

## Fund Spy

### Which Funds Are the Biggest Gold Bugs?

By David Kathman, CFA | 04-22-11 | 06:00 AM | [E-mail Article](#)

As the world economy continues to improve and market indexes move upward in fits and starts, investors are still finding plenty of reasons to be nervous. Rising oil prices tied to unrest in the Middle East and Africa, the European debt crisis, and fears about the U. S. debt load and possible future inflation have all contributed to a jittery feeling in the markets despite generally robust corporate profits.

One of the most obvious ways this nervousness has manifested itself is in record-high gold prices. Gold is typically used as a hedge against inflation, and often as a safe haven from all kinds of uncertainty. When Standard & Poor's recently downgraded its credit outlook for U.S. government debt, major stock market indices fell while the price of gold rose to record highs near \$1,500 an ounce.

There are various ways for mutual funds to get gold exposure. Among the most direct, short of buying and storing gold bars, is through the [SPDR Gold Shares \(GLD\)](#) exchange-traded fund. This ETF closely tracks the price of gold, with each share representing one 10th of an ounce; those shares are backed by actual gold bullion stored in vaults in London. A small group of diversified mutual funds holds SPDR Gold Shares, mainly as an inflation hedge. The following table shows the 10 funds with the biggest weightings, with percentile rankings as of April 21.

#### Diversified Funds Holding SPDR Gold Shares

Name (ticker)	Category	Size (\$M)	GLD %	Cat 3 mo	Cat 1 yr
<a href="#">Midas Perpetual Portfolio ((MPERX))</a>	Lg gr	16.5	16.86	14	33
<a href="#">Castle Focus ((CASTX))</a>	Lg bl	24.5	6.17	91	--
<a href="#">Appleseed ((APPLX))</a>	Md-cp val	154.1	5.69	5	98
<a href="#">Sentinel Growth Leaders ((BRFOX))</a>	Lg gr	38.5	4.3	46	81
<a href="#">Elite Growth &amp; Income ((ELGIX))</a>	Lg bl	45.2	4.29	32	49
<a href="#">Sentinel Capital Growth ((BRGRX))</a>	Lg gr	136.2	4.02	31	45
<a href="#">Schwartz Value ((RCMFX))</a>	Md-cp bl	34	3.99	86	91
<a href="#">First Eagle Fund of America ((FEAFX))</a>	Md-cp bl	1385.8	3.83	63	19
<a href="#">PIMCO EqS Pathfinder ((PATHX))</a>	Wd stock	1187.7	3.74	17	84
<a href="#">Burnham ((BURHX))</a>	Lg bl	84.3	3.26	32	1

The top fund here, [Midas Perpetual Portfolio \(MPERX\)](#), is something of an outlier. Though it's in the large-growth category, the real goal is inflation protection and capital preservation; by prospectus it's supposed to have 20% of its assets in gold, with significant chunks in other hard assets, large-cap growth stocks, Swiss-franc-denominated bonds, U.S. Treasury bonds, and cash. The fund has had a positive return every year in the past decade, including 2008, though its 1.90% expense ratio is on the high side.

The rest of the list consists mainly of stock funds with the flexibility to use such things as gold, derivatives, and cash to supplement their core portfolios. Several of them have long track records going back more than 20 years, and one of these, [First Eagle Fund of America \(FEAFX\)](#), sports a 5-star Morningstar Rating. In contrast, [PIMCO EqS Pathfinder \(PTHWX\)](#) was just launched a year ago after managers Anne Gudefin and Chuck Lahr came over from Mutual Series. Both of these funds have higher-than-average cash stakes right now in addition to gold, reflecting the managers' nervousness about the market.

A more common way for funds to get gold exposure is through gold-mining stocks, which are heavily affected by the price of gold but also feature business risk. There are a number of mutual funds specializing in gold stocks, such as [Fidelity Select Gold \(FSAGX\)](#), and some mining and materials-sector funds with significant gold holdings, such as [Vanguard Precious Metals & Mining \(VGPMX\)](#). There are also eight U.S.-based exchange-traded funds specializing in gold stocks, half of which have been launched since the beginning of 2010; the newest of these, [Global X Pure Gold Miners ETF \(GGGG\)](#), was just launched last month.

Such specialty funds have to own gold stocks, but the situation is different with diversified funds, where a big bet on gold miners is more significant. Here, inflation hedging may be a factor, but a fund may also like these stocks for their valuations or business models. The following table shows the 10 diversified funds with the largest percentage of their portfolios in gold stocks, excluding clone funds and those with less than \$100 million in assets.

### Diversified Funds With Exposure to Gold Stocks

Name (ticker)	Category	Size (\$M)	stock %	Cat 3 mo	Cat 1 yr
Nuveen Tradewinds Value Opp (( <a href="#">NVOAX</a> ))	Lg bl	3286.5	18.94	42	3
Nuveen Tradewinds GI All-Cap (( <a href="#">NWGAX</a> ))	Wd stock	2045.1	14.4	71	14
Nuveen Tradewinds Intl Val (( <a href="#">NAIGX</a> ))	For lg val	1474.5	12.88	68	71
Wells Fargo AdvSm/MdCap Val (( <a href="#">SMMVX</a> ))	Sm bl	283.3	11.43	86	91
Fidelity Canada (( <a href="#">FICDX</a> ))	For lg bl	5464.9	11.37	3	4
Nuveen Tradewinds Emer Mkts (( <a href="#">NTEAX</a> ))	DivEm Mkts	110	11.35	92	56
Henderson European Focus (( <a href="#">HFEAX</a> ))	Eur stock	620.7	10.67	67	5
Nuveen NWQ Multi-Cap Value (( <a href="#">NQVRX</a> ))	Lg val	380.5	10.3	21	6
Wells Fargo Adv Sm Cap Value (( <a href="#">SSMVX</a> ))	Sm bl	4551.5	9.75	95	91
Oppenheimer Intl Small Co (( <a href="#">QSMAX</a> ))	ForSm/MdGrth	1455.5	9.32	97	66

Four of these are Nuveen funds subadvised by Tradewinds Global Investors, and a fifth is subadvised by NWQ Investment Management, where much of the Tradewinds team used to work. The top two funds on this list, [Nuveen Tradewinds Value Opportunities \(NVOAX\)](#) and [Nuveen Tradewinds Global All Cap \(NWGAX\)](#), are both managed by David Iben with very flexible mandates, and both have achieved excellent records since being launched in 2004 and 2006, respectively. These funds have had big gold weightings for years, not primarily as an inflation hedge, but because Iben thinks these stocks are cheap relative to their enterprise value. (Tradewinds Value Opportunities was near the top of similar lists

we compiled in [November 2007](#) and [February 2009](#).)

Similarly, [Wells Fargo Advantage Small Cap Value \(SSMVX\)](#) and its sibling, [Small/Mid Cap Value \(SMMVX\)](#), were also on both earlier lists. Manager Charles Rinaldi has been a longtime fan of such gold stocks as [Randgold Resources \(GOLD\)](#), which he likes for its fundamentals and thinks the market is undervaluing. These funds have struggled recently, but still have good long-term records.

Several of the funds in this second list have performed very well in the past year as gold prices have risen, but not all have, as the Wells Fargo Advantage funds illustrate. In general, gold exposure (whether through gold stocks or more directly) won't necessarily have a very strong correlation to a fund's performance; rather, it tends to reflect a certain caution about the macroeconomic environment, of the type that can be found in various types of funds.

David Kathman, CFA, is a fund analyst with Morningstar.