Why Gold?

From its *usage as a medium to facilitate commerce in ancient times to being keepsake jewelleries for royalties and the affluent* – gold has undoubtedly played a pivotal role in economies throughout the millenniums. Widely dubbed as a unique asset of wealth and value, its applications today are just as relevant for investors as it is for the man on the street.

Without further ado, here are a few reasons why you may want to own gold in this modern era:

Although this may sound like an overused selling point conveyed by many gold enthusiasts, the royal metal's tough armour against inflation remains an undeniable fact – and in our opinion, makes a significant case for consideration.

Evident throughout history, gold prices tend to rise as the cost of living increases. As the purchasing power of paper money has been eroded by inflation over the decades, gold has managed to pull through; and in some cases were pushed higher such as during the likes of the US hyperinflation in 1977.

Here's an analogy, an ounce of gold was equivalent to about USD35 in the early '70s. Both the gold and money would be able to afford you the same things then – let's say a luxury leather briefcase for example. Today, the ounce of gold would still be able to buy you the same briefcase with perhaps some change to spare, but the USD35 on the other hand wouldn't come close to replicating the same feat. This is because the purchasing power of paper money is susceptible to inflationary pressures, while gold is not.

> A "Crisis Commodity"

Gold is coined as a *crisis commodity* because people often flock towards gold for safety in times of financial and geopolitical unease – and during such periods, it has often outperformed most other assets.

In an environment where geopolitical rifts are heating up and confidence in governments goes down, there is a looming risk that paper assets and cash may pullback. The precious metal, on the other hand, is a hard and finite asset that does not represent any parties' liability or ability to repay. This means that there's no risk for gold to ever go out of value – thus making it an effective safeguard against unforeseen market downturns.

On the records, the value of gold has lasted through various ups and downs of markets over the centuries – a long proven asset of wealth even in bearish moments. When all else pales, gold shines.

> A Liquid Asset

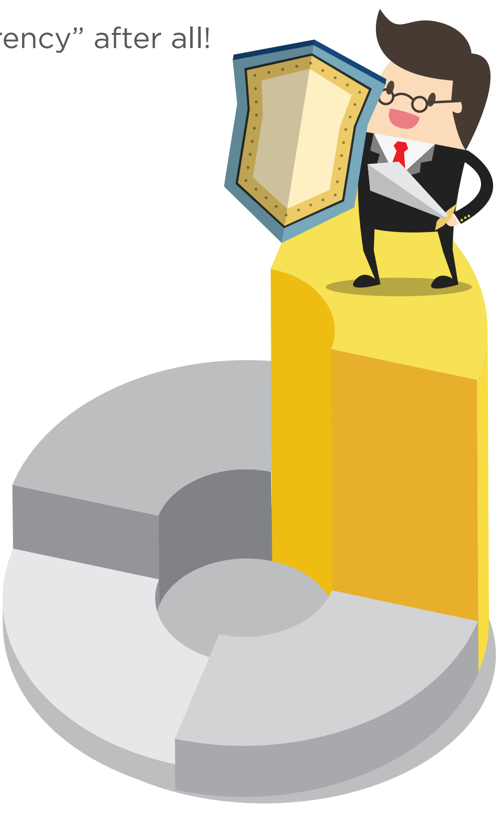
Being a hard asset, one would think that liquidity may pose as an issue for the precious metal – however, only the opposite is true. Gold's intrinsic ability for long-term store of wealth, and its importance in the preservation of one's purchasing power puts the royal metal in a comfortable position where demand is healthy.

From *serving large jewellery consumption cultures such as in India and China to playing the role of foreign reserves for major central bankers;* any potential wane in appetite for the shiny metal is unlikely at this point.

Gold's influence hasn't gone unnoticed. Strong demand has given rise to many avenues where the commodity can be traded such as via exchange-traded funds and financial institutions among others. Given the depths of the gold market, the commodity is almost unparalleled in terms of liquidity – with an average trading volume that ranks even among the largest financial assets in the world. This means that investors can easily buy or convert them into cash as and when they desire to.

Albeit unofficial, it is still known as the "international currency" after all!

> Portfolio Diversification



The idea behind diversification is to reduce the overall volatility and risk for one's investment portfolio to weather against varying economic backdrops, whilst maximising returns. That is why the key here would be to identify assets that are not closely correlated to one another – and gold checks this very criteria.

Think of gold as the armour for your diversified portfolio; as its price increases in response to unexpected crisis or events that may cause dismal to the value of other assets. And given its protective nature against inflation and impending market adversities, we think it would complement well on top of one's core equity and fixed income holdings. With all that has been said, there is certainly more to gold than its glitter and gleam.

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