PROTECTING
YOUR INVESTMENT PORTFOLIO

WITH
GOLD BULLION

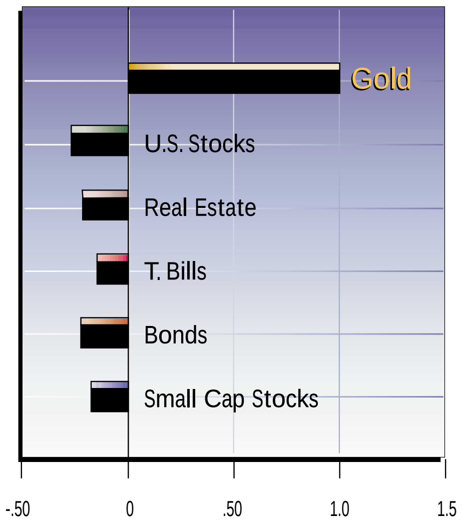
WORLD GOLD COUNCIL

GOLD IS AN EFFECTIVE DIVERSIFIER

Gold's ability to serve as a diversifier is principally due to its negative correlation with other asset classes. The economic forces that determine the price of gold are different from, and in many cases opposed to, the forces determining the prices of most financial assets. Consider, for example, that the price of a stock depends predominantly on the earnings and sales growth potential of the company it represents. In contrast, the price of gold depends on different factors including: the supply and demand for gold, the status of the U.S. dollar, the level of interest rates, and the state of inflation.

While the effect of these factors on the gold price is complex, the important point to note is that they cause the price of gold to move independently of other financial assets in a portfolio.

GOLD IS NEGATIVELY CORRELATED TO OTHER ASSET CLASSES



Correlation with Gold 1990-1998

Chart 1

Gold is the only asset class that is *negatively* correlated with other asset classes, as demonstrated in *Chart 1*. Therefore, its price tends to move in the opposite direction to other asset classes such as U.S. stocks, Treasury bills, and bonds.

GOLD ENHANCES PORTFOLIO RETURNS

Portfolio returns can benefit in several ways by including gold, even during periods of weak gold price performance (such as the 1990s). Contrary to conventional wisdom, gold's price does not necessarily need to appreciate for overall portfolio returns to increase. Gold's ability to lower portfolio risk can lead to increased returns due to a combination of two factors: 1) the mathematical effect of compounding, and 2) the ability of the investment manager to add higher-yielding, (riskier) assets without increasing the portfolio's target level of risk.

LOWER PORTFOLIO RISK LEADS TO HIGHER COMPOUND RETURNS

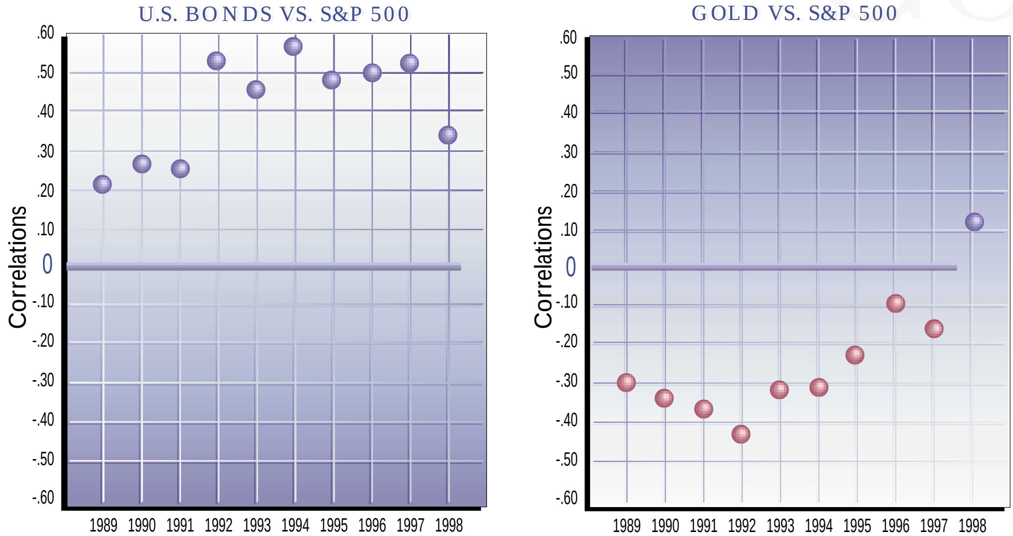
Gold's negative correlation with other assets in the portfolio helps reduce portfolio risk. Lower risk in turn leads to higher *compound* rates of return for the portfolio.

