



# Gold as a strategic asset in Irish pension portfolios

# About us

We are a membership organisation that champions the role gold plays as a strategic asset, shaping the future of a responsible and accessible gold supply chain. Our team of experts builds understanding of the use case and possibilities of gold through trusted research, analysis, commentary and insights.

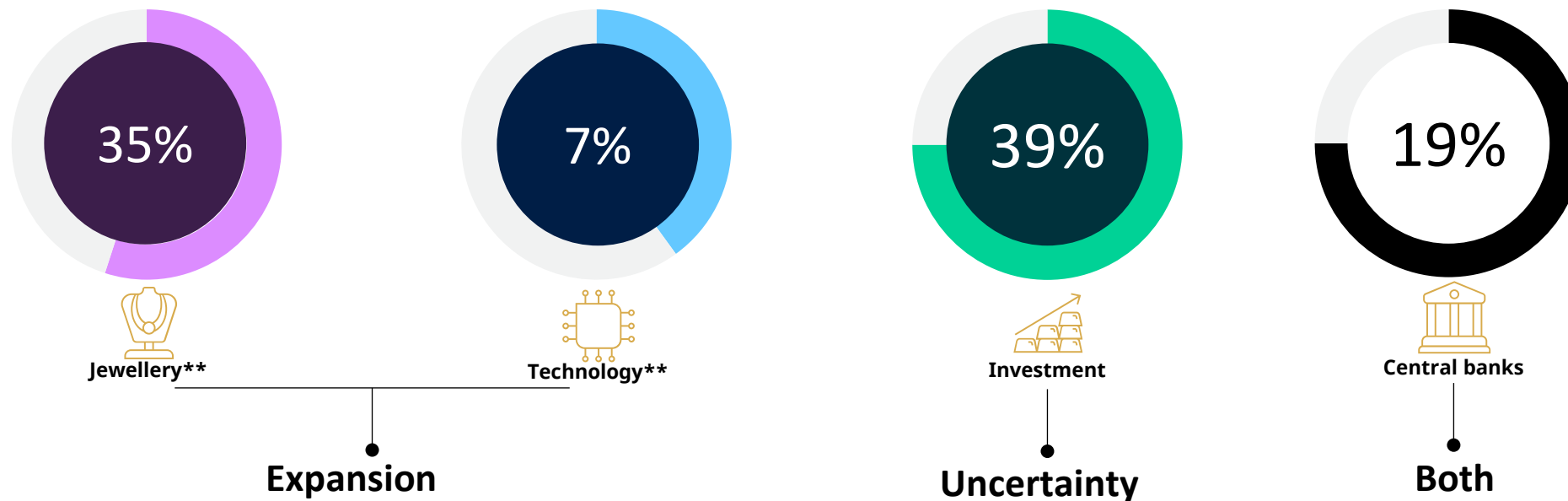
We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

[gold.org](https://gold.org)



# Gold has a dual nature

Average annual net demand ≈ 3,126 tonnes\* (approx. US\$195bn)

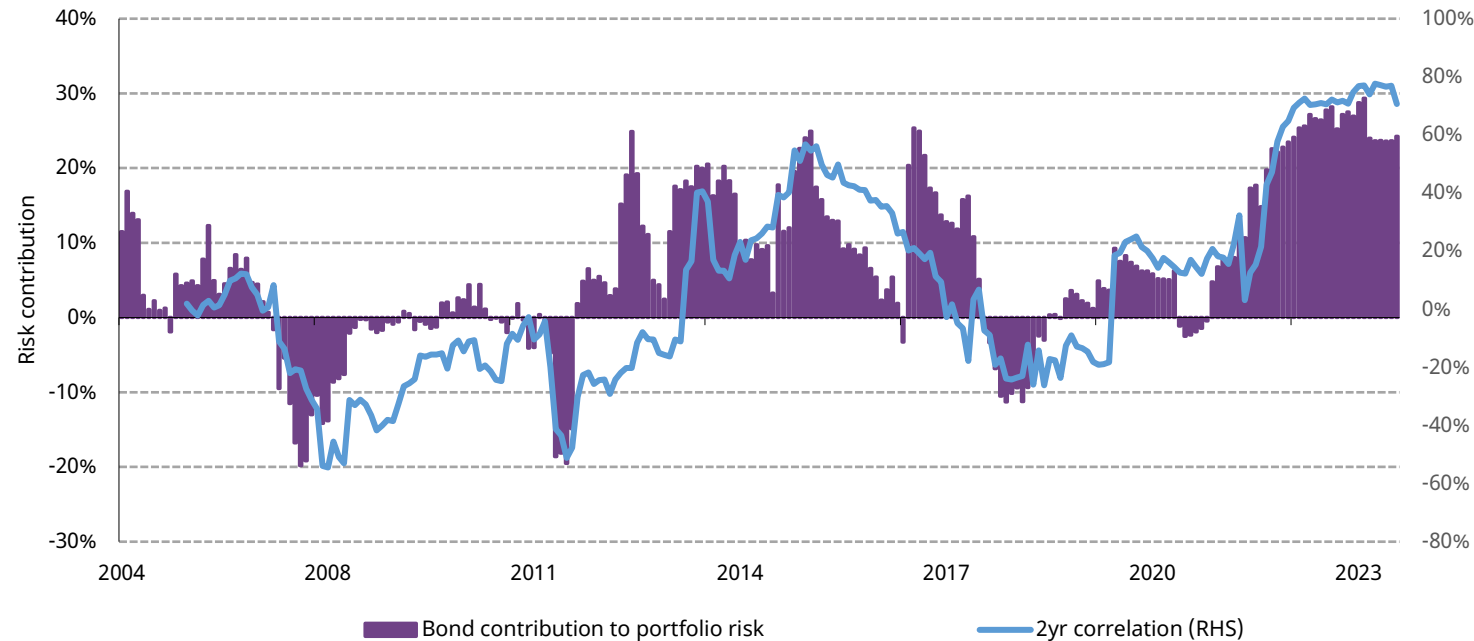




# Portfolio construction challenges

# Portfolio construction challenges: Bond – equity correlation

**Bonds have a higher correlation to equities and therefore contribute more to overall portfolio risk**



\*Data from 31 December 2003 to 31 July 2024. Model portfolio is made up of 60% global equities/40% euro government bonds. Source: Bloomberg, World Gold Council

# Portfolio construction challenges: Inflation

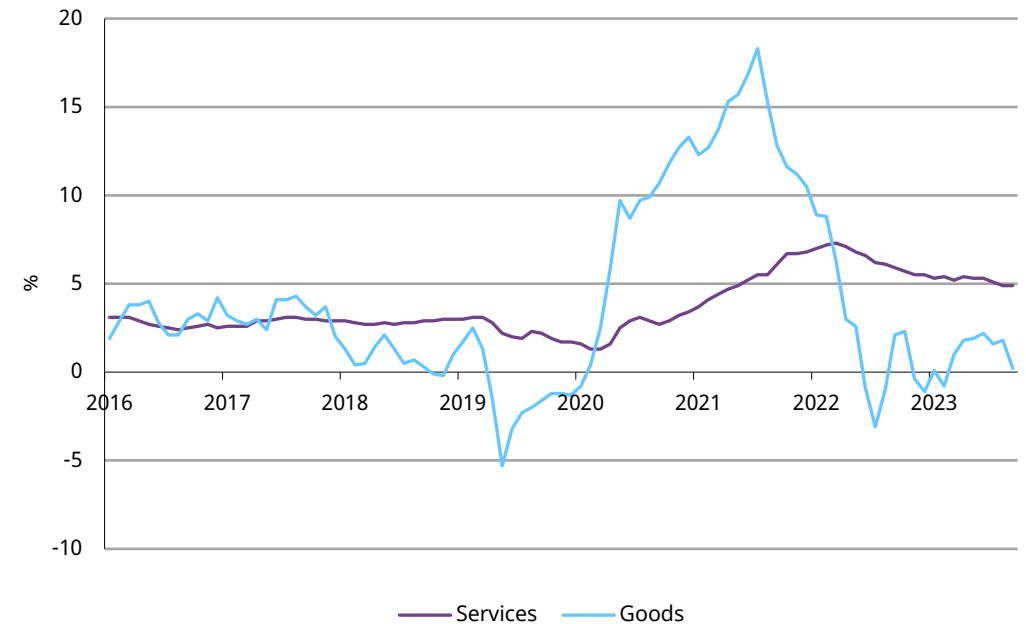
## Bond-equity correlations shift as inflation rises



Source: Bloomberg, OECD Economic Outlook, World Gold Council.

