



## Media Release

10 August 2020

### Gold will continue to soar in a period of sluggish economic growth: Datt Capital

Over the past 12 months, the gold price per ounce has risen from USD\$1400 to over USD\$2075, providing a solid return during a time of political and economic uncertainty.

There are a number of drivers behind this strong appreciation, notes Emanuel Datt, Managing Director and Chief Investment Officer of the Melbourne based boutique fund manager [Datt Capital](#).

He says: "Gold is an asset class that has survived the test of time in terms of storing value and acting as a 'safe haven'. It is a durable, portable, and divisible asset that is limited in supply and high in demand for cosmetic and industrial purposes.

"The recent rise in demand, however, has been driven by a confluence of environmental factors, namely: uncertain geopolitical and social environment, record low-interest rates, negative real rates in major fixed income markets, and accommodative monetary policy.

"The combination of these factors has led to fears of stagflation, where economic growth is sluggish whilst inflation rises. We see this becoming more prevalent across all major economies. Also possible is a deflationary scenario where sovereign defaults occur despite accommodative monetary policies on a global scale. Both situations are positive for gold investors."

The low-interest rate environment, in particular, has made gold a far more attractive prospect for investment than ever before, notes Datt.

He says: "When interest rates are higher, for example at 5%, there is a real and tangible opportunity cost involved in holding non-yielding assets such as gold. Whereas the effect is diluted significantly in an environment where real rates of return are negative or zero.

"Another factor in play are gold ETFs which are booming with retail investors. Professional investors are also taking a keen interest with more looking beyond investing in conventional money market instruments to allocate capital towards gold in a hunt for diversification.

"We believe that the gold price in the short-term will remain firm. This bodes well for Australian production assets especially in a world where we expect the US dollar to remain relatively strong."

"Three ASX large-cap gold companies which we consider to be investment grade are:

#### **Saracen (ASX: SAR)**

Saracen hold a portfolio of three high quality gold assets in Western Australia, a Tier 1 mining jurisdiction. The company currently has 15 million ounces (Moz) of resources and aims to produce 600,000 ounces in FY21. It's 100% owned assets at Carosue Dam and Thunderbox have strong organic growth potential in addition to competitive production costs. The company owns 50% of a

Tier 1 asset in the Kalgoorlie Super Pit. The company's market capitalisation is approximately \$6.7 billion.

#### **Newcrest (ASX: NCM)**

Newcrest is the largest pure gold producer on the ASX, with its assets in Australia, PNG, and Canada. The company possess 93 Moz in gold resources across its operational assets and produced 2.2 Moz in FY20. It possesses global Tier 1, long-life assets at Cadia and Lihir, with a discovery at Haverion promising to significantly increase production and mine life at Telfer. The company are also leaders in mining technology, especially low-cost block caving methods. The company's market capitalisation is approximately \$29 billion.

#### **Evolution (ASX: EVN)**

Evolution holds a suite of Australian assets, the most important being Cowal, as well as a Canadian asset in Red Lake. The company possess 22 Moz of resources and produced 750 koz in FY20. Cowal is the flagship asset for the group and contains 9 Moz of resources. Red Lake is a newly acquired asset in Canada and we believe the company may further build upon its position in Canada. The group are fairly regular 'asset traders', selling off short-life assets and acquiring longer-life assets. The company's market capitalisation is approximately \$10 billion.

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#### **About Datt Capital**

Founded in 2007, Datt Capital is a Melbourne-based Australian focused Long-only Fund Manager. Datt Capital is focused on generating alpha by structuring its portfolio in a unique and uncorrelated manner, across asset classes. Its investments consist primarily of listed equity, debt and derivatives solely in Australian markets.

The Datt Capital Absolute Return Fund aims to generate annual double-digit absolute returns over a rolling two-year period. It is benchmarked as seeking 5% above the Reserve Bank of Australia (RBA) cash rate.

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