



## Van Eck Sees \$80-a-Barrel Oil in 2010 as Economies Accelerates

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By Charles Stein

July 27 (Bloomberg) -- **Derek van Eck**, manager of the top U.S. natural-resources mutual fund in the past five years, said oil may rise 18 percent to \$80 a barrel next year as economic growth in the U.S. and China accelerates.

"All the stimulus feeding into the system leads to a reasonably good trade in commodities," van Eck, 44, said in a telephone interview from New York.

Van Eck, who buys energy and metals stocks, returned 18 percent a year since July 2004, almost double average of 75 natural-resources funds tracked by **Morningstar Inc.**, a Chicago-based research firm. **Noble Energy Inc.** and Anadarko Petroleum Corp. are the two largest holdings of the \$1 billion **Van Eck Global Hard Assets Fund**.

The price of crude on the New York Mercantile Exchange will climb to \$72.50 a barrel in the fourth quarter of 2010, according to the median estimate of 18 analysts surveyed by Bloomberg News. The price was \$68.05 on July 24.

The U.S. economy will grow 2.05 percent in 2010, after a decline of 2.5 percent this year, according to 60 economists surveyed by Bloomberg. The Chinese economy will expand 8.5 percent in 2010 following a gain of 8 percent in 2009, nine economists surveyed by Bloomberg predicted.

The Van Eck fund stumbled in 2008, dropping 45 percent as the global financial crisis curbed demand for commodities. Oil and copper, which each slipped 54 percent last year, moved higher this year as equity-market rallies signaled a possible recovery in the global economy. Copper jumped 81 percent this year, while oil is up 53 percent.

### Energy, Metals

Van Eck had 57 percent of the fund's money in energy stocks, 16 percent in precious-metal shares and 15 percent in base-metals companies at the end of June, data on the company's Web site shows. The fund gained 33 percent this year through July 23, including reinvested dividends.

Noble Energy and Anadarko, both based in Houston accounted for 8.1 percent of assets on June 30, according to the fund's [Web site](#).

Noble raised its estimate this month of an energy prospect off Israel's coast, the company's largest. Van Eck called the company, whose shares have gained 22 percent this year, "too cheap to ignore." Noble Energy trades at 7.8 times trailing 12-month earnings, compared with 16.2 times for the Standard & Poor's 500 Index, Bloomberg data show.

Anadarko, which advanced 25 percent, fits the profile of many of his investments, resource companies that can grow production, he said. The company said in May that discoveries in the Gulf of Mexico and off the coast of Ghana would add the equivalent of 350 million barrels of oil, 50 percent more than it predicted in March.

### No Big Companies

The fund doesn't own shares of the biggest oil companies because they can't grow as much, van Eck said.

**Exxon Mobil Corp.**, the world's largest company by market value, said in April its first-quarter production of oil and gas was roughly unchanged from a year earlier. Exxon Mobil, based in Irving, Texas, fell 10 percent this

year through July 23.

It's too early to buy natural-gas stocks because excess supplies are keeping prices down, van Eck said. Natural gas fell 34 percent this year, Bloomberg data show.

Van Eck is chief investment officer of Van Eck Associates Corp., a \$12.5 billion manager that his father, John, started in 1955. Derek van Eck has a bachelor's degree from Williams College in Williamstown, Massachusetts, and a master's degree in business administration from Northwestern University in Evanston, Illinois.

'Terrible' Time

He started the fund in 1994 with the idea that an emerging China would boost the demand for commodities.

"We could not have picked a worse time," he said, calling the 1990s a "terrible" period for commodities. The [Reuters/Jefferies Commodity Price Index](#) fell 13 percent in the five years ended in 1999.

The 10 best-performing U.S. mutual funds over the past five years all invest in natural resources, Morningstar data show.

Gold rose 7.4 percent this year to \$953.10 an ounce. **Thomas Winmill**, portfolio manager of the \$103 million **Midas Fund**, said in a telephone interview from Walpole, New Hampshire, that the price could reach \$1,100 by the end of the year "as deflationary expectations change to inflationary expectations."

Van Eck, who didn't make a specific forecast, said efforts by central banks to revive the world economy would lead to a higher price for gold.

"Free money depreciates the currency and gold should appreciate on that," he said.

**Randgold Resources Ltd.**, a gold-mining company based in Jersey, Channel Islands, represented 3.7 percent of the portfolio, its fourth-largest holding. Shares climbed 51 percent this year.

Van Eck added to his holdings of **Freeport-McMoran Copper & Gold Inc.**, the world's largest publicly traded copper producer, he said. The Phoenix-based company more than doubled this year. Freeport reported second-quarter earnings that beat analysts' estimates because of lower operating costs.

Copper has the best supply-and-demand story for investors of any base metal, van Eck said.

"There is huge demand from China and the metal is getting tougher and more expensive to mine," he said.

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