

# EDITOR'S PICK

## **Way Charteris Gold and Precious Metals**

Managed by Ian Williams, chairman of Charteris Treasury Portfolio Managers, this is one of the smaller offerings at just £9m and aims to provide capital growth by investing in a portfolio of instruments with direct underlying gold and/or precious metals exposure. It also invests in companies whose core business is involved in the mining, refining, production and marketing of gold and/or precious metals. Like many gold funds, the five-year performance is disappointing, with a loss of 3.4 per cent, but the shorter term performance is more encouraging, including a 146.1 per cent return for the 12 months to July 14 2016.

50

Jan 16

Feb

Mar

Apr

May

Jun

Jul

Source: FE Analytics

The commodity remains particularly popular in the form of specialist exchange-traded products

# Investors bask in safety of gold as geopolitical uncertainty rocks boat

by Nyree Stewart

Gold is often seen by many investors as a safe haven, and with the UK's recent vote to leave the EU adding to economic uncertainty, it is little wonder the asset class's popularity has surged.

Year to date, gold's price has moved steadily higher, with figures from BullionVault.com showing the gold price at a low of \$1,054 (£796) per ounce as of December 1 2015, jumping to roughly \$1,366 per ounce as of July 8 2016.

But the Bank of England's surprise decision on July 14 not to cut interest rates means the gold price did fall back slightly. In a trading update on July 15, BullionVault notes: "[This] knocked £20 off the gold price, pushing it below £1,000 per ounce for the first time this month... but the underlying trend has pointed higher all through 2016 so far."

Ole Hansen, Saxo Bank's head of commodity strategy, agrees that the precious metal has been a beneficiary of global growth concerns.

"Growth prospects across some of the world's major economies, including the US and China, continue to be called into question and problems in Europe could lead to a knock-on effect in the global market. With this in mind, we're anticipating limited upside above \$50/barrel this quarter in crude [oil]. The same uncertainty has also helped to drive gold higher as a haven asset and we [have raised] our end-of-year forecast to \$1,350/oz."

Gold has become particularly popular in the form of exchange-traded products (ETPs), with Viktor Nossek, director of research at WisdomTree Europe, noting: "Gold and silver futures have risen 29 per cent and 46 per cent, respectively. The up-

beat sentiment in gold is evident from strong inflows in gold ETPs: this year investors bought \$21bn in gold exchange-traded fund (ETF) shares."

Assad Abdulla, director at Signia Wealth, says: "With potential outcomes for inflation, currency and financial markets seemingly more extreme now than at any point since the end of the Second World War, gold is an attractive investment. Brexit appears to be the first time that populist/anti-establishment views in developed economies have translated into an actual establishment-rattling political outcome. This increases fears over future political disruption."

He adds: "Discussions around direct fiscal stimulus have moved from being borderline fantasy, to a policy response that is being seriously tabled by some policymakers. This adds to uncertainty around geopolitical and inflation outcomes, thereby

increasing portfolio hedge allocations to assets such as gold."

Angelos Damaskos, manager of the Junior Gold fund, agrees there has been "massive interest" in terms of ETF holdings based on bullion, and also in silver ETF holdings.

"This places demand on the bullion physical stock and we know this is finite – many studies suggest new mine production has started declining since the middle of 2015. So we see declining new production of gold bullion meeting an increase in demand and that's a recipe for higher prices. I remain very optimistic for gold and pessimistic, unfortunately, for the global economy for the next 12 months.

"I think it's a very strong argument for investors to increase their allocation to gold and gold-like exposure, such as gold mining equities, to minimise their exposure to the potential risks in the global economy."

One of the most recent entrants to this part of the commodity market, the fund was launched in March 2016 and is run by Ned Naylor-Leyland. It has amassed assets of \$37m (£28m) and has a relatively concentrated portfolio of just 40 holdings. The fund currently holds 80 per cent in equities, with a further 18.5 per cent in bullion. Performance for the three months since launch is a strong 51.1 per cent, having coincided nicely with the recent rally.

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