

# DSP BlackRock World Gold Fund



## Fund Details

Nav (03-Oct-2011)	₹18.39	NAV:High Low	₹21.19 (8-9-11) ₹6.10 (24-10-08)	Assets (₹.Cr) Aug 2011	1,141	Launch Date	14-Sep-2007
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**About the Fund:** DSP BlackRock World Gold Fund invests through a feeder fund - BlackRock World Gold Fund. The fund is also exposed to currency risks. In addition, the tax implication is that of a debt fund. **Expense Ratio: 1.39%**

### Gold as an Asset Class:

- In comparison to equities, gold has been able to deliver significant outperformance during the last 4 years and a similar trend could be expected to continue considering the need for several economic stimulus and fiscal economic restructuring to tide away the crisis. This would typically lead to high inflation in the long term and gold prices would surge up in any high inflation scenario.
- Key driver of price in recent times has been its appeal as a safe haven.
- Gold prices have historically displayed negative or low correlation to other asset classes. Thereby provides diversification options to long term investors.

### Point to Point Returns (%) (as on 03-Oct-2011)

Period	Fund	GOLDBeES	NIFTY
3 Months	6.36	22.09	-13.82
6 Months	-0.78	26.48	-16.76
1 Year	4.24	36.95	-20.96
3 Year	21.83	26.41	8.26
YTD	-6.79	38.38	-0.08

\*Returns for less than 1 year are absolute and more than 1 year are compounded annualized

### SIP Performance (as on 03-Oct-2011)

Tenure	Investment	Value	XIRR (%)
12 Months	1,20,000	1,18,743	-2.28
24 Months	2,40,000	2,62,002	9.44
36 Months	3,60,000	4,61,208	17.73

### Top Holding as on Aug 2011

Name of Instrument	% to Net Assets	Top Sectors	% to Net Assets
Newcrest Mining Ltd.	9.70	Gold	78.40
Goldcorp Inc.	7.70	Silver	13.40
Kinross Gold Corp.	7.30	Platinum	4.20
Fresnillo Plc	6.40	Others	3.90
Compania De Minas Buenaventura	5.80	<b>Total</b>	<b>100.00</b>
Industrias Penoles S.a.b. De C.v.	5.30		
Impala Platinum Holdings Ltd.	4.10		
Randgold Resources Ltd.	3.90		
Agnico-eagle Mines Ltd.	3.50		
Eldorado Gold Corp.	3.40		
Other (Undisclosed)	42.90		
<b>Total</b>	<b>100.00</b>		

### Why Invest into Gold Mining Companies:

- The significant increase in gold prices would act as an incentive for gold mining companies to mine and sell more gold at higher prices thereby increasing their stock valuations. However in actual scenario, the production of gold has been on a reducing trend worldwide widening the demand-supply gap, thereby increasing the possibility of Gold prices continuing to remain at higher levels.
- The fund provides exposure to top gold mining companies in the world and provides opportunity to Indian Investors to invest in these companies.
- The NYSE Arca Gold BUGS Index (HUI) is a modified equal-dollar weighted index of companies involved in major gold mining companies, with 16 constituent companies having global presence. Two significant observations are being made from the index movement since 2003:
  - First, that Gold tends to be priced at 2 times that of this index. (ie. if gold is \$1000, the HUI would be close to 500). This relationship can also be considered to be more "Balanced".
  - Secondly, since 2008, this relationship has widened to almost 3 times (Gold closed at USD1629.80/t oz while HUI index is at 523.91 as on 29<sup>th</sup> September 2011).

Both observations when put together indicates one thing, these gold mining companies are deeply undervalued and have considerable potential for its stock values to grow.

- DSP BlackRock World Gold Fund provides exposure into these global gold mining companies through **BlackRock World Gold Fund**. At present, during the last one year period the fund has gained by 9.95% as compared to Gold which gained by 36.52% during the same period. We expect the fund to cover up the proportionate gap and may witness a faster recovery than other equity instruments, in view of improved profitability of mining companies.

**Recommendation:** We would recommend **INVESTMENT** into the fund via **Systematic Investment Mode** with a term of atleast 3 years, by investors who want to diversify their portfolio and looking for benefits linked with the ongoing rally in Gold prices without taking additional exposure in the yellow metal.

**Brief Details of the Top Holding:**

<b>Newcrest Mining Limited.</b>	<b>Market Cap-25</b>	<b>P/E-26.5</b>	<b>EV/EBITDA T12M-12.3</b>	<b>P/B-1.8</b>
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<b>Metal</b>	<b>Reserves *</b>
	<b>FY11</b>
Gold	80.0
Silver	55.7

Newcrest is Australia's largest gold producer and one of the world's top 10 gold mining companies by production, reserves. Newcrest has a portfolio of low cost, long life operating mines, a strong pipeline of growth projects and highly prospective brown and greenfield exploration projects. The key targets are to move gold production up from the ~2.75 Moz pa level to ~4 Moz pa by FY16 and copper production from ~80koz to ~150koz.

