

FundFocus

MIDAS FUND (MIDSX)

Portfolio manager **Tom Winmill** suggests investors tilt between 5 percent and 10 percent of their retirement portfolios toward gold. The fund has surged since late 2008, and it ranks in the top 10 percent of its category for returns this year.

Gold has flirted with the \$1,000 per ounce threshold before.



Winmill

Do you think this is sustainable?

It seems to be. The run up to \$1,000 has in the past been accompanied by a lot of fever in the market. In this case, the price seems to

have shuffled up to \$1,000 and remained in this area in a lot calmer way.

The way we look at gold is as a commodity and as an alternative currency. As a commodity, it seems like the gold price appreciation has been consistent with prices of other commodities. Iron, oil, coil copper, all these prices have come back quite strongly.

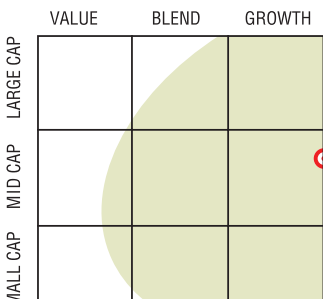
And as an alternative currency?

Factors still seem to be pointing in a stable or upward direction. On the monetary side, the U.S. interest rate target rate is still between zero and a quarter percent, all-time historic lows. That generally acts to restore the economy, and when you have a lot of economic activity, inflation often results. That would indicate higher gold prices.

With the reflation of the money supply, that will tend to adversely affect the dollar, not only against the euro but Asian currencies. A lower dollar has a very high correlation – north of 90 percent correlation – with (stronger gold prices).

Which is more important for gold prices: physical demand or investment demand?

Flows for investment demand are much more important than fundamental jewelry demand. If gold were simply a doodad on jewelry, it wouldn't make a difference. But over the last 3,000 years, the role gold has played is as a store of value. I'm not saying it's rational, but it's they way it's been over the last 3,000 years.



Morningstar Ownership Zone™

- Fund target represents weighted average of stock holdings
- Represents 75% of fund's stock holdings