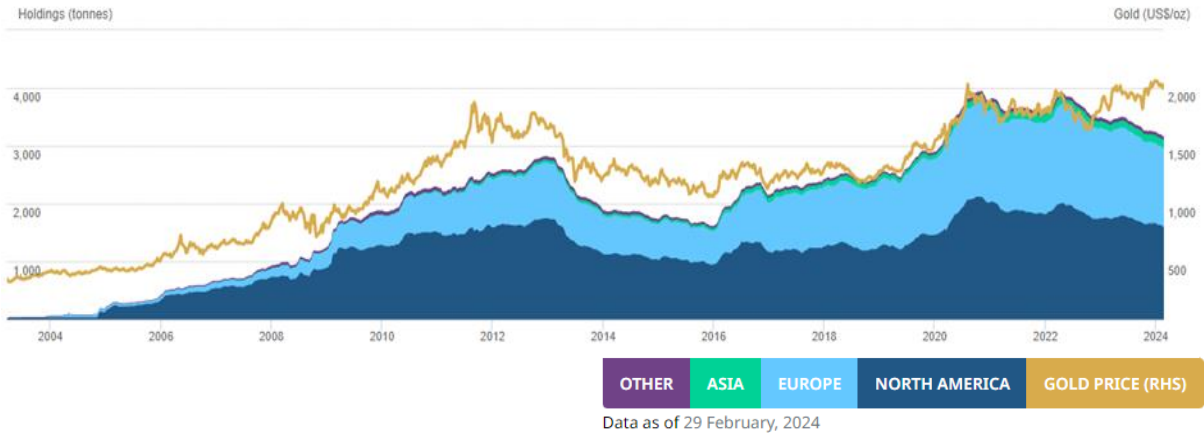


Something I could have learned, you're indestructible.

Despite the 15% rise in the gold price in the past couple of months, for the past nine months global gold ETFs have seen net outflows, led by North America and Europe. Asia, which is a small percentage of all ETF holdings, has in contrast seen net inflows for the past 12 months.

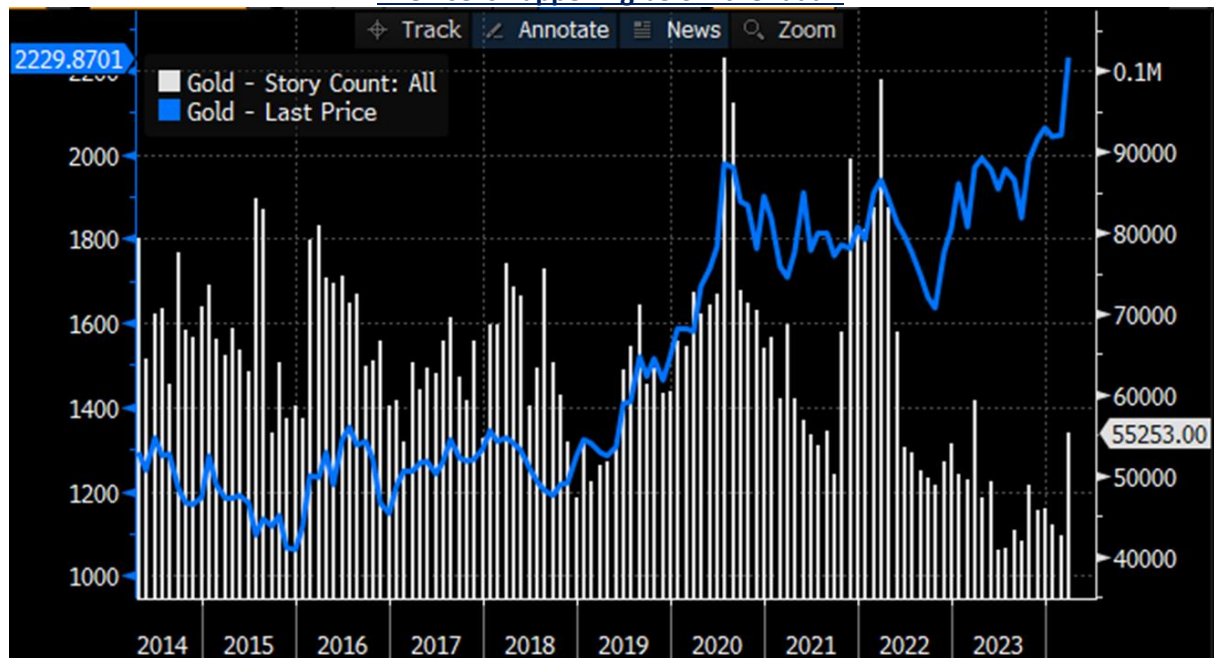
Global ETF Flows by Region.