<b>Goldcorp Inc.</b>	<b>Market Cap-37.1</b>	<b>P/E-23.5</b>	<b>EV/EBITDA T12M-13.7</b>	<b>P/B-1.8</b>
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<b>Metal</b>	<b>Reserves *</b>
	<b>FY11</b>
Gold	60.1
Silver	1293.9

Goldcorp Inc. is a leading gold producer engaged in the operation, exploration, development and acquisition of precious metals properties in Canada, the United States, Mexico and Central and South America. The company is targeting a gold production of 4.0 Moz pa by 2015 from 2.5 Moz pa registered in FY11.

<b>Kinross Gold Corp.</b>	<b>Market Cap-17.2</b>	<b>P/E-24.2</b>	<b>EV/EBITDA T12M-9.8</b>	<b>P/B-1.2</b>
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<b>Metal</b>	<b>Reserves *</b>
	<b>CY10</b>
Gold	62.4
Silver	90.9

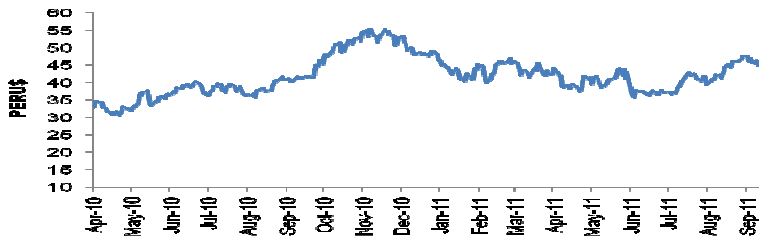
Kinross is engaged in gold mining and related activities in Canada, the United States, the Russian Federation, Brazil, Ecuador, Chile, Ghana and Mauritania. With the commercialization of new mines and expansion of existing mines the production of gold is expected to double from the current level of 2.3 (2010) to 4.5-4.9 in 2015.

<b>Fresnillo Plc.</b>	<b>Market Cap-18.1</b>	<b>P/E-19.4</b>	<b>EV/EBITDA T12M-13.6</b>	<b>P/B-9.4</b>
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<b>Metal</b>	<b>Reserves *</b>
	<b>CY10</b>
Silver	441.6
Gold	4.5

Fresnillo Plc c is the world's leading primary silver producer and Mexico's second largest gold producer. Currently the company operates four mines, has two advanced development projects and an extensive portfolio of high-quality exploration projects and prospects. The company is on track to increase its annual production capacity to 65 million ounces of silver and over 400,000 ounces of gold by 2018.

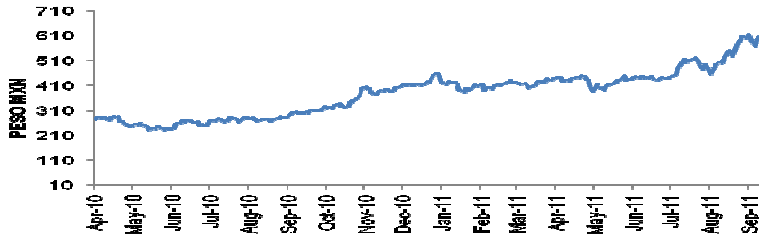
**Compania De Minas Buenaventura. Market Cap-11.0 P/E-12.1 P/B-3.4**



Metal	Reserves *
	<b>CY10</b>
Gold	11.1
Silver	151.5

Buenaventura is Peru's largest publicly-traded precious metals company and a major holder of mining rights in Peru. Buenaventura currently operates 7 mines in Peru and has minority interests in several other mining companies, including a significant ownership interest in Yanacocha (43.65%), one of the most important gold mining companies in the world.

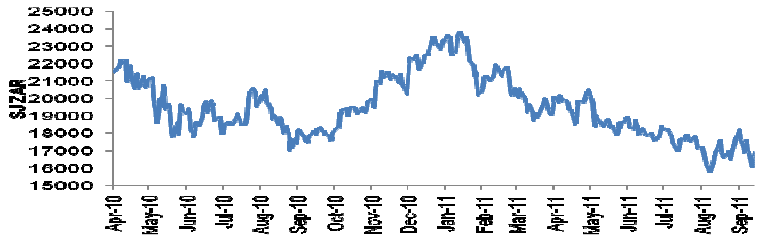
**Industrias Penoles S.a.b. De C.v. Market Cap-15.1 P/E-21.2 EV/EBITDA T12M-8.7 P/B-6.6**



Metal	Reserves *
	<b>CY10</b>
Gold	5.1
Silver	619.1

Peñoles operates six underground mines of industrial metals in Mexico and is positioned as the largest producer of zinc and lead metals contents in the country. Through its 77.1% equity stake in Fresnillo plc, the company has a significant participation in the production of gold and silver as well.

