

# Gold

A portfolio without gold is a luxury you can no longer afford.



WORLD GOLD COUNCIL





## HISTORY IN THE PALM OF YOUR HAND

Fascination with gold is as old as history. Gold was — and is — prized for its rarity, beauty, and indestructibility, and for thousands of years it has been used a medium of exchange. Entire civilizations have flourished and disappeared, yet gold has endured.

One of the earliest records of using gold as money dates from 560 B.C., when King Croesus of Lydia, today's western Turkey, created a coin emblazoned with his own image. This seemingly simple act changed the world of commerce as gold became currency — a medium of exchange with a definite value — replacing barter and other commodities as money. So when you hold gold in your hand, you're not just holding a valuable asset, you're also connecting with a long history.

## IDEAL FOUNDATION FOR A DIVERSIFIED INVESTMENT PORTFOLIO

Gold provides an ideal foundation for a well-balanced portfolio because of its unique characteristics:

- **LONG-TERM STORE OF VALUE**
- **“ASSET OF LAST RESORT”**
- **HIGHLY LIQUID**
- **ASSET DIVERSIFIER**

### **LONG-TERM STORE OF VALUE**

Gold has acted as a reliable “store of value” because it fulfills the functions of money:

- It is portable and divisible. Its weight is a good measurement of a unit of value.
- It is indestructible, relatively scarce, and cannot be “manufactured.”
- It is easily recognizable and acceptable as a form of payment.



The purpose of diversification is to protect the total portfolio against fluctuations in the value of any one asset or type of asset. Gold does exactly that.

Through both hard times and times of plenty, gold endures. Market cycles are permanent facts of life but gold has maintained its long-term value. In contrast, most currencies (including the U.S. dollar) and industrial commodities have generally declined. This is why gold is often purchased as a hedge against inflation and currency fluctuations. And why so many investors around the world see gold as the “ultimate asset” — an important and secure part of their investment portfolio.

The chart on the right demonstrates that gold has kept up with inflation during the past 200 years. In other words, the value of gold — what it can buy in real goods and services — has remained remarkably stable over time. For example, a man’s suit in sixteenth century England at the time of King Henry VIII cost the equivalent of one ounce of gold, roughly the same as a suit would cost today.



#### **“ASSET OF LAST RESORT”**

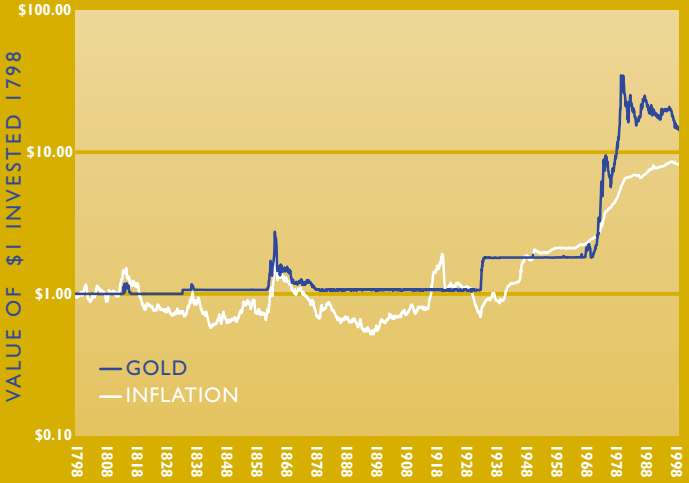
Gold is the “asset of last resort.” Throughout history, national currencies have come and gone but gold’s value has remained remarkably stable. Gold is an asset which does not depend upon any government’s or corporation’s promise to repay. It is not directly affected by the policy actions of any individual country and it cannot be repudiated or frozen as in the case of other assets. For these reasons, one quarter of all the gold in existence is held by governments, central banks and other official institutions as part of their international monetary reserves.

