Reconsidering the Benefits of Gold Investments

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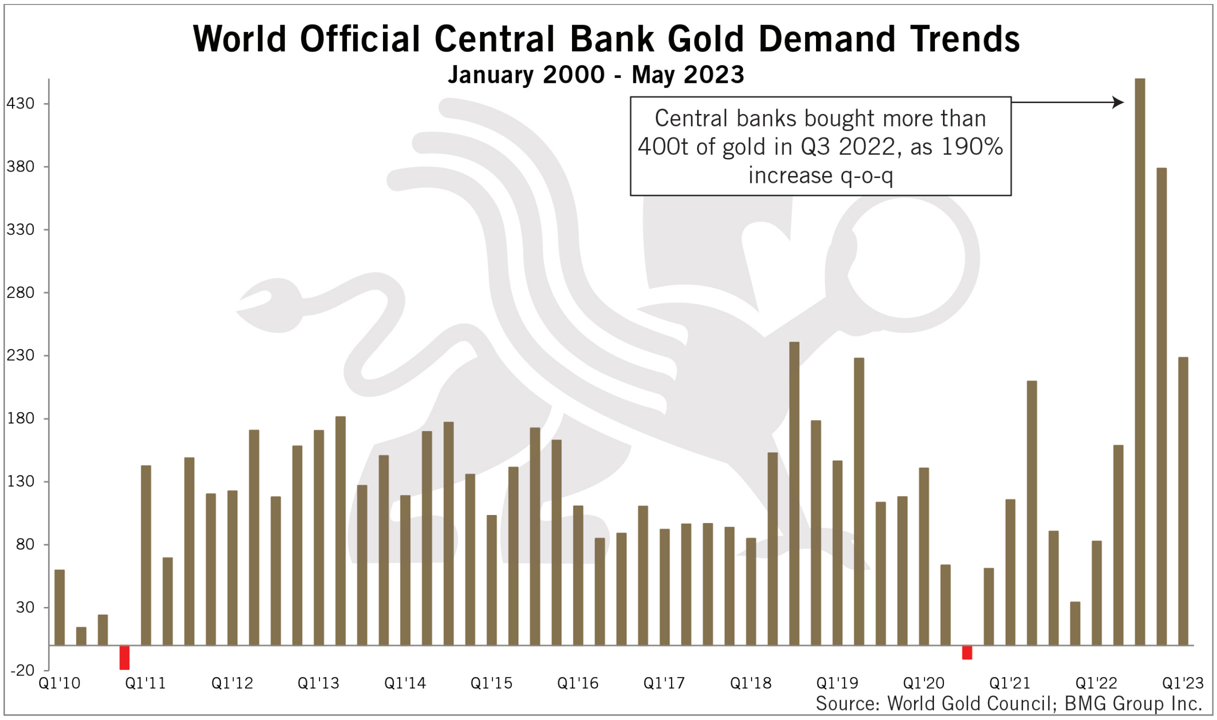
By Nick Barisheff

Ken Fisher, chief investment officer of Fisher Investments, recently wrote an article entitled "*Why all that glitters isn't gold when it comes to investing*." Fisher makes several misleading statements and fails to grasp the true value and potential of gold as an investment. As the CEO of a company managing $160 billions' worth of clients' money, one would expect a deeper understanding of monetary assets. The latest Basel III framework includes gold as a Tier 1 asset for commercial banks: Gold bullion is categorized as a zero-risk asset as long as it is hedged and in an allocated form. At the same time, unallocated gold and gold derivatives, like ETFs, gold leases, and other instruments without direct backing, are required to hold at least an 85% reserve as an offset.

Fisher makes a fundamental mistake when he states: "***But before buying gold, you need to understand it and how it behaves. It is a commodity that has no earnings, adaptability or dividends. If you hold physical dollars in a vault, you will also not get any earnings or dividends. You must take it out of the vault and invest it or place it at risk with a third party.***"

Gold is primarily MONEY. Gold has been recognized as a form of money and has had an impeccable track record for thousands of years. This is further evidenced by central banks' substantial gold reserves, which currently stand at record levels. Central banks across the world now hold more than 35,000 metric tons of gold, about a fifth of all the gold ever mined. They do not hold commodities like lead or copper, but recognize the enduring value of gold as a monetary asset. While gold cannot generate returns through dividends or profits, unlike companies in the S&P 500, central banks can influence the price of gold through the expansion of their balance sheet, giving gold growth potential compared to equities.



The World Gold Council's [Portfolio Simulator] provides investors with a valuable tool for analyzing the performance of different asset classes.

By using this simulator, investors can determine an appropriate allocation to gold within their portfolios. In fact, as the allocation to gold approaches 20%, significant portfolio improvements can be observed. This suggests that gold's inclusion in a well-diversified portfolio can enhance overall performance, even without generating dividends.

