

Perth Mint Gold (PMGOLD)

Listed Managed Investments

March 2013 Quarterly Review

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LMI Type	
Exchange Traded Product	
Investment Assets	
Gold	
Investment Sectors	
Gold	

Key Investment Information	
Price (\$) as at 21 May 2013	14.17
Market cap (\$M)	77.9
Call Options on issue (M)	5.5
Equivalent Gold (Moz)	0.06
Options traded (\$M p.a)	63.0
12-month L/H (\$)	12.60/17.56
Listing date	May 2003
Fees	
Management Fee (%)	0.15
Performance incentives (%)	na

Performance Analytics		
	Gold Spot Price (AUD)	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	0.92	0.01
TE (%)	2.67	2.15

Note: PMGOLD changed code from ZAUWBA in January 2011.

Commodity Breakdown	
Commodity	%
Gold	100

COMPANY OVERVIEW

PMGOLD is an exchange traded product (ETP) which is structured as a call option, providing the investor the right to take delivery of physical gold bullion from the Perth Mint. The product is issued by Gold Corporation, a Western Australian government statutory authority, of which the Perth Mint is a trading name. The Gold Corporation's history dates back to 1899, with the Perth Mint established by Britain's Royal Mint to refine gold mined in WA. Control of the Mint was passed onto the WA government in 1970. Gold Corporation was created by the *Gold Corporation Act, 1987*. The Gold Corporation refines most of Australia's gold production, 90% of which is exported. As at 30 June 2012, Gold Corporation had \$3.5B of precious metals on deposit.

INVESTMENT OBJECTIVE

PMGOLD aims to provide investors with exposure to physical gold bullion based in Australian dollars. The gold bullion is stored primarily in the Perth Mint's vaults in WA. PMGOLD provides access only to physical gold bullion. No dividends are paid by Gold Corporation to holders of PMGOLD. All PMGOLD liabilities are guaranteed by the WA government.

STYLE AND PROCESS

PMGOLD options can be created by authorised participants, with investors able to trade these options on the ASX. Deutsche Bank is currently the designated market maker for PMGOLD to ensure a market for investors is available. The option is open-ended with no maturity date and operates a little different from standard call options, given that investors pay in full for the right to take delivery of the gold upfront instead of paying an option premium for the right to purchase an asset at a later date.

PMGOLD CHARACTERISTICS

Each PMGOLD option provides the investor with the equivalent of 1/100th of a troy ounce of gold. Therefore, 100 PMGOLD options equals one ounce of gold. Given gold is generally traded in USD the investor is exposed to the AUD/USD exchange rate. The annual management fee is charged in PMGOLD options, as opposed to cash settlement and is reflected in the option price on a pro rata basis. Gold Corporation will deduct one PMGOLD option for every 667 PMGOLD options held on 31 December each year, with a minimum of one PMGOLD deducted. The pro rata fee will effectively be added to the PMGOLD option ask price throughout the year. The investor has no interest or ownership in the gold bullion until the option is exercised. To exit the investment, investors can sell the option on market or take physical settlement of either gold bullion or cash, via a redemption request being submitted to the issuer. In the event the PMGOLD holder decides to take physical settlement in the form of gold bullion, this can be delivered in the form of gold bars or coins. A fee will be charged for the cost of fabricating the bars or coins. If settled for cash, a fee of \$100 will be charged.

INDEPENDENT INVESTMENT RESEARCH COMMENTS

PMGOLD provides low cost access to physical gold bullion. The price of the call option will be impacted by both the USD gold price as well as the AUD/USD exchange rate, with gold most commonly traded in USD. Investors should either be investing in PMGOLD because they are bullish on the AUD gold price or for portfolio diversification of an investors existing investment portfolio. There are two other gold ETPs currently available on the ASX - Beta Shares Gold Bullion ETF (QAU); and ETFs Physical Gold (GOLD). PMGOLD is the most cost effective gold backed ETP with an annual management fee of 0.15%, compared to 0.40% and 0.49% for GOLD and QAU, respectively. One of the advantages of PMGOLD over the other two ETPs is that the investment is guaranteed by the WA government, which is currently rated AAA by S&P. Each of the three ETPs are suited to different investors. Given the unhedged nature of the product and lower trading volume, PMGOLD is suited to the longer-term investor. We initiate coverage of PMGOLD with a Recommended Plus rating.