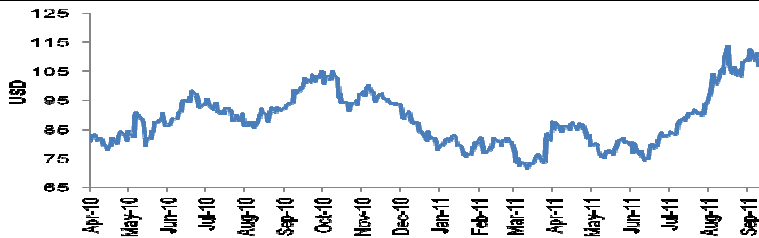
**Impala Platinum Holdings Limited (Implats). Market Cap-12.8 P/E-15.1 EV/EBITDA T12M-9.0 P/B-2.1**



Metal	Reserves *
	<b>FY11</b>
Platinum	228
Palladium	147

Implats is in the business of mining, refining and marketing of platinum group metal (PGMs), as well as nickel, copper and cobalt. The group is one of the most efficient and lowest cost primary platinum producers in the world. The group has extensive operations on the two most significant PGM deposits in the world, namely the Bushveld Complex in South Africa, and the Great Dyke in Zimbabwe. The company plans to achieve production of 2.1 million ounces of platinum by 2014.

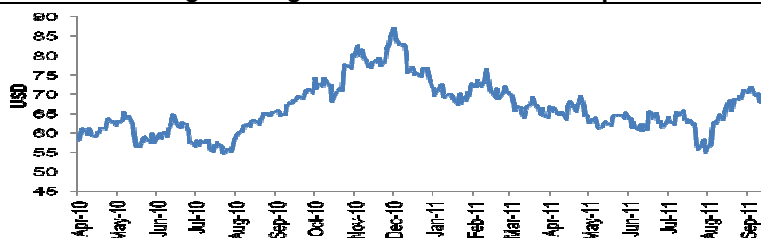
**Randgold Resources Ltd. Market Cap-8.8 P/E-43.6 P/B-4.6**



Metal	Reserves *
	<b>CY10</b>
Gold	16.4

Randgold Resources is an African focused gold mining and exploration company. Major discoveries to date include the 7.5 million ounce Morila deposit in southern Mali, the 7 million ounce Yalea deposit and the 5 million ounce Goukoto deposit, both in western Mali, the 4 million ounce Tongon deposit in the Côte d'Ivoire and the 3 million ounce Massawa deposit in eastern Senegal. Group production for 2011 is forecast to be between 0.7-0.8 Moz - an increase of more than 70% on last year.

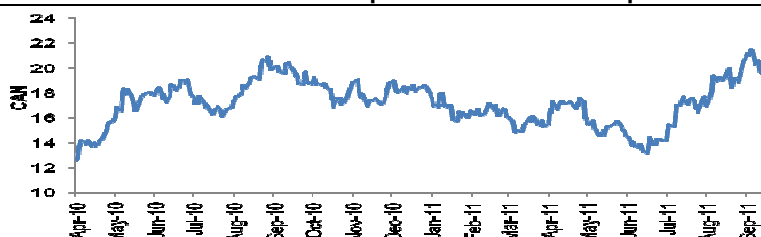
**Agnico-Eagle Mines Ltd. Market Cap-10.2 P/E-38.3 EV/EBITDA T12M-15.1 P/B-2.7**



Metal	Reserves *
	<b>CY10</b>
Gold	21.3
Silver	123.6

Agnico-Eagle Mines is a long established, gold producer with operations located in Canada, Finland, Mexico and the United States. Its flagship mine in northwestern Quebec has produced close to 4 million ounces of gold since 1988. A new mine near LaRonde is one of the lowest-cost underground operations in the gold industry on a per tonne basis. Open-pit and underground operations in northern Finland are extracting one of the largest known gold deposits in Europe. The company is targeting 19% increase in gold production in 2011 and 1.5 million oz by 2014.

**Eldorado Gold Corporation. Market Cap-9.7 P/E-44.6 EV/EBITDA T12M-20.7 P/B-3.2**



Metal	Reserves *
	<b>CY10</b>
Gold	18.7

Eldorado Gold Corporation is a Canadian international gold producer with six operating mines, one mine under construction, two development projects. The company currently has operations that span the geographies of China, Turkey, Brazil and Greece. Eldorado is on track to produce approximately 1.5 million ounces of gold in 2015.

**Note:**

Moz – Million Ounce

\*: As per company data available on public domain.

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