

# Bloomberg

## Paulson, Soros Add Gold as Price Declines Most Since 2008

By Debarati Roy - Aug 15, 2012

Billionaire investors [George Soros](#) and [John Paulson](#) increased their stakes in the biggest exchange-traded fund backed by gold as prices posted the largest quarterly drop since 2008.

[Soros Fund Management](#) more than doubled its investment in the SPDR Gold Trust to 884,400 shares as of June 30, compared with three months earlier, a U.S. Securities and Exchange Commission filing for second-quarter holdings showed yesterday. Paulson & Co. increased its holdings by 26 percent to 21.8 million shares.

Gold slumped 4 percent in the second quarter, the biggest such loss since Sept. 30, 2008. Prices fell as European Central Bank President [Mario Draghi](#) and Federal Reserve Chairman [Ben S. Bernanke](#) failed to increase stimulus measures, damping the outlook for global growth and demand for the metal as a hedge against inflation. The price fell 0.1 percent since June 30 through yesterday.

“It’s all about easing, and people are especially waiting for the Fed since investors expect prices will rise,” if the central bank announces more bond purchases, said Walter “Bucky” Hellwig, who helps manage \$17 billion of assets at BB&T Wealth Management in Birmingham, [Alabama](#). “People are willing to hold on to gold to see what the Fed will say.”

The metal surged 70 percent from the end of December 2008 to June 2011 as the Fed kept borrowing costs at a record low and bought \$2.3 trillion of debt in two rounds of so-called quantitative easing.

### Paulson’s Fund

Paulson, 56, who became a billionaire in 2007 by betting against the U.S. subprime mortgage market, lost 23 percent in his Gold Fund through July as lower bullion prices and slumping mining stocks contributed to declines.

Holdings in the SPDR Gold Trust are Paulson’s largest position. He also bought shares of [NovaGold Resources Inc. \(NG\)](#) last quarter and sold other stocks, leaving his \$21 billion hedge fund with more than 44 percent of its U.S. traded equities tied to bullion.

Paulson's U.S.-listed holdings peaked at \$34.3 billion at the end of March 2011, with about \$7.7 billion of that amount, or 23 percent, invested in gold related stocks. He had 33 percent of his U.S. stock holdings in gold-related securities at the end of the first quarter and 25 percent a year ago.

[Armel Leslie](#), a spokesman for Paulson, declined to comment. [Michael Vachon](#), a spokesman for Soros, declined to comment.

## Erased Gains

Gold erased its gains this year in May as investors favored sovereign debt and the dollar as economic growth slowed. The U.S. currency gained 3.3 percent against a basket of currencies last quarter.

[Hedge funds](#) have cut their [net-long](#) position, or bets on higher prices, by 66 percent from a record in August 2011. Their holdings fell to 85,510 futures and options on Aug. 7, according to the U.S. Commodity Futures Trading Commission.

Still, prices have rallied for 11 consecutive years, gaining more than sevenfold, as investors snapped up the metal after government and central bank stimulus programs boosted speculation that inflation would accelerate. The metal is up 2.2 percent this year.

## Vinik, Mindich

Vinik Asset Management, the Boston-based hedge fund founded by Jeffrey Vinik, who formerly ran the [Fidelity Magellan Fund \(FMAGX\)](#), cut its entire stake in the gold ETF. On March 30, the fund held 2.3 million shares, SEC data show. Eric Mindich's Eton Park Capital also sold all of its 739,117 shares last quarter, a filing showed.

Jonathan Gasthalter, a spokesman for Eton Park, declined to comment.

Moore Capital Management LP acquired 120,000 shares of SPDR Gold Trust in the second quarter, a filing showed yesterday. The hedge fund held no shares in the gold fund as of March 31.

[Global holdings](#) in exchange-traded products rose to a record 2,417.3 metric tons on Aug. 10, according to data compiled by Bloomberg.

Central banks and the [International Monetary Fund](#) are the largest bullion owners with 29,500 tons at the end of last year, or 17 percent of all mined metal, World Gold Council data show. Central banks have been net buyers for two straight years, the council said. Purchases this year will probably exceed the 456 tons added in 2011, the WGC estimates.

## Holding On

“People expect prices to rise in the third quarter since historically it has been proved that it’s one of the best periods for gold, and investors who see easing coming in from various central banks are either increasing or holding on to their positions,” [Donald Selkin](#), the New York-based chief market strategist at National Securities Corp., which manages about \$3 billion of assets, said by telephone.

Money managers who oversee more than \$100 million in equities must file a Form 13F with the SEC within 45 days of each quarter’s end to show their U.S.-listed stocks, options and convertible bonds. The filings don’t show non-U.S. securities or how much cash the firms hold.

To contact the reporter on this story: Debarati Roy in [New York](#) at [droy5@bloomberg.net](mailto:droy5@bloomberg.net)

To contact the editor responsible for this story: Steve Stroth at [sstroth@bloomberg.net](mailto:ssstroth@bloomberg.net)

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