\* Data from 31 December 1987 to 31 August 2024. Rolling 3yr correlation of global equity and global treasury bond returns vs. 3yr average G7 core inflation

## Services inflation remains a concern



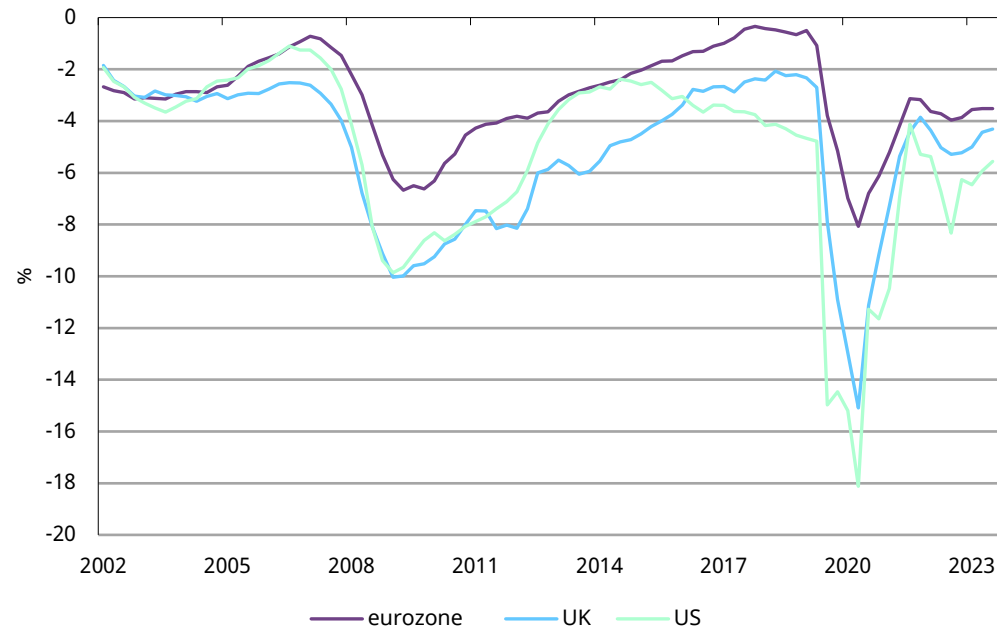
Source: Bloomberg, World Gold Council

\* Data from 31 December 2016 to 31 August 2024

# Portfolio construction challenges: Fiscal policy

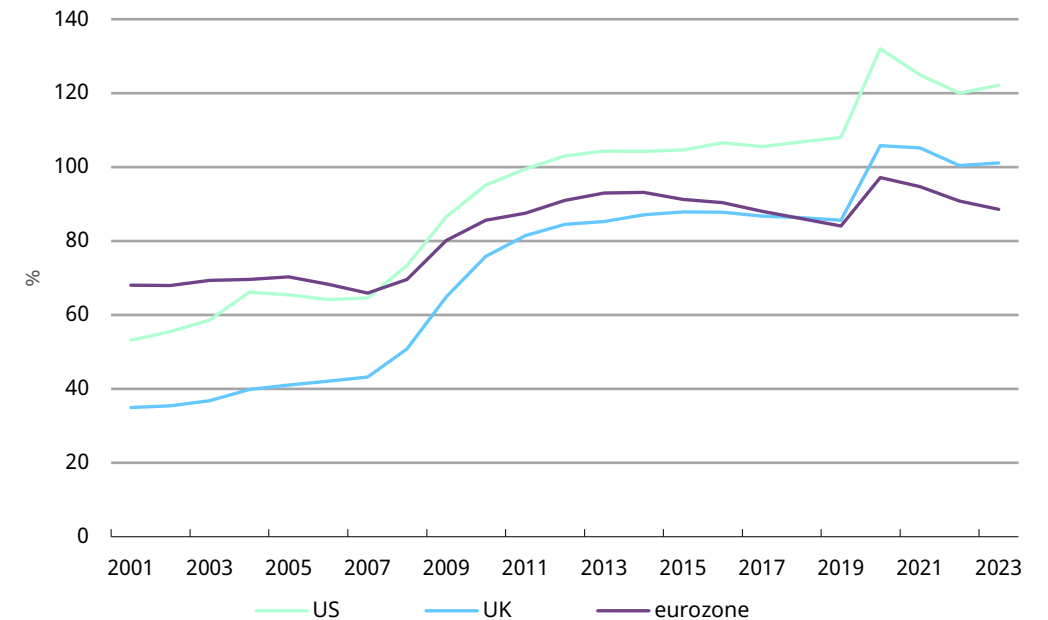
## Public sector budget balance

% of nominal GDP



## Government debt

% of nominal GDP



Source: Bloomberg, Eurostat, IMF, ONS, US Treasury, World Gold Council.

