



## Golden Era

Two weeks ago, I mentioned several assets that had traded to new price highs, including gold. This asset tends to evoke strong emotions. Even well-known investor, Warren Buffett has a negative view of it, while economist John Maynard Keynes famously called it a “*barbarous metal*”.

However, the recent upward price momentum is indicating that there are currently more buyers than sellers. It’s as simple as that.

Gold itself is an inert metal with very little industrial use. Unlike a stock, bond or rental property, it’s just a piece of metal that does not produce any yield, which is the main reason why Buffett avoids it.

Some of gold’s properties include:

- 1) It’s a yellow metal that does not tarnish or rust – even when submerged in seawater for years.
- 2) Its highly malleable and ductile.
- 3) Most of the mined gold throughout history remains intact in one form or another.

For centuries this yellow metal has been used as a store of wealth, after man tried using various other physical items such as beads, cowrie shells, salt, tobacco etc. Its superior qualities as “money”, or store of value, include:

- 1) **Durability** - it doesn’t tarnish, decay or poison.
- 2) **Fungibility** - one ounce can be replaced with another ounce.
- 3) **Value** - Gold has a high value-to-weight ratio making portability relatively convenient.
- 4) **Scarcity** - The relative supply of gold has remained consistent over centuries.

The last major bull market in gold was during the inflationary 1970’s, when its price rallied massively from \$35 to \$850 per ounce, before succumbing to a 20-year decline, ending the century at approximately \$265 per ounce.

Throughout this century, the US dollar price of the metal has compounded at approximately 9.5% annually, 11.4% in the last year to March and 9% per year over the last three years. Year to date, the price increased by around 15% to surpass the \$2400/oz level.

There are so many factors that are being priced into this asset class, including global concerns about currency devaluation, high levels of debt and interest rates, the more expensive alternative investments such as shares in companies, and the escalating geopolitical risks.

Because many of these should be supportive of the demand for gold, we believe that it’s important to include this asset as part of an overall asset allocation and continue to include it in both the South African and global asset allocation Seed funds.

### Chart 1: Gold Price

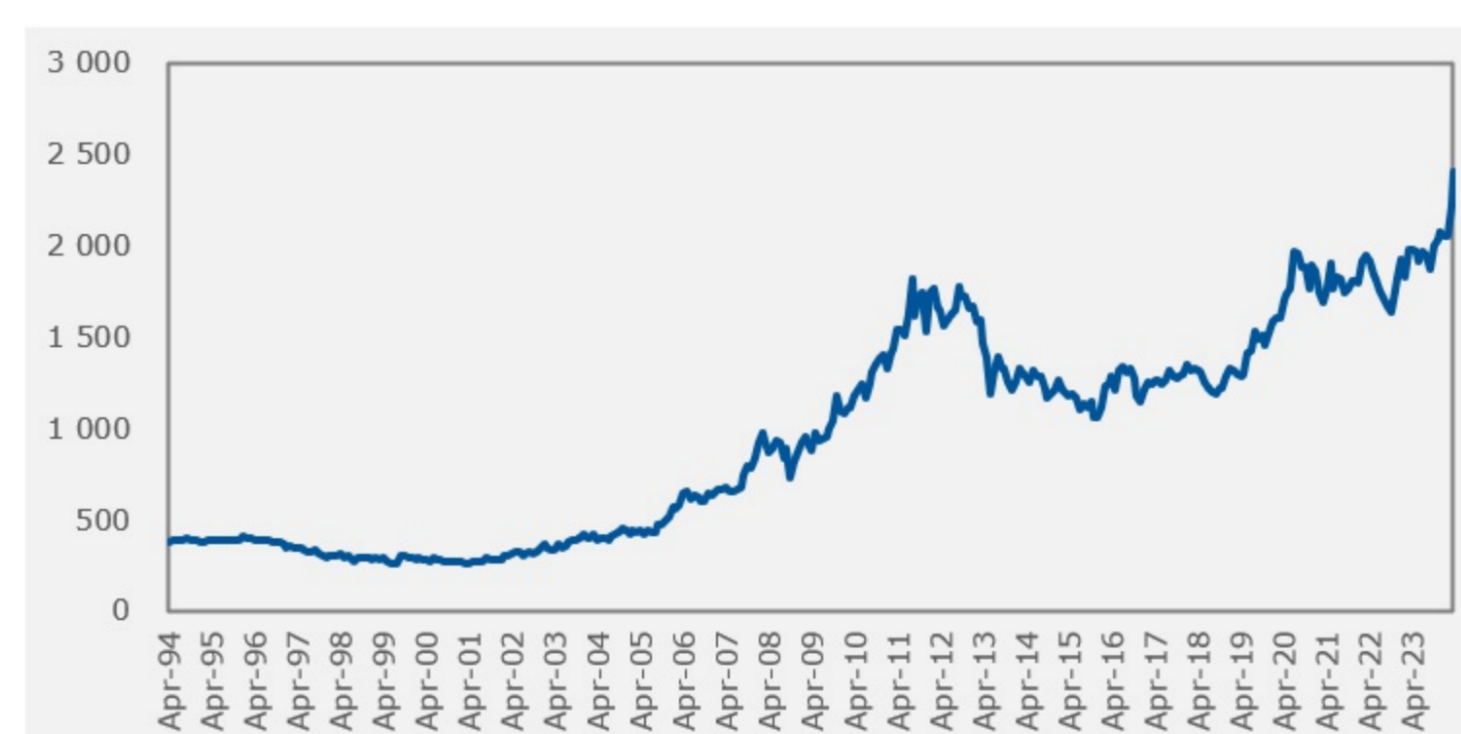


Chart Source/s: Seed Investments (2024)

If you have any questions about global asset classes or markets, please reach out to Ian and our team directly on [global@seedinvestments.co.za](mailto:global@seedinvestments.co.za).

We would love to hear from you.



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