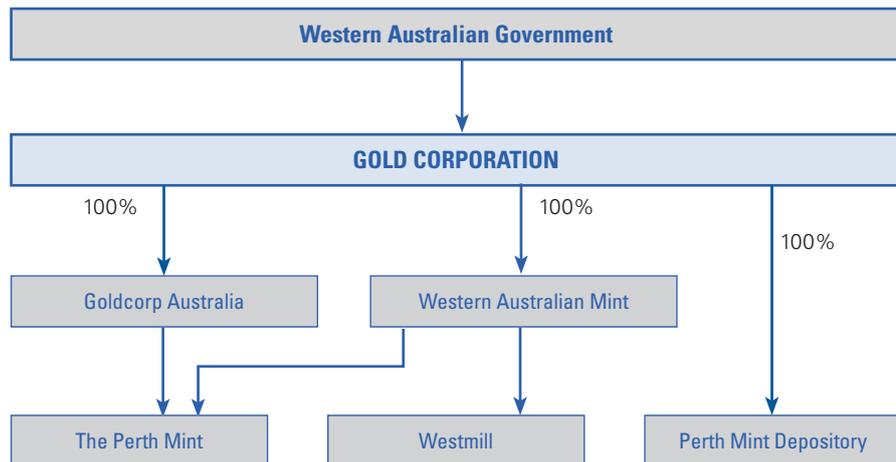
DIRECTORS OF RESPONSIBLE ENTITY

Kerry Sanderson	Chairman (Non-Executive)
Ray Bennett	Director (Non-Executive)
Ron Edwards	Director (Non-Executive)
Gaye McMath	Director (Non-Executive)
John Murphy	Director (Non-Executive)
Chris Wharton	Director (Non-Executive)
Edward Harbuz	Director (Executive)
Richard Hayes	Director (Executive)

OTHER DATA

- ◆ **Options** – 5.5M on issue.
- ◆ **Dividend policy** – na
- ◆ **Capital management policy** – na
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – No

Gold Corporation Structure



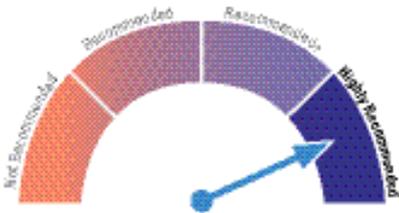
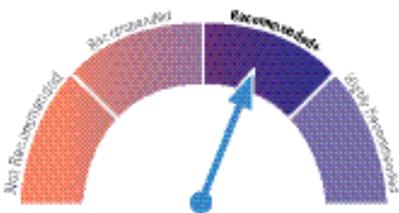
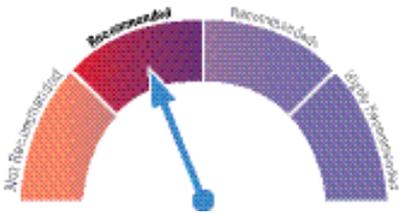
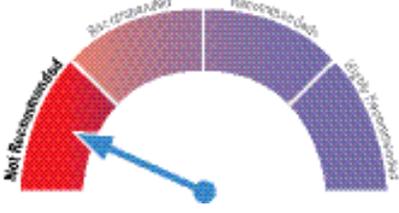
PMGOLD Price Performance



APPENDIX – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system.

IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
<p>Highly Recommended</p> 	<p>83 and above</p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
<p>Recommended +</p> 	<p>79–82</p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
<p>Recommended</p> 	<p>60–78</p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
<p>Not Recommended</p> 	<p><60</p> <p>This rating indicates that IIR believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation criteria. The product provides some unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off and should generate risk adjusted returns in line with stated investment objectives. However, concerns over one or more features mean that it may not be suitable for most investors.</p>

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