

# Gold stocks a bargain, but proceed with caution

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## **ADRIAN Day Asset Management boss Adrian Day paints a gloomy picture of the gold industry, but says we've already hit the bottom.**

Speaking yesterday at Mines and Money Hong Kong, Day recounted the recent struggles in the gold sector, including the write-off last year of \$45 billion in assets, not counting the write-down of non-gold assets among diversified companies.

This dwarfed what other leading mining sectors have written off, including steel and coal which have written off \$32 billion and \$19 billion, respectively, since 2008.

He flagged rising costs as the primary challenge in the gold space, but also noted a trend of expensive and non-synergistic acquisitions, the 2013 fall-off in gold price and the increased difficulty of defining major deposits – all compounded by poor management.

"We've never seen [gold] mining companies as cheap relative to bullion as they are right now," he said.

"This would be true of any valuation metric you cared to pick. It's also true despite the rally.

"If you believe as I do that the gold price has bottomed, that gold has a lot further to go, then I think that the gold stocks which are extremely cheap today have a lot further to go."

Day said investors could profit from undervalued gold companies by focusing on quality.

This means looking for business models that mitigate risk and increasing exposure to multiple plays.

"I think everybody in this room is fully aware that mining is a difficult business," Day said.

"It's inherently difficult and it always has been.

"Whether they're senior, junior or exploration stocks, selectivity is the most important thing to look at."