#### **HIGHLY LIQUID**

Gold is among the most liquid of the world’s assets. It can be readily bought or sold 24-hours a day in one or more markets around the world. This cannot be said of most investments, including stocks of the world’s largest corporations. In addition, the trading spreads on bullion are generally narrower than those spreads on stocks and bonds (which are

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### 200 YEARS OF GOLD vs. INFLATION



*Topline Investment Graphics*



considered to be liquid assets). Finally, it takes about the same amount of time to execute a trade in gold as it does for stocks and bonds.

### **ASSET DIVERSIFIER**

Whether your investment approach is conservative or aggressive, gold can play a vital role in diversifying your portfolio. Many experts urge investors to keep a portion of their total assets in gold.

A typical portfolio is invested primarily in financial assets such as stocks and bonds. Gold's low-to-negative correlation with stocks and bonds makes it an excellent portfolio diversifier. The purpose of diversification is to protect the total portfolio against fluctuations in the value of any one asset or type of asset. Gold does exactly that. The reason is basic: the economic forces that determine the price of gold are different from and in many cases opposed to, the forces that determine the prices of financial assets. As a result, the price of gold moves independently of the prices of stocks and bonds — often rising when stock prices fall, and vice versa. Simply put, gold can be viewed as portfolio insurance to guard against unforeseen market gyrations.

### **A PRACTICAL CHOICE FOR SAVINGS AND GIFTS**

Because bullion coins and bars are available in small sizes, you don't need to be wealthy to invest in gold. In many cultures, gold serves as a family treasure or a wealth transfer vehicle passed on from generation to generation.



Gold bullion coins make excellent gifts for birthdays, graduations, weddings, holidays and other occasions. They are appreciated as much for their intrinsic value as for their mystical appeal and beauty. They are affordable, yet precious.



## BUYING GOLD BULLION: YOUR CHOICES

### WHERE TO BUY:

Available at coin and precious metals dealers and selected banks and brokerage firms across the U.S. and around the world.

### PHYSICAL FORMS:

#### BULLION COINS:

American Eagle, Australian Nugget, Austrian Philharmonic, Canadian Maple Leaf, Mexican Peso, South African Krugerrand.

**Sizes:** Range from  $\frac{1}{10}$  of an ounce to 1 kilogram.

**Price:** Based on the price of gold, plus a small premium of 4-8%.

#### BAR AND WAFERS:

Bars bearing the "hallmark" (logo) of internationally recognized refiners are the easiest to buy and sell. The bars are stamped .995 (99.95% pure gold) or higher purity, along with the individual bar's weight.

**Sizes:** Range from one gram to 400 ounces.

**Price:** Based on the price of gold, plus a small premium of 1-3%.

## EASY TO BUY, SELL AND STORE

Gold is easy to buy, sell and store. Gold can be purchased in many forms including bullion coins, bars and wafers. You can make purchases in virtually any amount, ranging from a fraction of an ounce upward. The weight and purity of gold coins and bars are precisely controlled and standardized by internationally-recognized refiners and mints, allowing you to buy with confidence and sell with ease.

In addition to the popular one-ounce size, bullion coins are available from  $\frac{1}{10}$  of an ounce to 1 kilogram. Gold bars and wafers range in size from one gram to 400 ounces. Bars bearing the "hallmark" (logo) of internationally recognized refiners are the easiest to sell. The bars are generally stamped with a purity of at least 99.5% gold.

Gold bullion is available through precious metals and coin dealers, selected brokerage firms and banks throughout the U.S. and around the world.

As with any investment, it is always advisable to check the terms of the purchase agreement, procedures and prices offered by the dealer. Prospective investors should consult their financial advisor regarding tax laws or other circumstances.

## **YOUR CHOICES FOR OWNING GOLD – DIRECT POSSESSION OR STORAGE**

You can choose the method of purchase and storage that best meets your needs. You can take direct possession (physical delivery) and enjoy the security of having your investment in your own hands. Or you can buy through a storage program, in which case your broker, banker or dealer will use a secure, third-party depository to hold and protect your gold for a small fee.

