40%

Percentage of the entire gains in last great gold bull market of 1960-1980 made in the last nine months

Ian Williams on Specialist

(IA) Specialist: Over three years

	3yr % chg	Rank	Vol monthly	Fund size (£m)	Morningstar rating™
Top 5					
Ninety One Global Gold	92.16	1	9.38	397.71	★★★★★
LF Ruffer Gold	75.96	2	8.68	1,393.87	★★★★★
Polar Capital Biotech	65.45	3	5.80	533.92	★★★★★
Candriam Eqs L Biotech	52.34	4	5.65	1,490.99	★★★★
BlackRock Gold and General	52.23	5	9.37	1,369.31	★★★★
Bottom 5					
Alquity Latin America	-33.64	222	8.08	3.18	★★
Liontrust India	-34.02	223	7.30	29.59	★★
Jupiter India Select	-40.49	224	6.96	86.42	★★
Jupiter India	-40.51	225	6.73	470.86	★★
Brown Advisory Latin American	-40.90	226	8.11	115.79	★★
SECTOR AVERAGE	**1.60**		**4.62**	**514.74**	

Performances calculated bid to bid, net income re-invested, GBP to 18/05/20. Source: © 2020 Morningstar.

Bull Points

Excessive monetary stimulus will stoke inflation

Negative real interest rates on bonds benefits gold and silver

Bear Points

Coronavirus and recession may weaken jewellery demand

Gold's value looks stretched relative to other commodities

Investors who have sat out the bull market in precious metals may wonder if they have missed the train. The gold price recently hit an eight-year high, but the good news is potentially more big gains lie ahead.

Valued in sterling, gold has already outperformed all other major asset classes since 2000, which belies its cult image as a speculative investment. Consistent with our long-held view, the metal remains in a primary 20-year bull market that is likely to peak in the next 12-to-18 months, potentially with a blow-out top in prices Notably, 40% of the entire gains in the last great bull market of 1960-1980 were made in the last nine months.

Prospects are even more bullish for silver, which looks very cheap relative to gold. The gold/silver price ratio fell to an all-time low in March this year but it has since started to narrow the gap.

The strongest driver for both metals is the unprecedented quantity of money being printing by central banks worldwide to stave off a global economic slump caused by the Covid-19 pandemic. The US Federal Reserve alone is likely to increase its balance sheet by $4trn this year. Together with massive stimulus from other authorities, we expect this eventually to stoke inflation.

With US interest rates moving towards negative, investment demand for gold and silver has soared, spurred by their safe-haven status as a store of value. Gold-backed exchange traded funds increased their holding of the metal by seven-fold year-on-year in the first quarter of 2020. Central banks have also continued to be buyers though not at the rates seen in recent years. Jewellery demand fell however.

While gold and silver have long been considered as one of the best hedges against inflation, historically gold and silver mining equities outperform the physical metals by several times. Any balanced portfolio should have a meaningful exposure to such equities. Our own strategy is to have a significantly overweight position in both gold and silver equities with a strong bias for silver due to its greater upside potential and relative value.

Short term, both metals' prices could drift lower due to seasonal factors before picking up the pace again this autumn. It may provide the last big buying opportunity for latecomers to climb abroad.

Ian Williams is chairman and chief investment officer of Charteris Treasury Portfolio Managers