Source: World Gold Council

Normally, with such an increase in the price of precious metals, the goldbugs would be highlighting the benefits of gold, not only as a diversifying asset, but as a long-term investment given its enduring nature, however, this rally has drawn a surprisingly little amount of media attention, as shown by the news story count chart below. Whether the surging world equity markets, which continue to make new all-time highs, the hype around AI or the geo-political tensions in Ukraine and Middle East have diverted investors attentions is a matter of debate but there are some unusual dynamics in play.

The rise is happening below the radar.



Source: TIM/Bloomberg

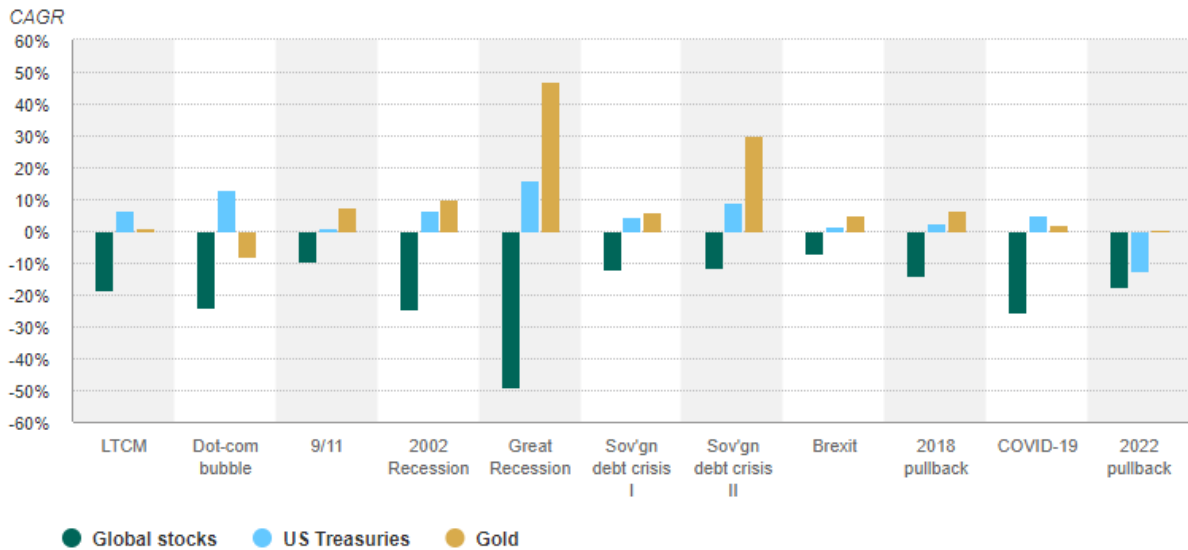


Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.

Naturally when equity markets are rallying, little attention is paid to the diversification and defensive nature of gold as part of a portfolio, but as the chart below shows, in times of market stress, gold tends to be a good store of value.

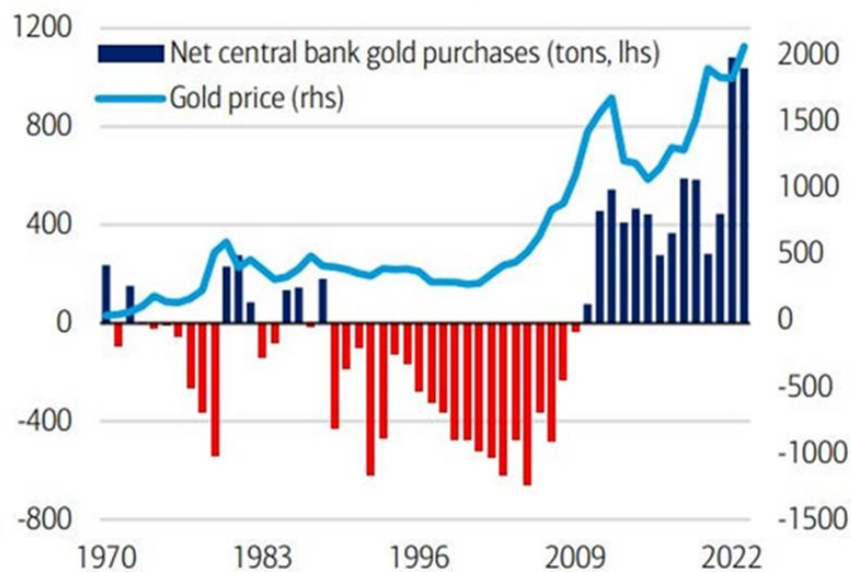
Despite the geo-political tensions gold as investment is not seeing inflows so far in 2024.