\*Data from 2002 to 2024

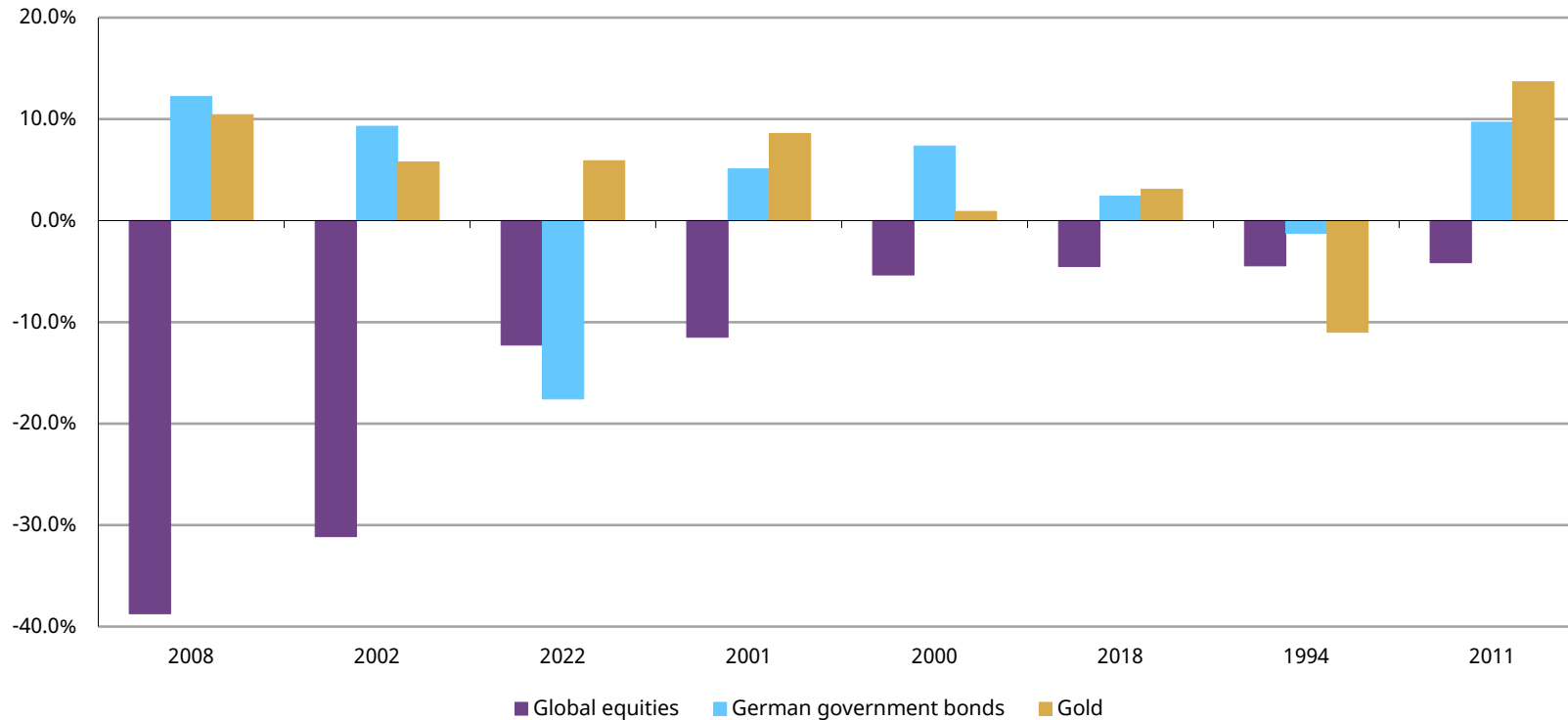
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# Why gold?



# Diversification: Gold provides downside protection

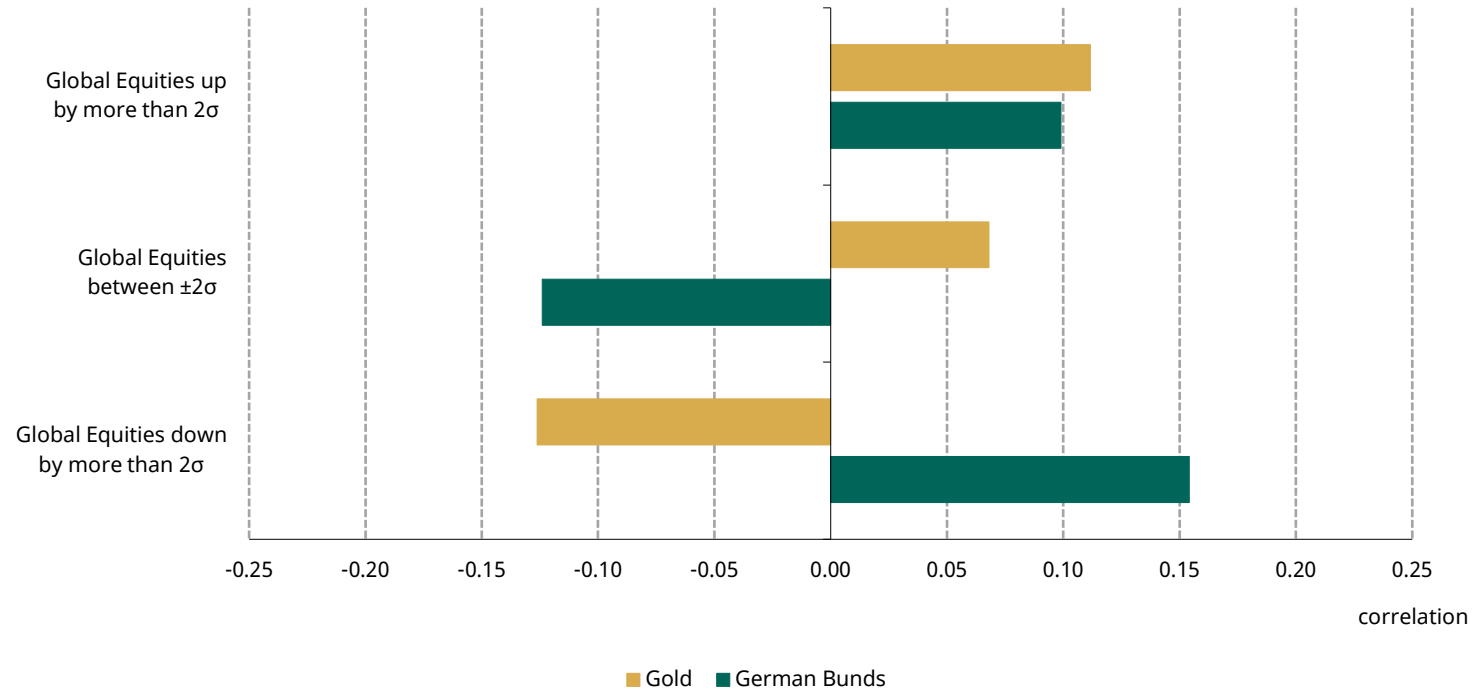
## Gold returns during negative years of performance of the MSCI World index since 1994



Source: Bloomberg, ICE Benchmark Administration, World Gold Council; Disclaimer

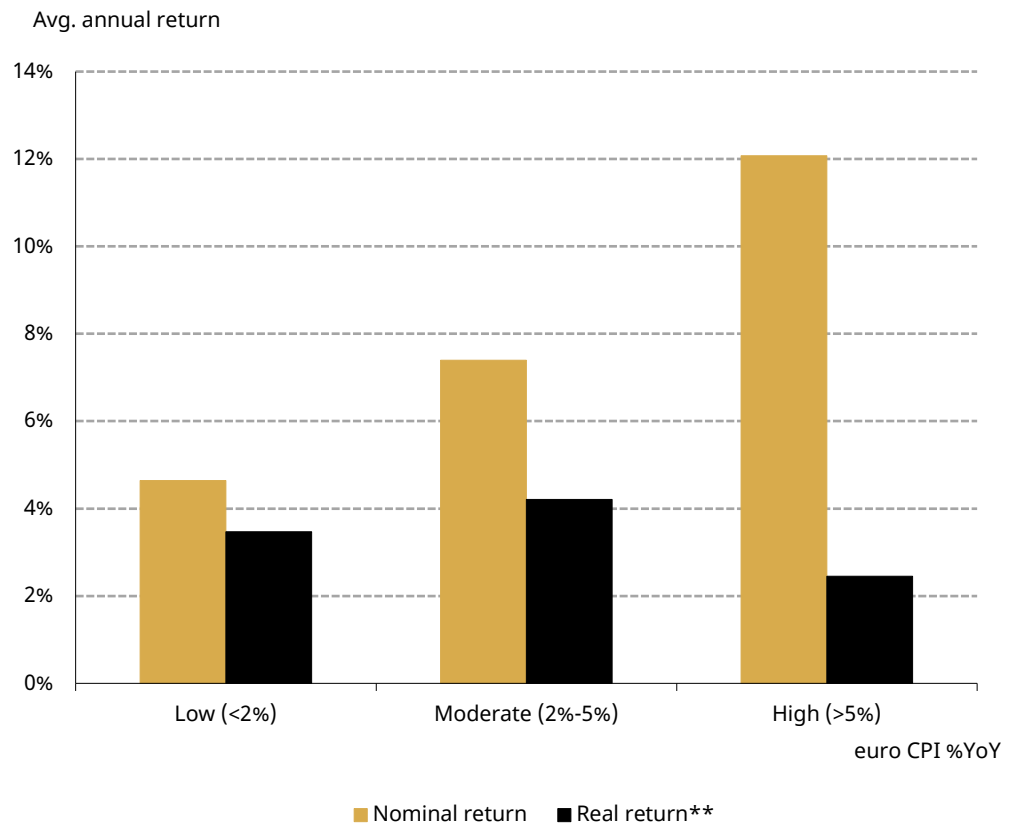
\*Based on annual returns of the FTSE Developed Total Return Index, Ice BofA German Government Index and LBMA Gold Price using data between 31 December 1993 and 31 December 2023. All calculations in euro.

