

GOLD GLITTERING ALONE NO MORE

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Gold, in U.S. dollar terms, has gained 10.92% year-to-date in 2017 and has risen 20.41% since January 1, 2016 (as of 11/15/2017)¹ – a fact largely ignored by a majority of market participants. Despite this strong performance, investment allocations into gold bullion and gold equities remain muted and we have found this rather perplexing.

Why are We Perplexed?

Gold has traditionally been regarded as portfolio insurance for wealth preservation, something akin to buying home insurance for your house. It is negatively correlated to most equities, and has served to reduce volatility when added to a traditional portfolio of equities and bonds. With the S&P 500, Dow Jones and Nasdaq Indices trading at all-time highs, and valuations at levels not seen in almost two decades, some investors are rightfully worried about the potential downside to their portfolios. Indeed, this is exactly the environment that prompts serious investors to begin giving gold a hard look as portfolio insurance. While the current appeal of gold seems like a no-brainer, too many investors remain uninvested or terribly underinvested in the precious metal.

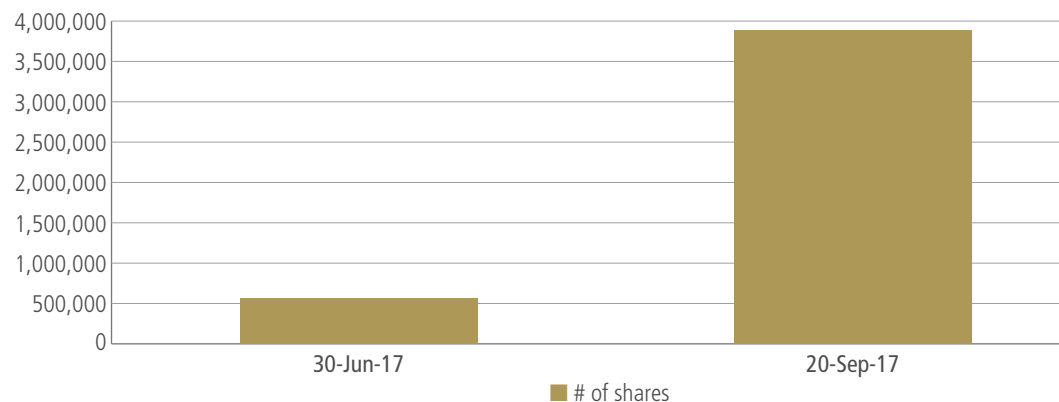
Bridgewater Boosts Gold Holdings

Recently, we've seen some encouraging signs of renewed interest in the yellow metal. We are pleasantly surprised that Bridgewater Associates, the world's largest hedge fund, has increased its SPDR Gold Trust ETF (GLD) holdings by a staggering 575% as of September 30, 2017, when compared to their previous disclosure three months ago as of June 30, 2017. Bridgewater purchased 3.32 million shares of GLD to bring its gold holdings to 3.89 million, representing 3.18% of its total portfolio (Bridgewater is now the 8th largest holder of GLD).

Bridgewater founder Ray Dalio has been on a recent media blitz advocating that investors have 5-10% of assets in gold as a hedge. We explore some of the specific risks that Dalio sees in our most recent infographic: How Billionaire Investors Hedge Against Geopolitical Black Swans.

We think that it is just a matter of time before investors begin to find it hard to ignore gold's stealth bull market and react by increasing their allocations into this space accordingly.

Bridgewater Associates GLD Holdings



Source: Bridgewater Associates.

Shree Kargutkar is a Portfolio Manager at Sprott Asset Management LP, which is the sub-advisor for Sprott Gold and Precious Minerals Fund and Sprott Silver Equities Class.



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¹Source: Bloomberg. The Gold spot price is generally used as the basis to determine the exact price to charge for a specific coin or bar.

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