DON'T SELL – THE STOCKS ARE STARTING TO RALLY

INVESTOR FOCUS: INTERVIEW WITH ADRIAN DAY, ADRIAN DAY ASSET MANAGEMENT

ADRIAN DAY, London born and a graduate of the London School of Economics, heads the eponymous money management firm Adrian Day Asset Management where he manages discretionary accounts in both global and resource areas.

Ahead of Adrian's appearance at Mines and Money London this December, we wanted to get his views on the gold market and ask for the advice he'd offer to investors.

Mines and Money: Where do you think we are in the current market cycle?

Adrian Day: I believe the gold market is coming off a mid-cycle correction (albeit a rather long one). Gold stocks have bottomed – at the end of last year – and are slowly climbing a wall of worry. The next phase could see gold fairly volatile with a slow upward trend.

M&M: What advice would you give investors in the current climate?

AD: This is a good time to get positioned or top up. For investors who are already fully invested, it would be a good idea to upgrade the quality of the portfolio now, while the good quality companies remain inexpensive. This strategy is all the more worthwhile if the investor can take a tax loss on any losses. The key for the top-quality companies – whether major miners, growing juniors, or even exploration companies – is not to sell too soon. This is a temptation for any investor who held through the long bear market for stocks. But the stock that has rallied 25-30% off the December lows still has to double to reach 2011 highs.

M&M: What advice would you give to a mining company attempting to source capital?

AD: Investors want to know that money being raised for an acquisition or developmental work is accretive, that the project is a strong project and will make money absent an increase in the price of gold. Leverage to higher prices is fine, but investors want to know that giving money to a company now will pay off.

M&M: What are the main problems facing the mining industry today?

AD: The main challenge facing the mining industry is finding enough quality deposits to replace ounces or pounds being mined. Quality means economic and large enough. There simply are not enough discoveries in many metals to replace what is being mined.

M&M: How do you look to minimise risk when making an investment?

AD: I minimize risk by looking at the company's business model: for seniors, I prefer a royalty company over a miner; and for exploration, I favor the prospect-generator model. These business models are themselves a way of minimizing the risk inherent in the mining sector.

M&M: What specific opportunities are you seeing in majors, juniors and the explorer market?

AD: Specific opportunities: growing majors such as Yamana and New Gold remain quite undervalued (Yamana still digesting its acquisition of Osisko, and New Gold because of concern about the lack of growth over the next couple of years). Junior exploration companies, particularly prospect development companies, remain extremely undervalued: we like Eurasian Minerals, Lara Exploration, Miranda Gold, and Riverside Resources, among others.