# Diversification: Correlation between gold, German bunds and global stocks in various environments of stocks' performance (since 1994)\*



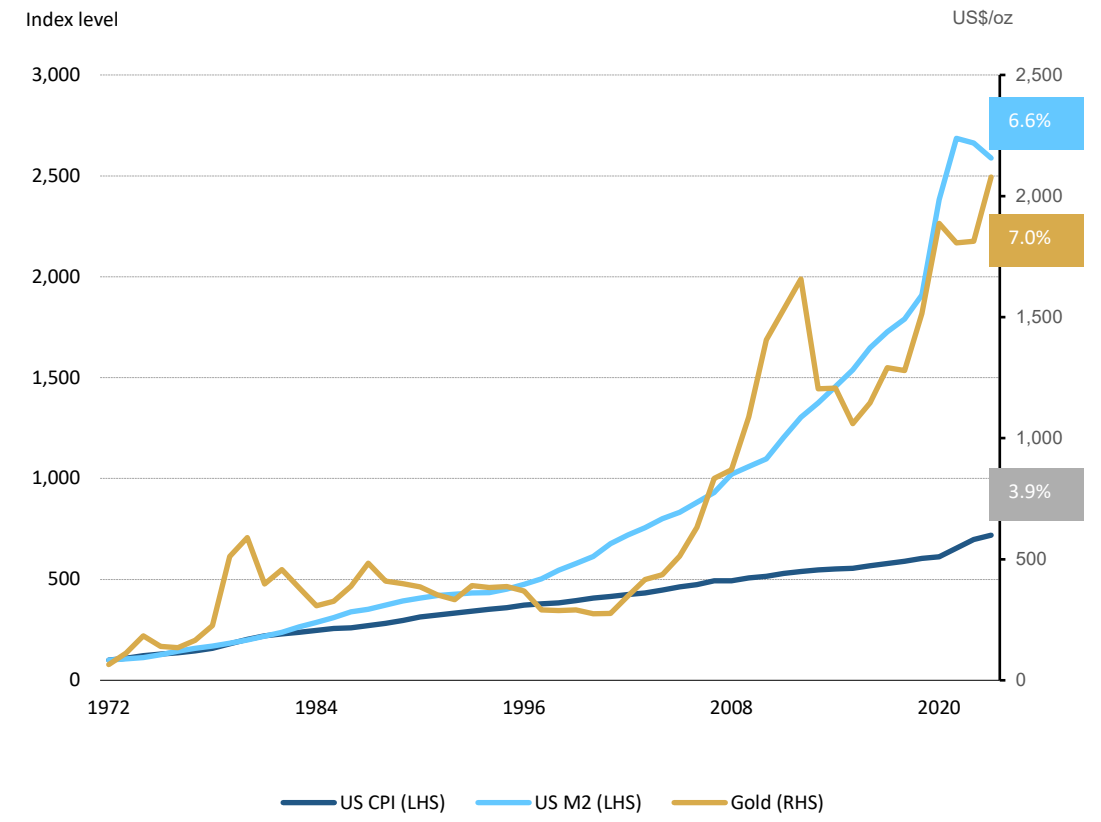
Source: Bloomberg, ICE Benchmark Administration, World Gold Council \*Based on weekly returns of the FTSE Developed Total Return Index, Ice BofA German Government Index and LBMA Gold Price using data between 31 December 1993 and 31 December 2023. The middle bar corresponds to the correlation conditional on the FTSE Developed TR index weekly returns falling or rising between two standard deviations (or 'σ') over the full period. The bottom bar corresponds to the correlation conditional on the FTSE Developed TR index weekly returns falling by more than two standard deviations (or 'σ'), while the top bar corresponds to the correlation conditional on the FTSE Developed weekly returns increasing by more than two standard deviations. The standard deviation is based on the same weekly returns over the full period. All calculations in euro.

# Gold historically performs well in periods of high inflation



\*Based on y-o-y changes for the LBMA Gold Price PM in euro and euro CPI between December 1975 and December 2023 in EUR.  
 \*\* For each year on the sample, real return = (1+nominal return)/(1+inflation)-1.  
 Source: Bloomberg, ICE Benchmark Administration, World Gold Council

# Gold has kept up with money supply growth

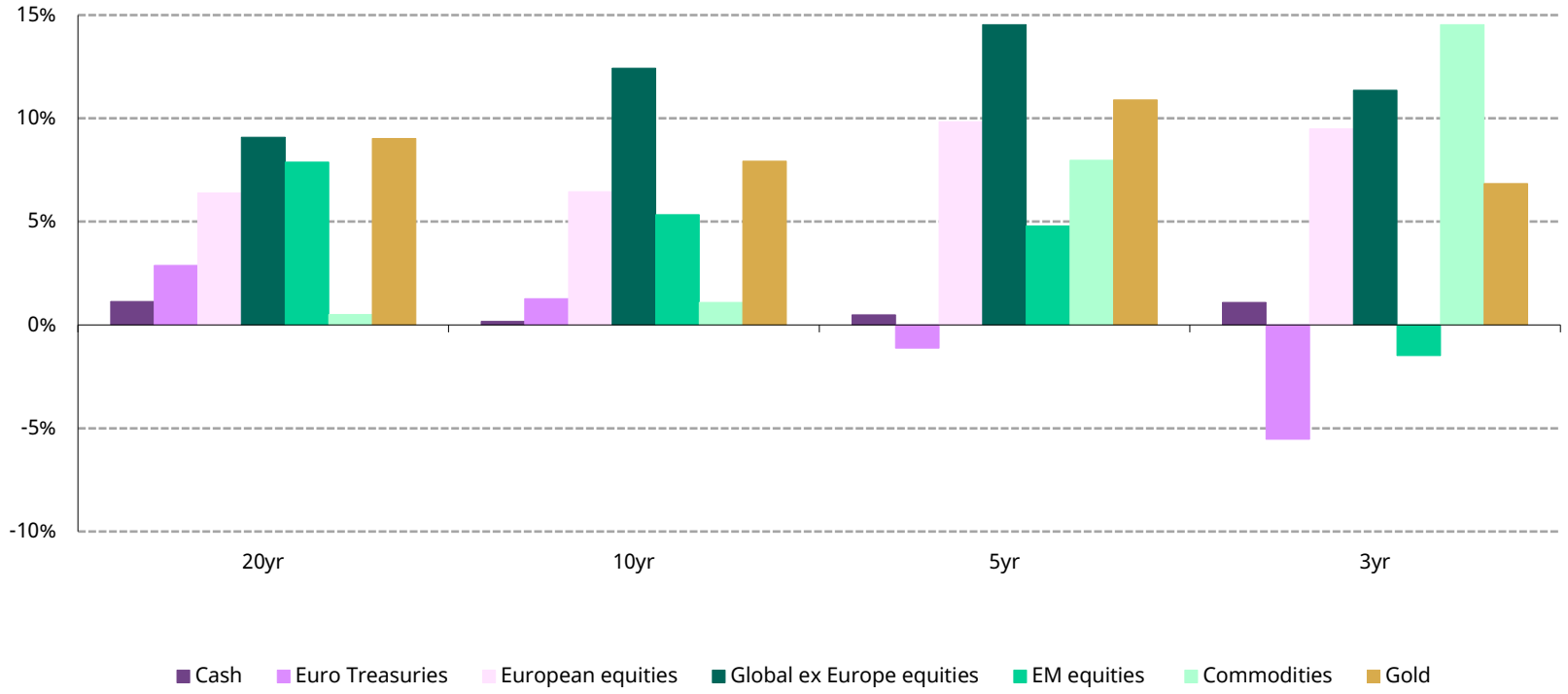


\*As of 31 December 2023. Based on US M2 cumulative growth, US CPI and LBMA Gold Price PM USD. Gold (US\$/oz), US M2, US CPI indexed: 1971 = 100  
 Source: Bloomberg, ICE Benchmark Administration, World Gold Council