Year	US Dollar	Canadian Dollar	Euro Zone Euro	Japanese Yen	British Pound	Brazillian Real	Russian Ruble	Indian Rupee	Chinese Yuan	S. African Rand	S. Korean Won	Swiss Franc	Taiwan Dollar	Mexican Peso	Swidish Krona	World Average
2000	-5.65%	-2.03%	1.20%	5.60%	1.88%	1.75%	1.37%	-1.60%	-5.65%	15.89%	5.42%	-3.34%	-0.30%	-6.45%	5.06%	0.88%
2001	0.75%	7.00%	6.26%	15.45%	3.60%	19.39%	4.02%	7.83%	0.71%	57.61%	4.97%	3.55%	6.31%	-0.64%	12.03%	9.92%
2002	26.33%	25.34%	7.24%	14.48%	14.15%	93.43%	25.62%	33.20%	26.33%	-8.30%	13.68%	3.99%	25.25%	30.93%	4.47%	22.41%
2003	17.95%	-3.53%	-1.83%	6.41%	6.40%	-3.54%	11.93%	9.30%	17.95%	-9.47%	18.61%	5.05%	15.54%	34.76%	-2.84%	8.18%
2004	6.86%	-0.49%	-0.56%	2.42%	-0.49%	-2.00%	1.51%	0.69%	6.73%	-8.51%	-7.25%	-1.88%	-0.22%	7.88%	-1.56%	0.21%
2005	16.52%	12.86%	33.21%	33.77%	29.89%	2.44%	21.05%	20.74%	13.76%	30.60%	13.01%	35.61%	20.42%	9.07%	40.03%	22.20%
2006	23.20%	23.15%	10.53%	24.39%	8.11%	12.65%	20.89%	12.83%	19.15%	36.20%	14.12%	14.03%	22.41%	29.71%	6.26%	18.51%
2007	31.92%	11.87%	19.23%	23.82%	30.21%	9.97%	17.87%	22.47%	23.45%	28.50%	32.78%	21.53%	31.27%	30.73%	23.26%	23.93%
2008	5.58%	30.78%	10.76%	-14.19%	43.30%	37.27%	30.14%	28.11%	-1.38%	45.49%	49.05%	0.22%	6.65%	33.95%	28.57%	22.29%
2009	25.65%	7.38%	22.03%	28.82%	13.61%	-5.34%	20.01%	26.88%	25.72%	-0.92%	10.02%	21.27%	22.54%	19.42%	14.48%	16.77%
2010	27.71%	22.19%	37.94%	12.06%	34.14%	21.89%	23.31%	30.24%	23.51%	14.41%	23.82%	16.05%	16.48%	20.41%	20.41%	22.97%
2011	8.39%	10.11%	10.86%	2.16%	7.38%	21.40%	28.25%	14.52%	3.52%	32.40%	11.91%	8.82%	12.59%	22.10%	11.26%	13.71%
2012	8.26%	6.03%	6.52%	21.85%	3.44%	19.01%	12.04%	2.52%	6.97%	13.15%	-0.38%	5.44%	3.90%	1.07%	2.24%	7.47%
2013	-27.33%	-22.38%	-30.46%	-11.72%	-28.70%	-16.21%	-17.98%	-21.87%	-29.39%	-9.36%	-28.27%	-29.31%	-25.38%	-26.88%	-28.23%	-23.56%
2014	-1.58%	7.34%	12.07%	12.08%	4.72%	10.74%	0.20%	78.43%	0.91%	7.73%	2.08%	9.51%	4.26%	10.53%	18.54%	11.84%
2015	-9.73%	7.68%	0.59%	-9.42%	-4.64%	34.54%	-5.22%	12.26%	-5.68%	21.59%	-2.68%	-9.30%	-6.34%	6.56%	-1.52%	1.91%
2016	7.08%	3.89%	10.20%	3.98%	27.99%	-12.01%	9.88%	-11.85%	14.66%	-5.69%	9.61%	9.62%	5.81%	27.31%	14.97%	7.70%
2017	12.66%	5.03%	-1.11%	8.72%	2.74%	14.70%	5.88%	6.86%	5.57%	1.41%	-0.18%	7.90%	3.07%	7.62%	2.04%	5.53%
2018	-0.72%	8.21%	4.18%	-3.36%	5.23%	16.31%	8.22%	19.45%	4.92%	15.60%	3.85%	0.14%	2.52%	-1.15%	8.33%	6.12%
2019	18.83%	12.89%	21.25%	17.72%	14.30%	23.08%	21.87%	6.29%	20.28%	16.10%	22.86%	16.66%	16.11%	14.27%	23.38%	17.73%
2020	23.94%	21.94%	13.77%	17.69%	20.37%	60.16%	26.81%	48.36%	16.40%	29.61%	16.94%	12.92%	16.36%	30.55%	8.98%	24.32%
2021	-4.33%	-4.15%	3.38%	6.78%	-3.18%	2.70%	-2.52%	-3.33%	-7.04%	3.89%	4.46%	-0.87%	-5.49%	-1.75%	5.89%	-0.37%
2022	0.44%	7.00%	6.26%	15.06%	12.57%	-4.70%	-8.31%	11.64%	9.07%	6.87%	0.44%	1.66%	-0.18%	-3.89%	15.72%	4.64%
2023 YTD	11.36%	11.06%	9.56%	15.03%	7.06%	3.49%	32.09%	10.86%	12.24%	25.21%	-2.56%	8.11%	11.11%	-0.05%	10.87%	11.03%
Average	**9.38%**	**8.67%**	**8.93%**	**10.44%**	**10.67%**	**14.98%**	**15.32%**	**12.01%**	**8.49%**	**15.01%**	**8.99%**	**6.62%**	**8.05%**	**12.37%**	**10.15%**	**10.67%**
Standard Deviation	**14.33%**	**11.19%**	**13.52%**	**12.58%**	**15.55%**	**23.57%**	**21.58%**	**12.35%**	**13.26%**	**18.23%**	**19.42%**	**12.76%**	**11.27%**	**16.09%**	**13.45%**	**11.07%**
Downside Deviation	**9.92%**	**8.36%**	**10.15%**	**8.82%**	**10.11%**	**9.63%**	**10.35%**	**8.73%**	**10.07%**	**8.28%**	**10.74%**	**9.80%**	**8.39%**	**9.89%**	**10.04%**	**8.98%**

