

## Investing in the Stocks of Precious Metals Companies, ASA Gold and Precious Metal Limited has Outperformed Some of the More Diversified Portfolios

Financial  
Closed-End Fund - Equity  
(ASA-NYSE)

ASA Gold and Precious Metals  
Limited

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**David J. Christensen**  
President, CEO and  
Chief Investment Officer

**BIO:**

Vice President - Investments, ASA Ltd., from 2007 to 2009; Vice President, Corporate Development of Gabriel Resources Ltd. 2006 to 2008; independent financial consultant from 2003 to 2006; Director of Fundamental Equity Research for Credit Suisse First Boston from 2002 to 2003; First Vice President, Global Coordinator of Mining Research at Merrill Lynch

1998 to 2001 and Precious Metals Analyst at Merrill Lynch from 1994 to 1998; Portfolio Manager of Franklin Gold Fund and Valuemark Precious Metals Funds for Franklin Templeton Group (a global investment management organization) from 1990 to 1994.

**Company Profile:**

The Company manages a portfolio invested primarily in the stocks of companies engaged in the exploration, mining or processing of gold, silver, platinum, diamonds or other precious minerals. It may also invest in gold, silver and platinum bullion or securities that seek to replicate the price movement of gold, silver or platinum bullion.

The common shares of the Company are listed on the New York Stock Exchange (symbol: "ASA"). The Company is internally managed by its directors and officers, the majority of whom are United States citizens and residents.

ASA Gold and Precious Metals Limited is a closed-end, non-diversified investment company registered with the United States Securities and Exchange Commission. The Company was organized in Bermuda and is the successor to a closed-end investment company of the same name organized in the Republic of South Africa in 1958.

**Interview conducted by:  
Lynn Fosse, Senior Editor**

**CEOCFO:** Mr. Christensen, ASA has a long history, what is the focus today?

**Mr. Christensen:** The focus of ASA today is the same as it has been since its inception some 54 years ago, which is to create long-term value through investments in the precious metals sector for our shareholders. We do not try to trade in and out of the sector on a regular basis, but instead we look for companies that have quality assets, quality management teams and the ability to continue to grow in terms of their production and or reserves despite the trends in the commodity prices.

**CEOCFO:** Is there a particular mix of the company types such as exploration, production, or is it more opportunistic?

**Mr. Christensen:** It can be opportunistic, but the core of the portfolio are companies that have at one point in time were exploration and development companies that have successfully grown into diversified precious metals companies with assets all over the world. At one time, all our investments were younger, so what happens is, as the assets within the portfolio mature, we are constantly looking for replacement growth assets to add to the growth profile of the overall portfolio. Akin to what a mining company would do when they are looking to build assets within their portfolio. They might have a series of mature assets, so they will go out and explore and look for new assets to continue to grow the base. We do that same process here within ASA.

**CEOCFO:** What is the focus for ASA?

**Mr. Christensen:** ASA is technically a precious metals company, not a

gold fund. We have found that, over the long term, a precious metals focus, as opposed to a gold only focus, has contributed to the funds long term performance. Platinum and palladium are subject to some trends that are akin to those of gold in terms of a precious metal investment category, for example, the jewelry purchases. However, at the same time, they are also industrial metals, which gold is not. Platinum is one of the largest and most expensive input to catalytic converters on cars for example. Therefore, we can benefit from trends such as clean air and growing automotive demand by investing in some platinum and palladium companies that we would not be able to with only gold investments. What it does is it allows us a place to have some growth when the highly cyclical gold mining sector is working against us. We tend to smooth out the ups and downs and volatility of the gold sector by adding in some other of these other metals over time.

**CEOCFO:** There are many companies to keep track of in your industry; how do you decide what to keep an eye on and how do you pay attention to all the various opportunities?

**Mr. Christensen:** We have a couple of investment professionals here at ASA, and they spend all their time evaluating these companies. During the last year alone, we saw almost 250 companies. We visited about 30 different assets in something like 20 different countries in the last twelve months. We literally will run around kicking the tires of the big haul trucks just to make sure that the companies are operating well. Site visits give us the feel for the countries, the institutions and the management teams that are operating these assets. We feel very strongly that putting boots on the ground in the country in which we are investing gives us a better feel for the political risks, social and economic issues, as well as the quality of the individual assets and managers. It is a ground up approach we take to investing in the sector.