# Returns: Key global assets in EUR

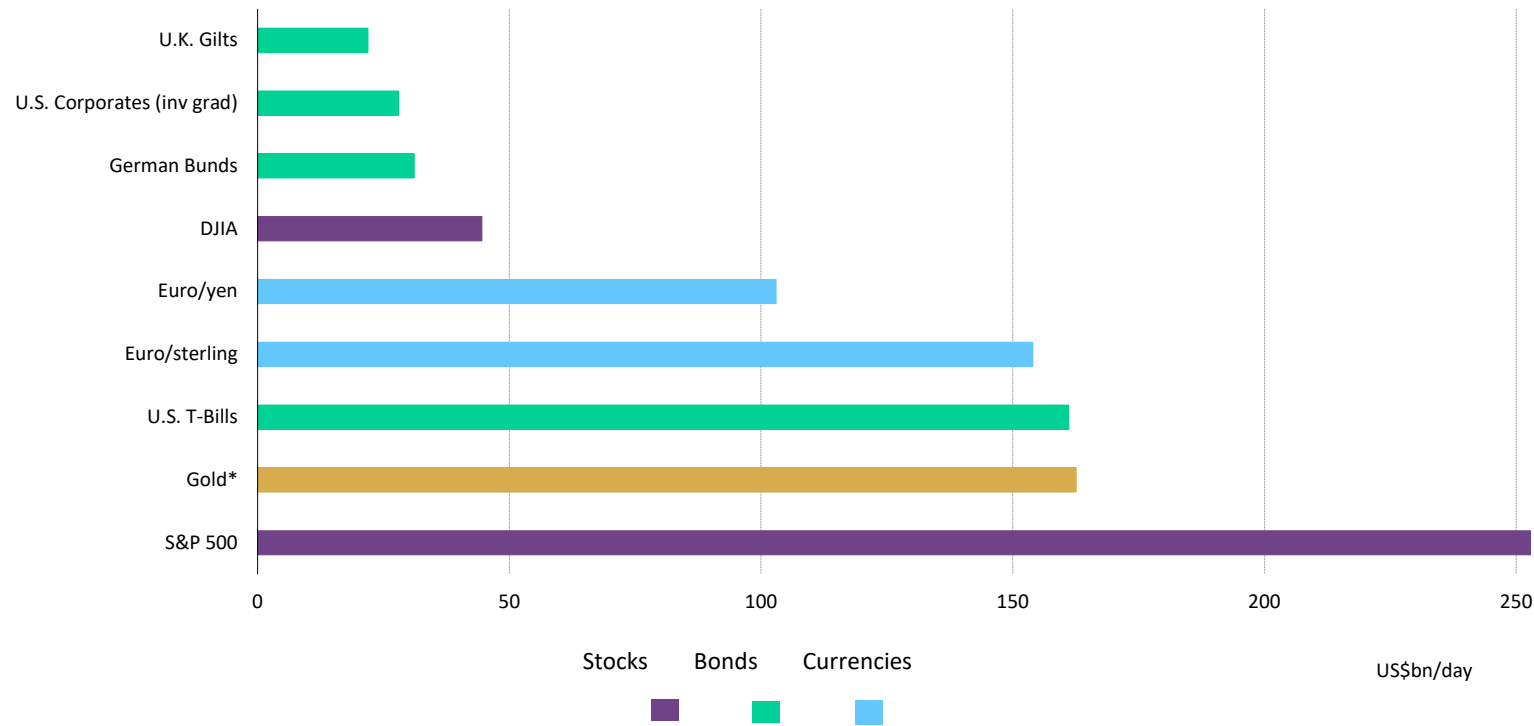
CAGR (%)



Source: Bloomberg, ICE Benchmark Administration, World Gold Council  
 \*As of 31 December 2023. Computations in EUR of unhedged total return indices unless otherwise specified. For euro Cash: Barclays 3m Euribor Cash Index; Euro treasuries: Bloomberg Euro treasury Index; European, Global and EM stocks: MSCI Europe Index, MSCI World ex Europe index and MSCI EM index respectively; Commodities: Bloomberg Commodity Total Return Index; and Gold: LBMA Gold Price PM (spot). Compounded annual growth rate (CAGR) computed as the geometric average from the start to the end of the period.



# Liquidity: Average daily trading volumes over the last year in US dollars



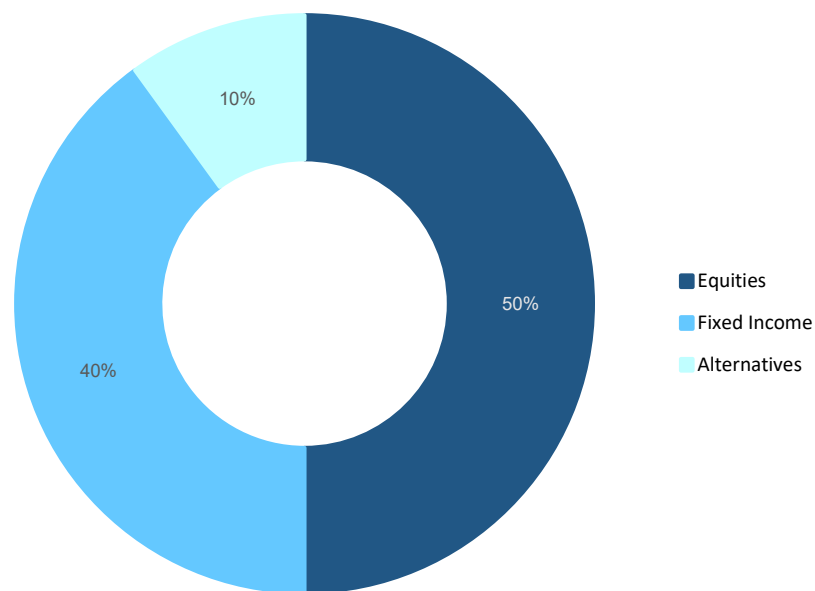
Source: Bloomberg, Bank for International Settlements, FINRA TRACE, International Capital Market Association (ISMA), Nasdaq, World Gold Council; Disclaimer  
\*Based on estimated one-year average trading volumes from 01 January 2023 to 31 Dec 2023, except for currencies that correspond to April 2022 daily volumes due to data availability.  
\*\*Gold liquidity includes estimates on over-the-counter (OTC) transactions and published statistics on futures exchanges, and gold-backed exchange-traded products. For methodology details visit the liquidity section at Goldhub.com.