Data at May 15, 2023 Sources: Ycharts, BMG Group Inc.

It is crucial to recognize that the current global environment presents a perfect storm for gold investments. There are escalating geopolitical tensions: The war in Ukraine has a very real possibility of becoming a nuclear war and the conflict over Taiwan could lead to a global shortage of microchips. These and other considerations are driving consumer sentiment towards seeking the safety of gold.

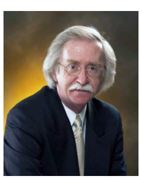
Moreover, the formation of alliances among BRICS nations to bypass the US SWIFT system and conduct trade in their own currencies, along with the emergence of alternative payment platforms—Wise Platform, Nium, Airwallex, SPFS and CIPS—indicates a decreasing reliance on the US dollar.

There are major uncertainties surrounding the US banking industry and the failure of regional banks: Silicon Valley Bank, Signature Bank and First Republic and PacWest bank are pushing many investors to reallocate their assets to gold and silver. (Financial Post, KITCO)

There are expansionary pressures from the uncontrolled entry of illegal migrants at America's southern border; education, healthcare, and welfare must be paid for. The potential for high inflation resulting from massive monetary expansion further supports the case for gold investments.

Not all these events may transpire simultaneously, but the occurrence of even one or two of them could significantly drive up the price of gold. As evidenced by its recent performance, with an 11% gain in just four months, gold has already anticipated these events to some extent. Therefore, dismissing gold as an investment based on short-term fluctuations or misconceptions about its lack of earnings or adaptability fails to grasp its potential to preserve wealth and act as a hedge against economic uncertainties.

Fisher's characterization of gold as a commodity overlooks its unique qualities and its evolving role as a monetary asset. He fails to consider the current global circumstances, the significant accumulation of gold by central banks since 1974, and gold's historical performance as a safe haven and inflation hedge. The evidence supports gold's position as a superior long-term asset. Its ability to preserve wealth, its increasing acceptance by financial institutions and its potential to enhance portfolio diversification make it a compelling investment option for investors seeking stability, wealth preservation, and long-term financial resilience. By recognizing gold's multifaceted nature and leveraging its enduring value, investors can enhance their investment strategies and protect against economic uncertainties.



Nick Barisheff *is the founder, president and CEO of BMG Group Inc., a company dedicated to providing investors with a secure, cost-effective, transparent way to purchase and hold physical bullion. BMG is an Affiliate Member of the London Bullion Market Association (LBMA) as well signatory to the Six Principles of Responsible Investments (United Nations endorsed Principles for Responsible Investment – PRI).*

Widely recognized as international bullion expert, Nick has written numerous articles on bullion and current market trends that have been published on various news and business websites. Nick has appeared on BNN, CBC, CNBC and Sun Media, and has been interviewed for countless articles by leading business publications across North America, Europe and Asia. His first book, $10,000 Gold: Why Gold's Inevitable Rise Is the Investor's Safe Haven, was published in the spring of 2013. Every investor who seeks the safety of sound money will benefit from Nick's insights into the portfolio-preserving power of gold. www.bmg-group.com