GOLD'S DIVERSIFICATION AND "REBALANCING" BENEFITS

Gold's contribution to total portfolio return is often greater than just its compound return as an individual asset.

GOLD IS COMPETITIVE WITH CONVENTIONAL DIVERSIFIERS

GOLD IS MORE NEGATIVELY CORRELATED TO U.S. EQUITIES THAN BONDS



* All correlations are positive

Chart 3

* 9 out of 10 correlations are negative

Portfolio managers have traditionally invested in bonds as a means of diversifying their equity portfolios. A 70-30 guideline has traditionally been used for asset allocation – that is, 70% in equities and 30% in bonds. However, it is now generally believed that such an allocation no longer represents an effective strategy, since the prices of stocks and bond prices no longer move in opposite directions.

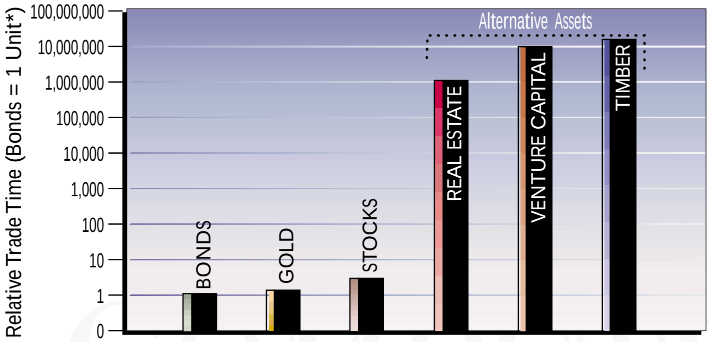
To illustrate this point, the left-hand panel of *Chart 3* shows that the correlation of returns on bonds with the S&P 500 Index have been consistently positive over the past ten years. In contrast, the right-hand panel (Gold vs. S&P 500) shows that in nine out of the past ten years, gold has been negatively-correlated with the S&P 500, making it an excellent diversifier vs. equities.

These results demonstrate that U.S. bonds are not as effective a portfolio diversifier as gold in relation to the S&P 500.

GOLD IS HIGHLY LIQUID

GOLD IS MORE LIQUID THAN OTHER ALTERNATIVE ASSETS

Estimated Time To Execute Trades of $10 Million



*Each unit is less than 1 minute

Chart 4

Gold is among the most liquid of global assets – certainly more liquid than most "alternative assets". In some cases, portfolio managers may even want to consider gold as a near-cash equivalent.

INTERNATIONAL MARKET

Gold can be readily sold 24-hours a day in one or more gold markets around the world; such accessibility to markets is not enjoyed by most investments. Even stocks of some of the world's largest corporations do not enjoy such favorable conditions.

NARROW SPREADS

Trading (bid/offer) spreads on bullion are similar to the spreads on stocks (also considered to be liquid assets).

EASILY BOUGHT AND SOLD

Unlike most other alternative assets, gold can be converted into cash with relative ease. *Chart 4* demonstrates the amount of time it takes to execute trades of $10 million for various assets. It takes about the same small amount of time to execute a trade in gold as it does for stocks and bonds (roughly one minute). In contrast, a trade in alternative assets takes anywhere from *1 to 10 million* times as long.

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