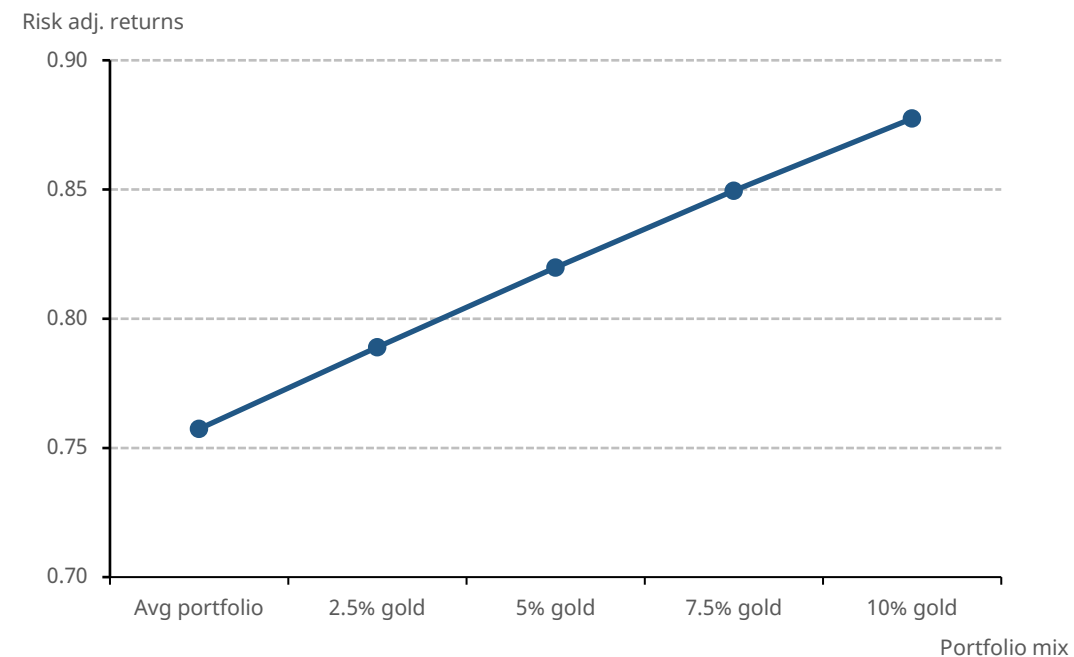
# Portfolio impact

# Portfolio impact: risk-adjusted returns

Hypothetical diversified portfolio: asset allocation



Risk-adjusted returns of a hypothetical EUR portfolio with and without gold



\*Based on EUR performance between 31 December 2003 and 31 December 2023. The hypothetical average portfolio: 50% allocation to equities (40% MSCI World Net Total Return Index, 5% MSCI EM Net Total Return Index, 5% MSCI World Small Cap Net Total Return Index), 40% allocation to fixed income (20% Bloomberg Euro Treasury Index, 15% Bloomberg Euro Corporate Bond Index, 5% Bloomberg Global Corporate High Yield Total Return Index) and 10% allocation to alternative assets (3.3% FTSE REITs Index, 3.3% HFRI Hedge Fund Index and 3.3% Bloomberg Commodity Index). The allocation to gold comes from proportionally reducing all assets. Risk-adjusted returns are calculated as the annualised return/annualised volatility. See important disclaimers and disclosures at the end of this report.  
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

# Portfolio impact: general characteristics

Gold could significantly improve risk-adjusted returns

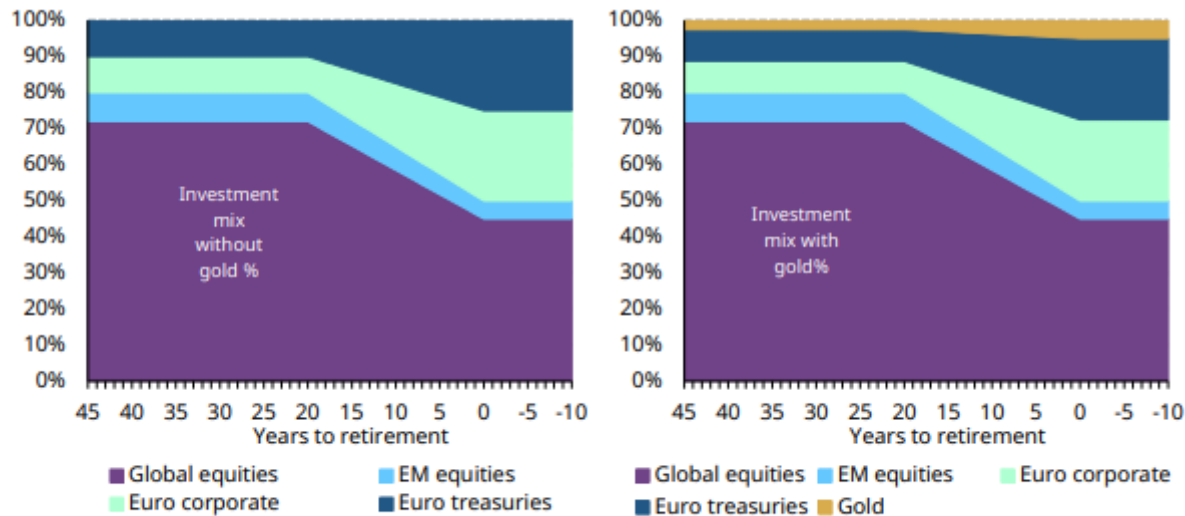
	Avg portfolio	2.5% gold	5% gold	7.5% gold	10% gold
Annualised returns	6.4%	6.5%	6.6%	6.7%	6.8%
Volatility	8.5%	8.3%	8.1%	7.9%	7.8%
Reward to risk	75.7%	78.9%	82.0%	84.9%	87.7%
Max drawdown	-30.8%	-29.4%	-28.1%	-26.8%	-25.4%

\*Based on EUR performance between 31 December 2003 and 31 December 2023. The hypothetical average portfolio: 50% allocation to equities (40% MSCI World Net Total Return Index, 5% MSCI EM Net Total Return Index, 5% MSCI World Small Cap Net Total Return Index), 40% allocation to fixed income (20% Bloomberg Euro Treasury Index, 15% Bloomberg Euro Corporate Bond Index, 5% Bloomberg Global Corporate High Yield Total Return Index) and 10% allocation to alternative assets (3.3% FTSE REITs Index, 3.3% HFRI Hedge Fund Index and 3.3% Bloomberg Commodity Index). The allocation to gold comes from proportionally reducing all assets. Risk-adjusted returns are calculated as the annualised return/annualised volatility. See important disclaimers and disclosures at the end of this report.  
Source: Bloomberg, ICE Benchmark Administration, World Gold Council



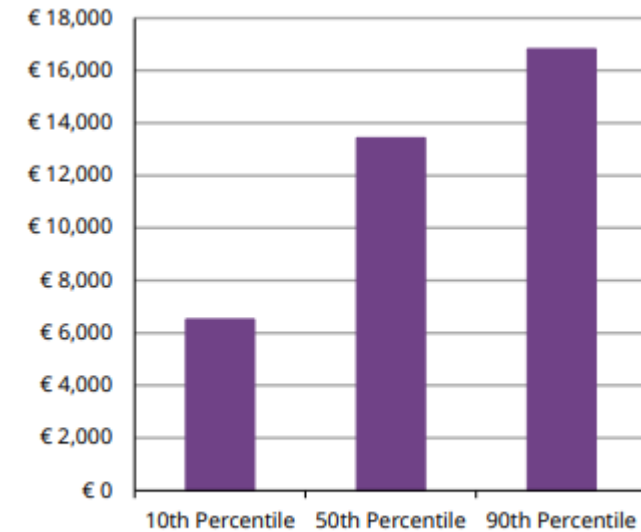
# The impact of gold in DC portfolios

## Hypothetical lifestyle strategy with and without gold



\*Data as of 31 July 2024.  
Source: World Gold Council

## Difference in portfolio balances



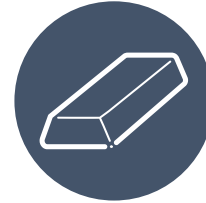
\*Data as of 31 July 2024.  
Source: Bloomberg, Portfolio Visualizer, World Gold Council

