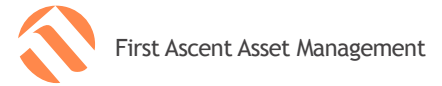


# The Glitter of Gold



## Gold Is Beautiful and Useful

Gold is beautiful to look at and has a rich history, but does it belong in your investment portfolio? The information below will help you answer that question.

## Is Gold a Good Investment?

As a standalone investment, gold's track record is not particularly good.

From 1836 – 2011 gold earned an average inflation adjusted return of just 1.1%, while bonds earned 2.9% and stocks earned 7.4%.

Research by Joshua Kennon looking back over 196 years found that \$10,000 invested in gold would have been worth \$26,000 at the end of the period. That money invested in bonds would have been worth \$8 million and would have been worth \$5.6 billion invested in stocks.

## Gold As a Safe Haven

Some investors view gold as a “safe haven.” A safe haven investment is not the same as a “safe asset.” Treasury securities, for example, are considered a safe asset because they are backed by the US government.

Gold is different. It is considered a safe haven because people believe that it will hold its value during difficult times. Evidence supports this over short periods. During the last 3 calendar years when the stock market was negative, gold held its value and even rose in some cases.

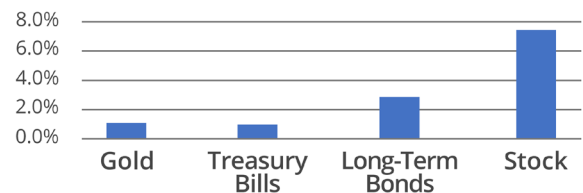
## Gold As a Hedge Against Inflation

Gold's record as a hedge against inflation is weak. Gold did serve as a hedge against inflation when inflation reached historically high levels in the 1970s. However, during the milder inflationary periods from 1980-1984 and 1988-1991 it showed negative returns and underperformed large cap stocks by a wide margin.

## Bottom Line

Gold is not right for every investor. But if you have a reasonable understanding of its performance characteristics, adding a modest amount of gold to a portfolio may provide risk reduction and even return benefits during some time periods.

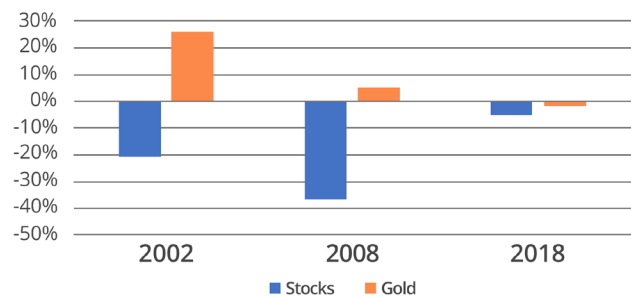
### Inflation Adjusted Returns 1836- 2011



Source: Robert Barra & Sanjay Misra

### Gold vs. Stocks

#### Most Recent Negative Stock Return Years



Source: Portfolio Visualizer.

### Gold Returns

#### During Inflationary Periods

Inflation Period	LBMA Gold Price TM USD
1973-1979	31.77%
1980-1984	-10.06%
1988-1991	-7.58%

Source: Morningstar. Data as of June 30, 2020 (Returns are annualized)