

GOLD STOCK ANALYST™

A Monthly Newsletter Finding **Undervalued** Investment Opportunities through Fundamental Analysis & Rankings of the largest North American-Traded Precious Metals Mining Stocks

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Where Are We Now?

Based on 11/30/06's \$647 Gold, and GSA's proprietary Market Cap/oz database compiled since 1994, for a Rising Gold market, **Gold stocks trade as if Gold was \$651/oz.** On average the stocks are:

Fairly Valued

San Francisco Gold Show

Always the best of the open-to-the-public gold shows, the 2006 iteration excelled in terms of investor attendees, company presentations, and in the Keynote Speaker, *Barron's Roundtable* member Marc Faber. Coming at a time when investors are questioning the sustainability of the current bull market in commodities, Faber provided the big picture prospective. While US investors naturally focus on domestic issues, Faber essentially says 'ongoing maturation of China and India's economies and consuming populaces assures continued strong demand for basic materials for accepted "western" necessities such as personal transportation (cars) and housing'.

Perhaps the #1 topic of the Show's "buzz" was the US Dollar. For the first time since Apr-05, the US\$ fell thru \$1.30 per 1.0 Euro on the Friday before the Show's 11/26 start, and all wondered if the weakness was due to thin markets on the day after Thanksgiving, or had the Dollar's fall, long forecast by GSA and others, finally begun? The answer came the next week as Dollar closed at \$1.33 vs the Euro and the Dollar Index at 82.42, in range of its all time low of 78.88.

The shows are good venues to get updates on **GSA's Top 10** ... continued Pg 3

A New Year's Resolution

We've been writing GSA for 12 years and have talked with a lot of gold stock investors over the period. In doing so, we've learned investors often make one of two mistakes: 1) owning too few, or 2) too many gold stocks. Too few (1-5 stocks) increases the risk that a big disappointment will be disastrous to one's portfolio, or that one doesn't hold a big winner. Holding too many (20+) increases the likelihood that the portfolio will just have average returns.

The GSA Top 10 has a great track record... up an average 29.8%/yr for the past 12 years, and up 81.6% in 2006. Much of this success is due to picking good stocks, but some is also due to the absolute number of stocks: 10. (In an era of \$10/ trade commissions, transaction costs are no barrier even for small gold portfolios.)

In our opinion, 10 is just the right number of gold stocks; it's big enough to prevent a disappointment from "killing" the portfolio and small enough to allow a big winner to have significant impact. And, unrecognized by many, is the discipline of holding 10. If you want to add a new stock, it forces you to say: "Is this new stock better than one of the ten I now have?" If you can't say "Yes", then do not buy it!

So GSA asks you to resolve to hold the right number of gold stocks in 2007, as well as the best, GSA's Top 10.

Results	From 1/1/95	2006
GSA Top 10	+29.8%/yr	+81.6%
Gold	+3.0%/yr	+16.2%
XAU	+5.9%/yr	+26.1%

- **2007 Production Forecasts** now begin to be included in Page 5 data tables.
- Tocqueville Gold Fund's manager, **John Hathaway**, is a gold bull and a great writer on the metal's behalf. Here's John's latest thinking:
<http://www.tocqueville.com/brainstorms/brainstorms.php?id=200>
- Pressure will increase on **China** to float the Yuan as US's two biggest economic "guns", Treasury's Paulson and Fed's Bernanke, visit Dec 12-16. Their arrival day sees US Trade data for Oct-06, but they'll be home when US Current Account Data for 3Q06 is out on Dec 18; both data sets will bring demands for a higher Yuan.
- **Doody at SF Gold Show** (Dec 2): <http://www.netcastdaily.com/fsnewshour.htm>