**CEOCFO:** When you make a decision, how much is gut feeling and how much is fact?

**Mr. Christensen:** I have worked within the industry, as an analyst, an investment banker and as a portfolio manager. At the end of the day, you are talking to a management team standing on the ground saying there is gold in the ground. As Mark Twain once said, "A gold mine is nothing more than a liar standing next to a hole." Our confidence in the management team and our knowledge of the individuals operating these assets has a great deal to do with our investment philosophy. If I am standing next to a person who I have successfully invested with for years and years who is a great operator, what he says about what is in the ground, carries a great deal more substance than somebody I do not know. At the end of the day, it is very difficult for ASA to go in there and independently drill and evaluate a project. The credibility of that management team has a great deal of impact on our gut feel of what that project may become down the road. Therefore, while there is a gut

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**- David J. Christensen**

feeling approach to many of the assets and the quality, because we cannot drill them ourselves and substantiate it, it is driven by the knowledge of the management team itself. That is where the gut factor comes in and coincides with the facts.

**CEOCFO:** Where are your primary holdings today?

**Mr. Christensen:** If you look at the asset allocation based on the country of domicile today, about 40% of the assets are in Canadian registered companies, 20% in South African, of which half of that are platinum and palladium companies, 11% of the assets are in Australia, 9% of the assets are in the Channel Islands, the majority of which is Randgold Resources Ltd., with the remainder spread between the United States, Peru, the UK and, of course, cash. When you break down the assets of ASA based on the country of domicile it distorts our exposure. Randgold Resources Ltd. is domiciled in the Channel Islands, but its assets are all located in Africa. For political risk management, we break

down the portfolio's country exposure based on individual operating assets of every company in the portfolio. Then if a situation develops Côte d'Ivoire, for example, we know that 3% of our assets are located in Côte d'Ivoire, despite not having any Côte d'Ivoire domiciled companies.

**CEOCFO:** Would you tell us about the political risks as you are in many regions of the world?

**Mr. Christensen:** The one thing that is very topical in the sector at the moment is political risk. In the last several months, we have had situations where assets have had problems in various parts of the world. We have a glacier accelerating in Kyrgyzstan, temporarily taking out 20% of the value out of a company. We have had a military coup in Mali, several contentious elections and many nations talking about increasing taxes and royalties on mining companies. Individually when you invest in the precious metals sector, you can invest in one company that would be subject to a great deal of risk and volatility over time, but a diversified precious metals portfolio tends to

mitigate those risks. We think it is much better to invest in precious metals through a diversified portfolio than by trying to pick out one or two names.

**CEOCFO:** What is the financial picture for ASA Gold and Precious Metals today?

**Mr. Christensen:** Pretty good. Over the last several years, we have generally been in the upper half of the performance spectrum of all gold and precious metals funds. ASA has been one of the best long term performers in the industry with a 10.6% annualized return since inception (1958) based on our portfolio NAV. That beats both the S&P and the Dow Jones over the same time period. Over 10 years, ASA has outperformed some of the more broadly diversified indices.

**CEOCFO:** Why should investors look at a fund rather than an ETF?

**Mr. Christensen:** There are different ways you can look at the sector. An ETF is often designed around the li-

quidity of a given sector, not necessarily the qualities of a good mining company. For example, if you are building an ETF you need a number of securities, regardless of their quality, which are highly liquid, so that you can continue to create units in that particular index. It is an entirely different construct than ASA uses, where the quality of the individual asset and the long term growth profile of those assets are the paramount driver of the investment decision, not just simple liquidity. The index portfolio takes no account for the political risk and has little or no ability to adjust that political risk profile to changes in the world, whereas we do. With ASA you have an active management, with the same cost as an ETF, around 60 basis points, and we think that adds a great deal of value over time. If that isn't enough, you can also buy ASA at a discount to NAV, whereas with an ETF you pay full NAV.

**CEOFO:** What is your two-minute take on gold, the world economy, and how it affects the ASA decisions going forward?

**Mr. Christensen:** Gold has been through an eleven-year bull market. At the moment, we are seeing a great deal of volatility in this sector, as the market tries to decide whether we are going to have sustained positive returns from the sector or whether we are seeing peak valuations and the sector is going to come back again. With political turmoil in Europe subsiding at the moment, coming into an election year in the United States

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where unemployment rates are declining and the general economic environment appear to be improving, we see a number of people retreating from the gold and precious metal sector in recent weeks. Nevertheless, we found that over time those are exactly the times you want to buy gold and continue to have that insurance in a diversified portfolio. Just because there has already been a fire does not mean you cancel your fire insurance

and we believe strongly that precious metals should always be a part of an individuals portfolio in order to maintain that portfolio insurance, that diversification into precious metals has provided over the longer term.

**CEOFO:** Why should potential investors look at ASA Gold and Precious Metals?

**Mr. Christensen:** ASA has a very long term management team committed to investing in this sector. They have worked all aspects of this sector from investment banking, research, and in the industry itself. Therefore, we have a long term familiarity with management teams and the assets in the sector, which allows us to make long-term quality investments rather than guesses as to where the gold market is going. We keep low expenses and strive to build value for our shareholders over the longer term rather than just speculating in the sector. That makes us as a very long term, quality investment play in this sector.



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