# Why gold?



## Pension portfolio challenges

- Investment risk
- Inflation risk
- Longevity risk



## Gold's characteristics

- Returns
- Diversification
- Liquidity

## Portfolio Impact

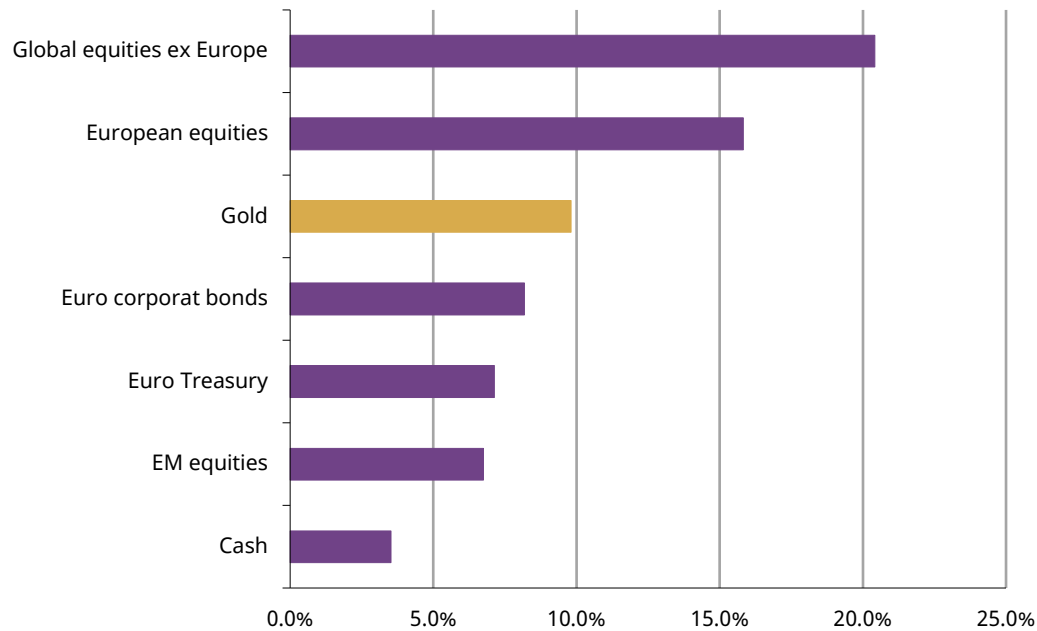
Source: World Gold Council  
\*As of September 2024



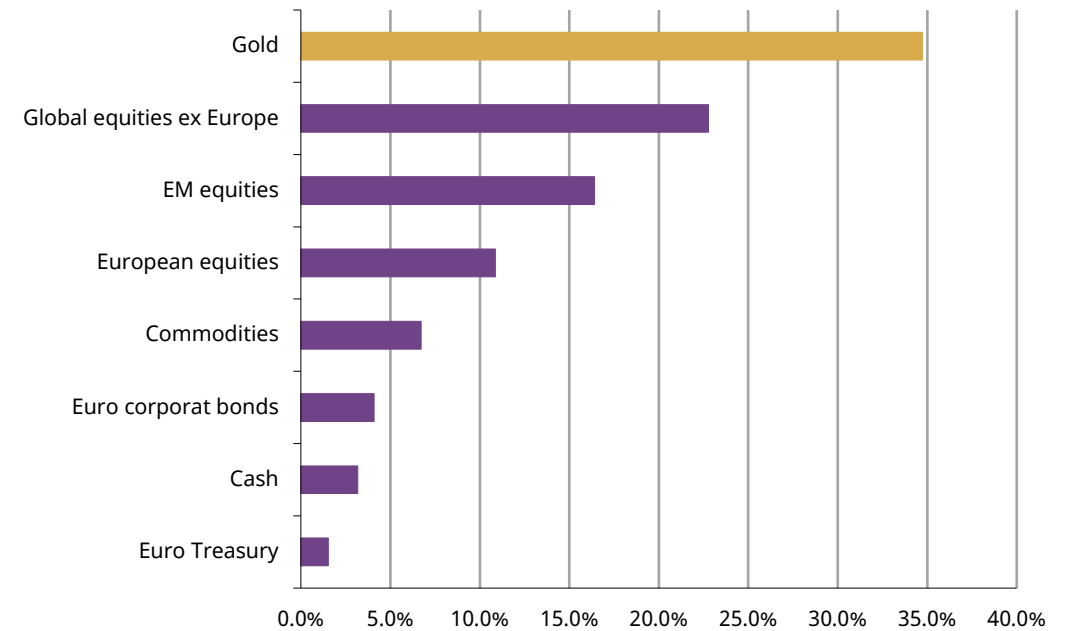
What's been driving the rally?

# Gold continues to outperform major assets in 2024

2023 performance of major asset classes (EUR)

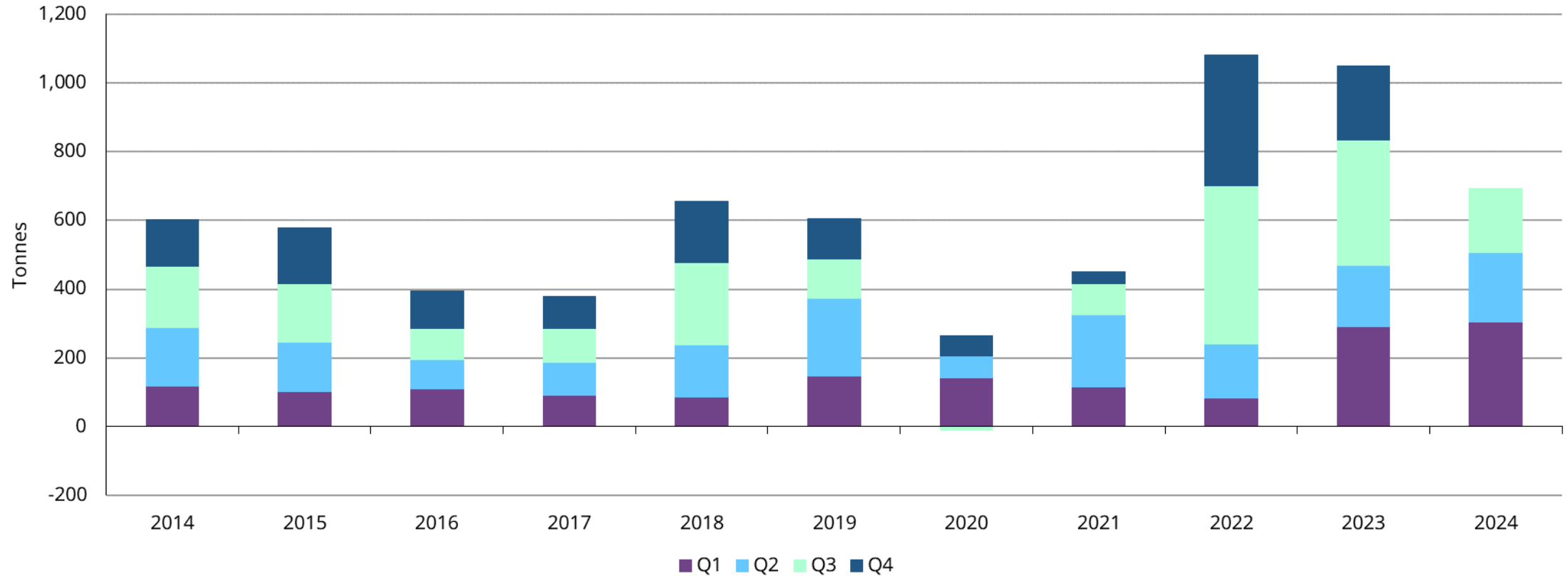


2024 – YTD performance of major asset classes (EUR)



