

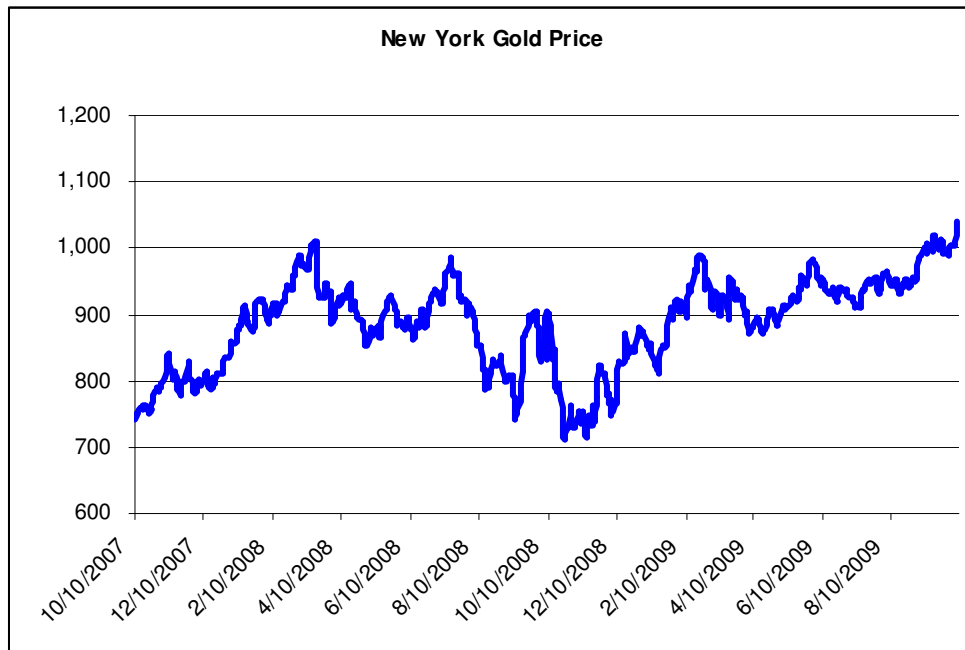
October 7, 2009

What's with Gold?

Is the price breakout an inflation warning or something else?

We bought gold in Dock Street portfolios last winter as an insurance policy. It was part of what was then called "The Armageddon Trade": Gold plus T-bills. Gold was seen as insurance against falling stocks, a weak dollar, and inflation.

The historically high price reached yesterday is making lots of news, most of it focused on inflation and the dollar. But we doubt these are the only reasons behind \$1,040 gold.



Holding some kind of gold position still makes sense to us, but our insurance policy may be morphing into a speculation. We don't buy the inflation scenario that is circulating---it could happen, but it is far from a sure thing and the worries about dollar weakness strike us as strange when the world is willing to gobble up Treasuries at a paltry 3.2%.

The most convincing explanation (to us) for the action in gold over the last two years involves the massive savings accumulating in Asia---savings in the hands of individuals mainly in China, the Middle East, and India.

Historically those cultures have little experience with banks, stock exchanges, and bond markets. They also have good reason not to trust government. It makes sense to us that a portion of that private savings pool is going into precious metals, just as Asian savings always have.

If this explanation is correct, then gold is telling us that prosperity is returning to Asia, and elsewhere, and some of the excess cash is showing up in the gold price.

DOCK STREET ASSET MANAGEMENT

We will stick with what we have in gold for now, but don't be surprised if we divert some of the profits into growing businesses. Long-term, we prefer investments over speculations.

Best regards,

A handwritten signature in blue ink, appearing to be 'D. Ogden', with a stylized flourish at the end.

Daniel A. Ogden

10/7/2009