



# Fisher Funds

## Investor Education Centre

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### **All that glitters is gold**

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Gold likes gloom. It really glitters when times are uncertain and the bigger the crisis, the better the gold price performs. Little wonder then that investors, large and small, can't get enough gold right now.

Inflation, deflation, government borrowing or the plunging euro – whatever the concern of the day, gold is seen as a refuge and increased demand during and since the global financial crisis has driven the gold price to new highs.

Gold is seen as being more reliable than paper currencies because its value is not linked to the economic fortunes of a country the way paper currencies are.

For centuries gold has been regarded as something of a safe haven as it appears to hold on to its value irrespective of inflation or deflation, or other political, economic or social changes. Unlike other investments, gold can never become worthless – it always has an intrinsic value because gold is accepted as a currency all around the world.

But gold has not always performed well and should not be regarded as a 'sure thing'.

After peaking in 1980 at more than \$800 an ounce, gold sank over the next two decades, bottoming out at just over \$250 an ounce in 1999.

In 2009 when share markets rallied, the gold price fell. Good times and a rising gold price don't always go well together.

You can invest in gold in various ways. The traditional way to get an exposure to gold is to purchase gold coins or bullion. Or you can buy shares in gold mining companies, though it is important to realise that share prices may not necessarily reflect movements in the underlying gold price. If you invest in the wrong stocks, you can lose money even if the price of physical gold goes up.

The gold price has risen in each of the last nine years, and while the US share market is down 13% since 2001, gold is worth nearly five times what it was then.

Gold has performed so well in recent years that there is now some debate as to whether the gold price is overdue a substantial fall. Well known hedge fund manager George Soros warned recently that gold is a bubble, and we all know what happens to bubbles.

Like any investment, gold should be bought for the right reasons and not just because its price keeps going up.

Gold can certainly add something to a diversified investment portfolio, and may help your investment returns by performing differently to your other assets. It might be useful to own in the unlikely event that inflation runs rampant.

But the bubble could burst and we could see history repeat with the gold price falling over a number of years.

One of the more pleasant ways of playing the gold theme, in my view at least, is to own some gold jewellery and wear it often. If the gold price lifts, you will have enjoyed your gold and benefited from it as well.

Good as gold.

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