Why gold? Today and tomorrow…
The investment case for gold

John Reade | Mining Indaba, Cape Town | 2019
Gold returns are comparable to other asset classes

Gold's long-term performance compared to major financial assets*

- CAGR
- Since 1971
- 20-year
- 10-year


Source: Bloomberg, ICE Benchmark Administration, World Gold Council
Gold is a potent diversifier

Gold's long-term correlation to major financial assets*

<table>
<thead>
<tr>
<th>Financial Asset</th>
<th>5-yr Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Bond Aggregate</td>
<td>0.40</td>
</tr>
<tr>
<td>Commodities</td>
<td>-0.02</td>
</tr>
<tr>
<td>EM stocks</td>
<td>0.10</td>
</tr>
<tr>
<td>US Cash</td>
<td>0.00</td>
</tr>
<tr>
<td>EAFE stocks</td>
<td>-0.05</td>
</tr>
<tr>
<td>US stocks</td>
<td>-0.20</td>
</tr>
</tbody>
</table>

*As of 31 December 2018.

Source: Bloomberg, ICE Benchmark Administration, World Gold Council
Gold provides the right kind of diversification – offsetting losses when the stock market falls

Correlation of US stocks versus gold, commodities*

- S&P up by more than $2\sigma$
- S&P between $\pm 2\sigma$
- S&P down by more than $2\sigma$

Source: Bloomberg, ICE Benchmark Administration, World Gold Council
A deep and liquid market – comparable to major asset classes

Gold trades more than many other major financial assets
Average daily trading volumes in US$*

*Based on estimated 1-year average trading volumes as of 31 December 2018, except for currencies that correspond to 2016 volumes due to data availability.
**Gold liquidity includes estimates on over-the-counter (OTC) transactions, and published statistics on futures exchanges, and gold-backed exchange-traded products.
Source: BIS; Bloomberg; Germany Finance Agency; Japan Securities Dealers Association; LBMA; UK Debt Management Office (DMO); World Gold Council
Gold has relatively low volatility

Gold's volatility sits below that of individual stocks and stock indices*

- 10th most volatile S&P 500 stock
- S&P 500 Tech stocks
- Top 10 largest S&P 500 stocks
- S&P GS Commodity Index
- MSCI EM Index
- 10th least volatile S&P 500 stock
- S&P 500 Index
- MSCI EAFE Index
- Gold (US$/oz)

*Annualised volatility based on daily returns between 1 Jan 2009 and 31 Dec 2018. Only stocks and indices with ten years worth of data are included.
Source: Bloomberg, ICE Benchmark Administration, World Gold Council
US equities are still very expensive by historic measures
US$ bull market may be over
US real rates are likely to remain low
37-year bull market in bonds won’t be repeated
Disclaimer

COPYRIGHT AND OTHER RIGHTS

© 2019 World Gold Council. All rights reserved. World Gold Council and the Circle device are trademarks of the World Gold Council or its affiliates. All references to LBMA Gold Price are used with the permission of ICE Benchmark Administration Limited and have been provided for informational purposes only. ICE Benchmark Administration Limited accepts no liability or responsibility for the accuracy of the prices or the underlying product to which the prices may be referenced.

Other third party data and content is the intellectual property of the respective third party and all rights are reserved to them.

Any copying, republication or redistribution of content, to reproduce, distribute or otherwise use the statistics and information in this report including by framing or similar means, is expressly prohibited without the prior written consent of the World Gold Council or the appropriate copyright owners except as provided below. The use of the statistics in this report is permitted for the purposes of review and commentary (including media commentary) in line with fair industry practice, subject to the following two pre-conditions: (i) only limited extracts of data or analysis be used; and (ii) any and all use of these statistics is accompanied by a clear acknowledgement of the World Gold Council and, where appropriate, of Thomson Reuters, as their source. Brief extracts from the analysis, commentary and other World Gold Council material are permitted provided World Gold Council is cited as the source. It is not permitted to reproduce, distribute or otherwise use the whole or a substantial part of this report or the statistics contained within it. While every effort has been made to ensure the accuracy of the information in this document, the World Gold Council does not warrant or guarantee the accuracy, completeness or reliability of this information. The World Gold Council does not accept responsibility for any losses or damages arising directly or indirectly, from the use of this document.

The material contained in this document is provided solely for general information and educational purposes and is not, and should not be construed as, an offer to buy or sell, or as a solicitation of an offer to buy or sell, gold, any gold related products or any other products, securities or investments. Nothing in this document should be taken as making any recommendations or providing any investment or other advice with respect to the purchase, sale or other disposition of gold, any gold related products or any other products, securities or investments, including without limitation, any advice to the effect that any gold related transaction is appropriate for any investment objective or financial situation of a prospective investor. A decision to invest in gold, any gold related products or any other products, securities or investments should not be made in reliance on any of the statements in this document. Before making any investment decision, prospective investors should seek advice from their financial advisers, take into account their individual financial needs and circumstances and carefully consider the risks associated with such investment decision.

Without limiting any of the foregoing, in no event will the World Gold Council or any of its affiliates be liable for any decision made or action taken in reliance on the information in this document and, in any event, the World Gold Council and its affiliates shall not be liable for any consequential, special, punitive, incidental, indirect or similar damages arising from, related to or connected with this document, even if notified of the possibility of such damages.

This document contains forward-looking statements. The use of the words “believes,” “expects,” “may,” or “suggests,” or similar terminology, identifies a statement as “forward-looking.” The forward-looking statements included in this document are based on current expectations that involve a number of risks and uncertainties. These forward-looking statements are based on the analysis of World Gold Council of the statistics available to it. Assumptions relating to the forward-looking statement involve judgments with respect to, among other things, future economic, competitive and market conditions all of which are difficult or impossible to predict accurately. In addition, the demand for gold and the international gold markets are subject to substantial risks which increase the uncertainty inherent in the forward-looking statements. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by the World Gold Council that the forward-looking statements will be achieved. The World Gold Council cautions you not to place undue reliance on its forward-looking statements. Except in the normal course of our publication cycle, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and we assume no responsibility for updating any forward-looking statements.