The company has merged with its Australian competitor Newcrest Mining. The deal was announced in the spring of this year, and the shares jumped from approx. AUD 3 to AUD 4. In the case of Lihir, we decided not to sell the shares on the market, but to hang on to the very end. The Lihir shares had their last official trading day on 30 August 2010, ending at an all-time high of AUD 4.48. The merger was finally implemented in September, thereby locking in the share price performance for us. As a consequence of this deal, our position in *Newcrest Mining* has increased significantly. The stock is now our fifth largest holding, but we are happy with this as we like the Newcrest story.

All this M&A activity has not only affected the share prices of real takeover targets such as Red Back Mining, Andean Resources and Lihir Gold, but also of potential acquisition targets. We attended the *Denver Gold Forum* in September, and the main question being asked was "Who will be next?", i.e. which company will be approached by one of the major gold companies looking to increase its reserve base quickly. This logic explains the very strong performance of shares such as Victoria Gold (+55.5%) and Romarco Minerals (+30.5%). Conversely, the shares of companies deemed to be suitors in the M&A game such as Goldcorp, Eldorado and Barrick traded down during September.

We have initiated two positions in the portfolio during September: *G-Resources* and *Endeavour Mining*. *G-Resources* is listed on the Hong Kong stock exchange, which is not exactly known for its abundance of gold mining companies. The company bought the “Martabe” project from OZ Minerals in 2009. “Martabe” is a relatively high grade gold-silver project in Indonesia, which should come into production by the end of 2011, at very low cash costs per ounce. The project is well financed and the management have a good track record. *G-Resources* is still not that well known in the main resource markets such as Canada. In our view, the stock should re-rate as the project gets nearer to production and as the company gets better known outside of the Hong Kong market.

*Endeavour Mining* (formerly *Endeavour Financial*) has transitioned from a merchant banking platform into a junior gold producer by recently acquiring the 45% minority interest in *Etruscan Resources* (the company had already acquired a 55% interest in October 2009). *Endeavour* now controls a resource of approx. 1.9 million ounces of gold and expects to be producing 80,000 ounces in 2010. The firm has USD 180 million in cash and access to a USD 100 million debt facility for future acquisitions. The shares are trading at 0.57x NAV (using spot prices) versus the junior producer average of 1.0x. We expect this valuation gap to close as investors recognise *Endeavour's* transition to a gold producer and as the management executes its M&A growth strategy.

*Roland Eschle*