With a storage account, you have title to a specified amount of gold, which gives you the right to demand physical delivery at any time. With most storage accounts you are allowed to buy and sell gold over the phone and receive your complete records for tax and portfolio management purposes.



### **WHEN IS THE RIGHT TIME TO BUY?**

Gold can benefit you as an investor in a number of ways. Gold is a long-term store of value, a highly-liquid, internationally-recognized asset of last resort.

It can diversify and stabilize your portfolio and protect it against market fluctuations. It is easy to buy and sell, any time, anywhere in the world.

“Is now the right time to buy?” With gold, the answer is always the same: Yes. Gold is an investment for the long run. The right time to buy gold is when you understand what it is and what it can do for your portfolio.



## GLOSSARY OF GOLD TERMS

**ASSAY:** To test a metal for purity.

**BID/ASK:** “Bid” or “buy” is the price a dealer is prepared to pay for gold bullion. “Ask” or “sell” is the price offered by the seller. (See also definition of “Spread” below.)

**BULLION:** Refined gold that is at least 99.5% pure, usually in the form of bars, wafers or ingots.

**BULLION COIN:** A legal tender coin whose market price depends on its gold content, rather than its rarity or face value.

**FACE VALUE:** The nominal value given to a legal tender coin or currency (for example a 1-oz. gold American Eagle coin has a face value of \$50).

**FINE, FINENESS, FINE GOLD:** The quantity of pure gold contained in 1,000 parts of an alloy. A normal “good delivery bar” of 0.995 fineness contains 995 parts of gold and 5 parts of another metal. Gold is produced in bars up to a purity of 999.9 (often referred to as “four nines”).

**FUTURES CONTRACT:** A firm commitment to make or accept delivery of a specified quantity and quality of a commodity on a specific date in the future.

**GOLD STANDARD:** A monetary system based on convertibility into gold; paper money backed and interchangeable with gold.

**GRAIN:** One of the earliest weight units used for measuring gold. One grain is equivalent to 0.0648 grams.

**HALLMARK:** Mark, or marks, which indicate the producer of a gold bar and its number, fineness, etc.

**KARAT:** Unit of fineness, scaled from one to 24. 24 karat gold (or pure gold) has at least 999 parts pure gold per thousand; 18-karat has 750 parts pure gold and 250 parts alloy, etc.

**KILO BAR:** A bar weighing one kilogram – approximately 32.1507 troy ounces.

**LEGAL TENDER:** The coin or currency which the national monetary authority declares to be universally acceptable as a medium of exchange; acceptable for instance in the discharge of debts.

**LIQUIDITY:** The quality possessed by a financial instrument of being readily convertible into cash without significant loss of value.

**LONDON FIX:** The twice-daily bidding session in London of the five major gold traders, at which the gold price is fixed or set. The London Fix provides the basis for many gold contracts worldwide.

**NUMISMATIC:** Coins that are valued for their rarity, condition and beauty beyond the intrinsic value of their gold content. Generally, premiums for numismatic coins are higher than for bullion coins.

**OPTION:** The right, (not the obligation), to buy or sell a commodity or a financial security on a specified date in the future.

**PENNYWEIGHT:** An American unit of weight for gold. Twenty pennyweights equal one ounce.

**PREMIUM:** The amount by which the market value of a gold coin exceeds the actual spot value of its gold content. Part of the premium is recovered by the seller at resale.

**RESTRIKE:** A modern replica of previously issued coins. Governments and their mints can choose to “restrike” a previous issue rather than introduce new coinage.

**SPOT PRICE:** Sometimes referred to as the cash price. The current price in the physical market for immediate delivery of gold.

**SPREAD:** The difference between Bid (the price a buyer is prepared to pay for gold) and Ask (the price a seller offers) prices.

**TROY OUNCE:** A unit of weight, equal to about 1.1 avoirdupois (ordinary) ounces. The word ounce when applied to gold, refers to a troy ounce.



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