Source: World Gold Council

Demand for gold comes from a wide variety of sources, with 35% of annual demand coming from the jewellery sector, 39% is used by the investment industry, 19% by central banks and 7% is used by the technology sector. With the investment industry withdrawing assets from the marketplace, and anecdotally the Indian jewellery market stagnating, only central banks and the technology sector can be only logical reasons for the recent moves in the gold price. The data from Bank of America shows that since the Great Financial Crisis, central banks have been net buyers of gold, with a step up in purchases since the pandemic.

Exhibit 4: Central banks hoard gold at the fastest pace in modern times
 Net official annual gold purchases vs spot gold price, annual



Source: BofA Research Investment Committee, Refinitiv GFMS, Metals Focus, Bloomberg, WGC
 BofA GLOBAL RESEARCH

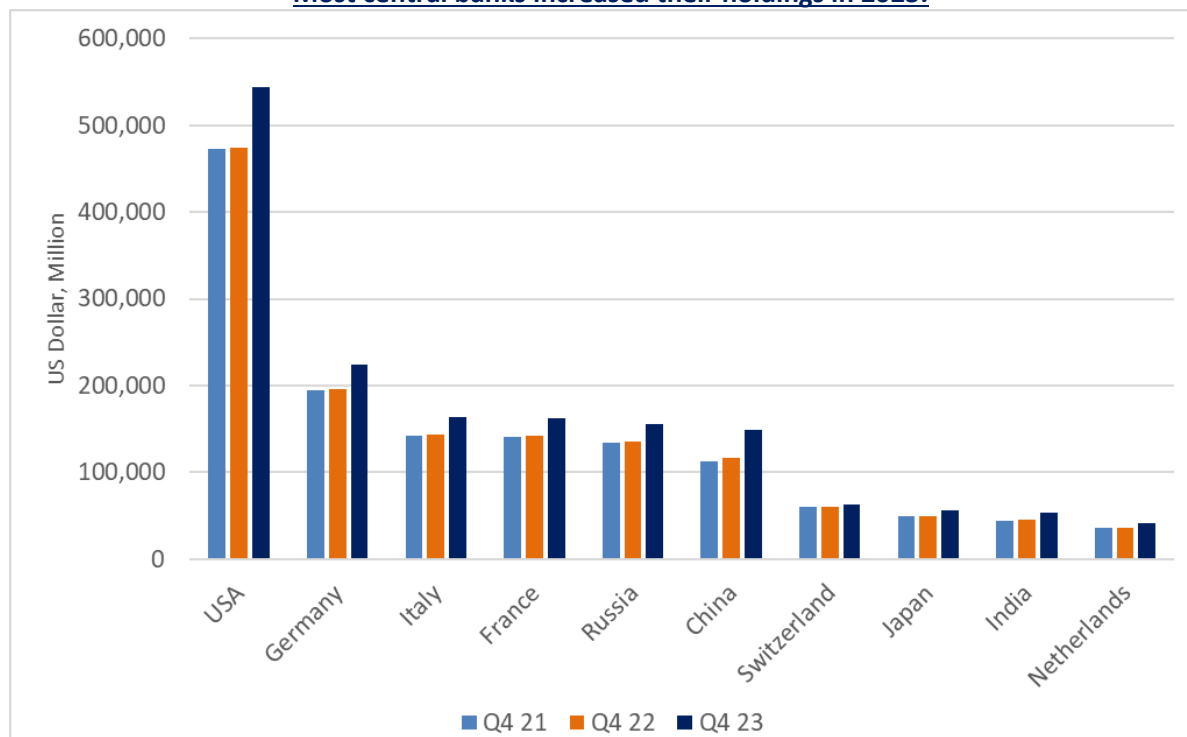


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Looking at the data as to which central banks have been buying gold since the pandemic, it is notable that there have been net purchases from all the major holders of gold, and recent surveys show that 62.1% of central banks expect that over 15% of the reserves will be in gold and 24% of them expect to increase their holdings this year. Sadly, Gordon Brown sold the over half the UK's gold reserves in 1999 at an average price of approximately \$275/oz compared to \$2,290 today, and today they have reserves of only 310 (vs 715 tonnes prior to Brown's bottom) tonnes of the asset; the 17th largest holding globally.

