# INVESTMENT FOR WEALTH

General report

## Situation at the end of the First semester of 2012

**Europe**

The effects of the LTRO's seem already exhausted. Their unwanted collateral damage – consisting in reinforcing the links between the national financial institutions and their respective government debt market – has increased the stress related to systemic (financial economic) risks in the eurozone.

The credit spreads between bunds on the one hand and Italian and Spanish government debt on the other hand, have finally forced the hand of Frau Merkel. There is now an accord between euro member states that the EFSF and ESM money can be used to recapitalize banks in the eurozone directly and this while neither subordinating the existing creditors nor imposing Troika style austerity on the national budgets… This has cheered up the equity markets, the euro currency and even the commodity market in the final days of June.

How long will this last? Three months seems a reasonable guess to us. The amounts available are definitely insufficient to stem the market woes on peripheral debt, especially on Italian and Spanish debt. Will Germany give in another time and accept the use of the ESM as a semi banking institute, allowing it to be leveraged six to nine times the available funds? This could eventually take away the urge on the PIIGS to balance their budgets. It would also lead to an increased burden of over-indebtedness of the states, already hampering the growth possibilities in the eurozone. A problem of too much debt cannot be solved by more debt … certainly not in the absence of real productive growth. In the end the systemic risk will become unbearable.

In the end gold will rise as the refuge storage of wealth, in the face of market fears, caused by the then proved ineffectiveness of the authorities and their increased financial and fiscal repression.

Although the timetable of these events is uncertain, its occurrence, in our opinion, is without doubt.

So given the European situation there is nothing to conduct us to change the asset allocations.

**US**

The recent figures on growth and employment confirmed that the US economy has not reached escape velocity from the consequences of the financial fallout post 2008 crisis. And … the fiscal cliff is already looming on the horizon. Prolonging operation twist will be insufficient to avoid a new recession in 2013 … unless the US forgets about its deficits and the fed keeps on printing.

Gold will react positively on these events.

**China**

While main stream economists are still hoping for 8%, our estimate of a growth rate of 6.5% for 2012 is becoming more plausible as the year advances. China will avoid a steeper slow down for the coming years if … it loosens its financial policies and accepts to sustain its economy with financial stimuli … again not a negative prospect for gold.

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### Other BRICs

Brazil has already begun to reverse all pretensions of budget-orthodoxy by creating new financial stimuli programs, negating structural inflation problems. Russia needs higher oil prices. India intends to brainwash their middle class, indoctrinating them that gold is not a "modern" hedge against flawed currency management by the government and its central bankers. Gold is making regularly new highs against a devaluating rupee. So good prospects for Gold even if the record prices in India, hold of temporarily part of the Indians out of the physical market.

### Japan

The prime minister has made concessions to the opposition hoping to pass a vat hike from 5 to 10%. In reaction 42 parliament members of his party have left to form a brand new party. This illustrates that even with more than 226% debt to GDP politicians are just not getting it. Seems promising for gold.

### Commodities

The soft commodities seem to have bottomed, especially on the back of extreme warm en dry weather (in the corn belt of the US). The grains are closing in on 4 year highs and if the weather situation persists, new historical records will be hit before the end of 2012. Gold and silver prices should lift of out of sympathy.

### Precious mining equity

In the last month since the HUI touched 371, the mining shares seem to be outperforming to physical gold for the first time since 2006. Although this movement is still in its infancy we think it preludes a coming and huge revaluation of the precious equity market.

All monetary authorities keep on promising negative real interest rates, hoping to alleviate the pain of deleveraging. To us … it makes us hope for higher gold prices.

### Conclusion

Akuna matata don't worry … better times for our funds are coming

***Performances et trading***

**Petercam Horizon Low Risk**

The fund has increased by 0.2% in June, NAV 11357.73 EUR.

**Petercam Horizon Commodities**

The fund has increased by 0.4% in June, NAV 916.43 EUR.

**Petercam Piam Real Value Growth**

The fund has increased by 0.6% in June, NAV 94.62 EUR (I), NAV 94.03 EUR (P).

Best regards,
The fund manager