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"I believe that the current paper currency regime has been a setback and that the reintroduction of gold backed currencies would be a step forward."
John Hathaway

philoro: Mr. Hathaway as a professional Investor you are managing multibillion dollar portfolios within the precious metals mining space. What is your general opinion about investments in gold and silver mining companies? Would you prefer an investment in miners over physical gold?

John Hathaway: Mining stocks seem appropriate for those who want dynamic exposure to a rising gold price, but since they are riskier than bullion, the client must be risk tolerant. I prefer neither over the other. It depends on what the individual client is looking for. Generally speaking, I would advise risk averse clients in the direction of bullion while for those who understand the risk and desire the greater upside potential the share make sense.

philoro: In continental Europe (especially in the German speaking countries) there is a relatively high affinity towards precious metals especially among senior citizens. How would you as American view the situation in the US? Do you think retail investors are heavily invested in physical gold or silver?

There are many American retail investors who hold physical gold or silver in the form of coins. The same can be said about the various ETF's backed by precious metals. However, they represent a very small slice of the entire population of the retail investor universe, in my opinion. From that perspective, physical gold is very under owned.

"Gold in my opinion is under owned whatever category one might suggest."
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philoro: You are managing mandates for institutional investors. In your view are institutionals heavily invested in the asset class yet? Were allocations in gold & silver kept constant or reduced due to the last corrections?

PERSONALIS

John Hathaway, Senior Managing Director, is a Portfolio Manager and a member of the Investment Committee at Tocqueville Asset Management L.P. He is also a Director of Tocqueville Management Corp., the General Partner of Tocqueville Asset Management. Mr. Hathaway, who has 39 years of investment experience, manages the Tocqueville Gold Fund, Tocqueville Gold Partners and separate accounts for individual and institutional clients following a gold strategy.

Prior to joining Tocqueville in 1998, Mr. Hathaway began his career in 1970 as an Equity Analyst with Spencer Trask & Co. In 1976 he joined the investment advisory firm David J. Greene and Company, where he became a Partner. In 1986 he founded and managed Hudson Capital Advisors followed by seven years with Oak Hall Advisors as the Chief Investment Officer.

Mr. Hathaway has a B.A. degree from Harvard College, an M.B.A. from the University of Virginia and is a CFA charter holder. Within its management he is currently managing 3 billion USD.

Gold in my opinion is under owned whatever category one might suggest. We have seen redemptions by all categories during the current and past correction in 2008. On the other side, we are seeing interest from potential new investors on the institutional side and in some cases, we are receiving new mandates for our gold strategy from this category. The difference between now and 2008 is that more people seem to understand the risks of monetary debasement that arise from monetary and fiscal policy in Europe and the US.

philoro: Obviously US monetary policy is a key variable for the gold price. What is your opinion on the most recent FOMC meeting of the FED this June? Which further monetary policy actions do you expect going forward this year?

Unless the financial markets suffer a serious setback from here, I believe the Fed will do as little as possible because of the presidential elections in November. The Europeans will try to muddle through without dramatic steps as well. All bets are off, however, if events spin out of control.

"There is government intervention in all markets, so why not gold?"
John Hathaway

philoro: In 2011 when the US debt ceiling was approached major uncertainties and market volatility was triggered. Gold performed outstanding during that period. Could you imagine a similar situation this year, as the US is approaching the limit again?

The short answer is yes. It will occur after the elections in November. No matter who wins the presidency, my current expectation is for a highly divided electorate and government.

philoro: Not that many of today's investors have been in business already during the last precious metals bull market in the 1970ties. If you compare the current bull market to the last one how far along do you think are we?

The last bull market ended because a central banker with backbone in the name of Paul Volcker administered painful medication in the form of very high interest rates which resulted in high unemployment for three years. Rather than answer your question in terms of time, I would ask you and your clients to imagine the likelihood of a similar central banker stepping into the situation today to administer similar medicine. It seems far fetched and possible only if there is an economic and political crisis that seems more serious than what we are facing at the moment.

"If you compare the current bull market to the last one how far along do you think are we?"
asks philoro

philoro: What were your most memorable experiences of many years of experience in the precious metals markets?

I have been doing this since June of 1998, or 14 years this month. The first remarkable development was the Washington Accord in 1999 by which central banks agreed to sell gold subject to annual quotas. This defused one of the major issues of the day which was unpredictable philoro EDELMETALLE

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John Hathaway

central bank selling. The next was Barrick closing out Their hedge book at the cost of destroying billions of dollars of shareholder equity. These two developments removed the overhang of gold hitting the market that was not being produced by mining and substantial tightened the supply and demand situation. The third notable event was the financial crisis of 2008.

After that, gold separated from other commodities, a sign that investors began to value its traits as a monetary asset. This separation, I believe, was just the beginning of a reintroduction of gold as a monetary asset, and opened the possibility of gold re-entering the global monetary system. Most recently, I have seen discussions on both sides of the Atlantic from financial regulators to restore gold as a reserve asset for commercial banking purposes.

philoro: Regarding the manipulation in the gold sector, there are many market participants, who assume that the gold price is artificially depressed; because gold is the "thermometer for the health of the financial system and the currency". Do you think that there is intervention in the gold market?

There is government intervention in all markets, so why not gold? Interests rates, currency exchange rates, bond and equity markets are all targets of government intervention, and in some cases the intervention is overt, for example operation twist which is designed to cap long term interest rates.

However, it is difficult to say where gold would be today without intervention. I am personally more interested in macro economic developments which I believe will over rule any government inspired intervention in the long run.

"How do you think about a new gold standard, would it be an alternative or a setback into the middle age?"

asks philoro

philoro: With regard to the global monetary regime, how do you think about a new gold standard, would it be an alternative or a setback into the middle age?

I believe that the current paper currency regime has been the setback and that the reintroduction of gold backed currencies would be a step forward. It would mean a more honest accounting of the cost of government as well as a better guide post for investment decision making by private sector.

Mr. Hathaway, thank you for your time!

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Mr. Hathaway *was interviewed by philoro EDELMETALLE on June 26 2012.*

The interview is also available in German in the press-center on: www.philoro.de