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Golden touch: the sector specialist top over one, three and five years

By Chris Sloley / 23 Jul, 2015



The price of gold tumbled aggressively to a five-year low on 20 July as investors shifted out of precious metal allocations in preparation for a September rate hike in the US.

While the latest turbulence is undeniable, the gold sector has gone through similar periods of pain in recent years, most notably in 2013 when the price dropped 30%.

With market commentators expecting a prolonged squeeze on the sector, which fund managers are best positioned to weather these difficulties?

Citywire Global took a closer look at the best performers in the sector over one, three and five years and uncovered one sector specialist rising to the fore regardless of what the market had to offer.

Leading the pack is Swiss-based investor [Christoph Buchmann](#) of Swiss Rock Asset Managers, who has managed to curb losses in the sector better than any of his dedicated sector specialist peers. Let's take a closer look at how he did it.

Putting performance into context (All in USD)

Subject	One-year TR	Three-year TR	Five-year TR
Swiss Rock Gold Funds A (USD)	-14.12%	-36.46%	-25.99%
FTSE Gold Mine TR	-30.1%	-58.6%	-65.45%
Average manager	-30.69%	-51.92%	-57.38%

Speaking to *Citywire Global*, Buchmann said his broad asset allocation, which allows him to invest the Swiss Rock Gold Fund across physical gold, equities and passive instruments, has helped weather particular turbulent times.

Buchmann has used options strategies, notably long and short calls and puts, as well as moves into different precious metals to add value.

'Of course this implies a certain degree of timing but with trends since 2011 being what they are, timing is a problem every day, so I have followed the trend. We have been able invest between 50-to-150% in gold,' he said.

'The combination of these strategies is the reason why the fund is not just the least horrible but also probably the least volatile of the selection.'

In the current market, Buchmann said the delta of his fund – the overall equity sensitivity – sits at 1.05. 'I do this via bullion and short strangles against gold, so I am also betting on a sideways market.

'I also own gold equities but am holding short calls against them. Purely from short options I earn about two basis points per day, which gives some protection.'

In the current market conditions, Buchmann said he has not been moved to adapt his strategy considerably but is keeping an eye out for additional entry points.

'The recent move looks like a wash out to me. So for the next weeks I expect some recovery with intermittent test to the downside but the shorts level is remarkable

and dangerous if one is not invested,' he said. 'Equities look cheap, particularly mid-sized caps, while silver is attractive.

'Overall I think the market will go broadly sideways until end of the year. Asset allocators are not invested and very sure they are right, as this year of course has proven so far. However, I expect more of them to come into the market at the earliest next year.'