Most central banks increased their holdings in 2023.



Source: TIM/World Gold Council

Whether investors will return to buying gold remains to be seen, but there are anomalies that may lead them to be cautious, namely in the strength of the US Dollar, which normally has negative correlation to the gold price, and it is also noticeable that silver is also having its moment in the sun too.

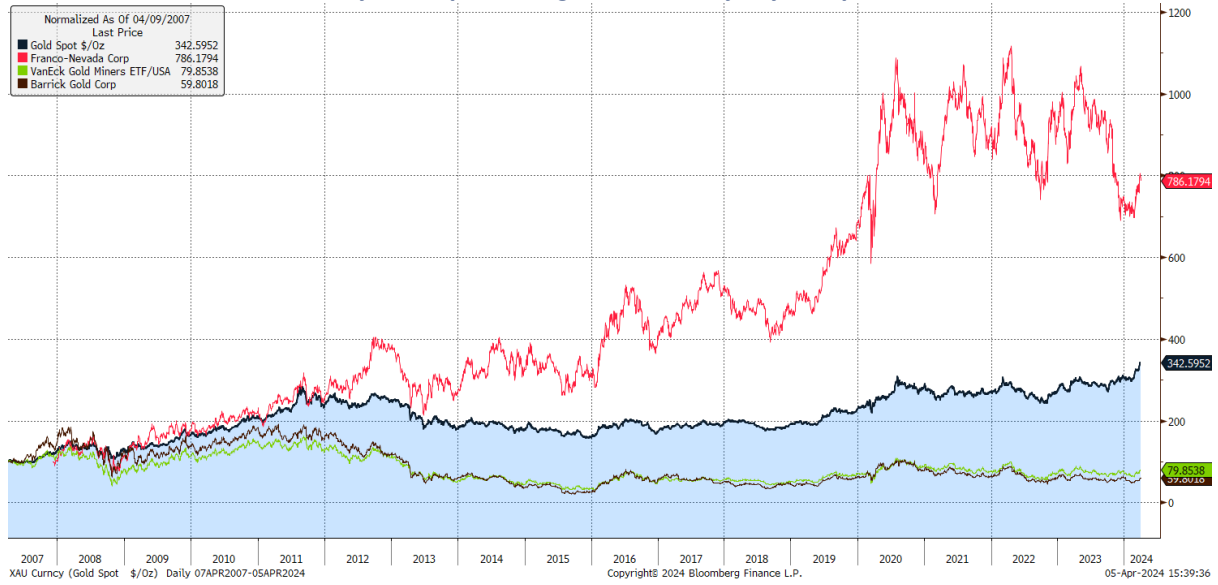
For many Fund managers getting exposure to the asset class is problematic as UCITS rules may prohibit them from owning the physical asset or ETFs and the gold miners have little correlation to the performance of gold. Royalty companies offer one source of exposure, but again the investor can be exposed to the volatility of political risk, but for investment managers who are not bound by the same restrictions, and we suggest that gold remains a good diversifying asset as part of a client's portfolio.



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Gold miners normally underperform gold, while royalty companies can be volatile.



Richard Scrope CFA, Fund Manager, VT Tyndall Global Select Fund, 8th April 2024

Contact Details:

Fund Manager – rscrope@tyndallim.co.uk

Fund Distribution – trussell@tyndallim.co.uk

Source unless stated: Bloomberg



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Investment Manager: 5-8 The Sanctuary, London, SW1P 3JS.



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