

Physical gold is a matter of trust

Expert column by Kaspar Grob, Chairman of the Board of Directors and Delegate of Helvetic Trust AG, Zurich

The price of the yellow precious metal has seldom been so volatile. At the beginning of September headlines were to be seen along the lines of “Gold soon above 2,100 dollars” or even “Gold price expected to hit 3,000 dollars”. However, disillusionment set in at the end of September, when the price per ounce slipped below USD 1,600 for a time. Yet in addition to speculative investors, there are also investors who include physical gold in their portfolios as a diversification and security. 10-15% certainly makes sense in the current environment.

Gold first appeared as an investment topic in 2006 as part of our trend allocation. We understand trend allocation to mean investments in logical and demonstrable trends which are based upon investor behaviour. A strategic build-up of substantial gold positions began at the time. This proved to be a real stroke of luck. After all, in 2006 an ounce cost around USD 500. Gold has continued to trace a steady upwards trend ever since. It has even taken on the characteristics of a currency, and can be weighted as a diversification comprising 10-15% of the investment assets. At the same time, however, investors need to remember that this means physical gold. This is because investments in physical gold represent a valid opportunity to offset possible inflationary risks or major financial crises, making it possible to profit from rising precious metal prices.

The trading volume criterion

Trade in physical gold and other precious metals has also become increasingly important over the past two or three years. At the same time, though, standard gold bars with a weight of 12.44 kg are not exactly ideal – either in terms of price or in terms of transport and storage criteria. Banks, asset managers as well as high net-worth private individuals have been searching for trustworthy alternatives, in addition to the smaller bars issued by banks, in order to acquire physical gold in reasonable units and dimensions. Helvetic Trust responded to this demand a number of years ago. It created gold ounces (corresponding to 1 ounce of fine gold à 31.1 grams and a fineness of 999.9). These are valued purely in accordance with their material value. In contrast to gold coins, the price is not distorted by any “collector’s value”. To date, gold ounces worth around CHF 60 million have been produced, and interest remains undiminished. Since its launch in the summer of 2009, the “Aurum Gold Coin Fund”, which is licensed for sale in Liechtenstein and is managed by Helvetic Trust as an efficient alternative to personal physical ownership, has developed into one of the largest gold ounce investment funds. In addition, we also have a long tradition of producing silver ounces. These too have a weight of 31.1 grams and a fineness of 999.

A need for trust

In view of the development of precious metal prices in recent years, it comes as no great surprise that trade in gold and silver is flourishing. And as always during such periods of expansion, not all market operators are entirely reputable. This makes it all the more important for investors as well as trading firms to separate the wheat from the chaff. For this reason, a reputable precious metal trader will always place trust and integrity before volumes, and will pay uncompromising attention to audits conducted in accordance with the provisions of the Swiss Money Laundering Act ("GwG"). For their part, potential investors are well advised not to be bedazzled by glossy websites. As the saying goes, all that glitters is not gold. Instead, they should check first and foremost the trustworthiness and credentials of the service provider.

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