\*As of 25 October 2024. Annual returns calculated using the last available value for the year in EUR of MSCI World ex Europe Total Return Index, MSCI Europe Total Return Index, LBMA Gold Price PM, MSCI EM Total Return Index, Bloomberg Barclays Euro Treasury Bond Index, Bloomberg Euro Corporate Bond Index, Bloomberg Commodity Total Return Index.  
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

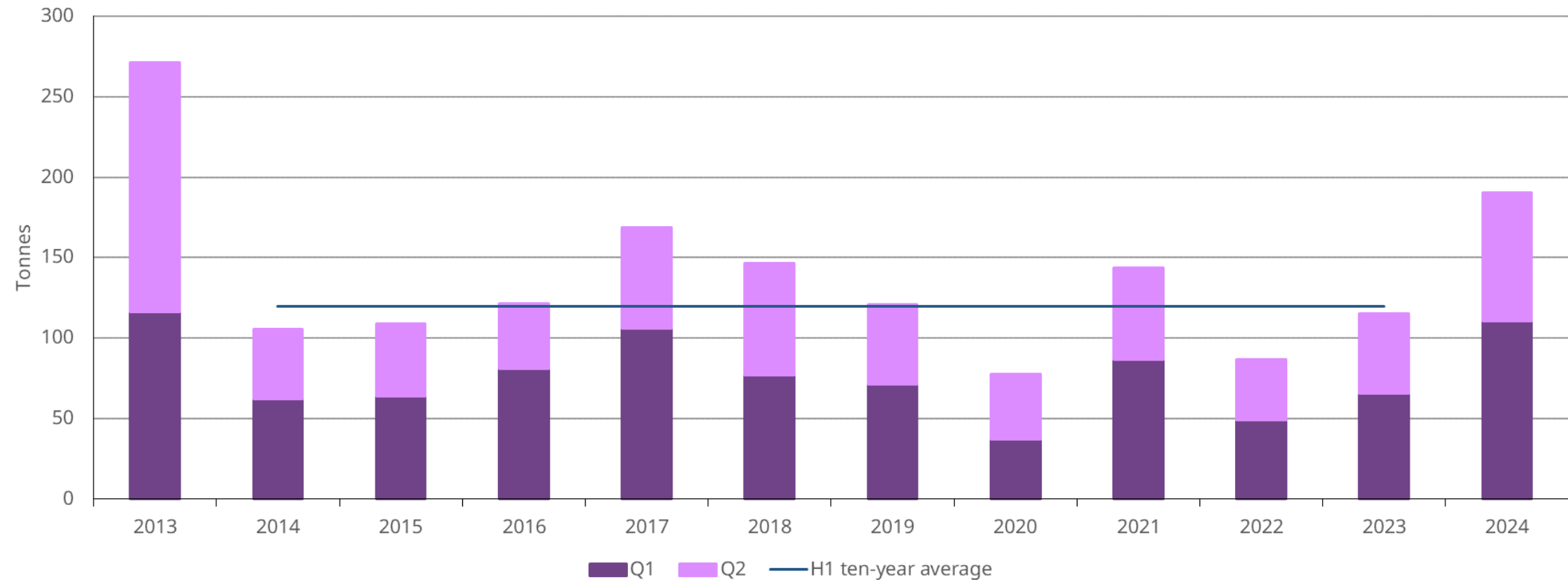
# Central bank demand remains healthy



Note: Data as of 30 September 2024. For an explanation of central bank demand, please see the Notes and definitions download: <http://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q3-2024/notes-and-definitions>

Source: Metals Focus, World Gold Council

# Strongest first half year for retail investment in China for over a decade

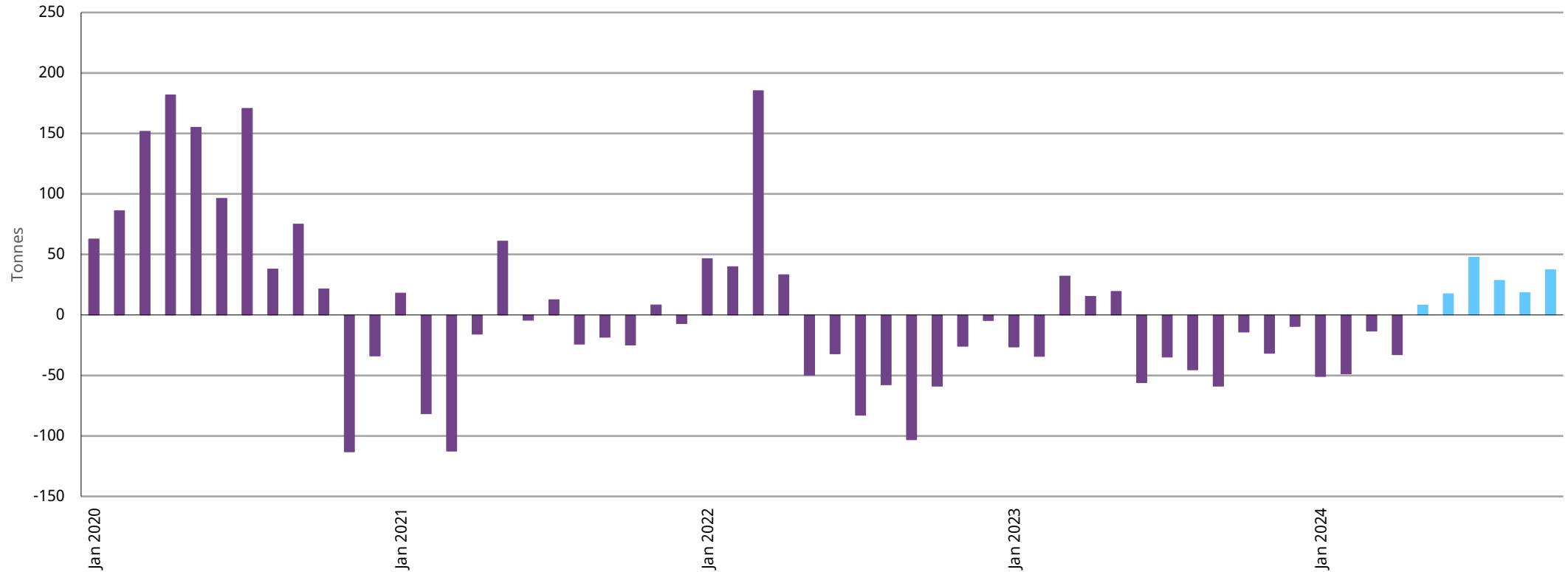


Note: Data as of 30 June 2024. For an explanation of total bar and coin demand, please see the Notes and definitions download: <http://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q2-2024/notes-and-definitions>

Source: Metals Focus, Refinitiv GFMS, World Gold Council

# ETF investors are showing signs of returning

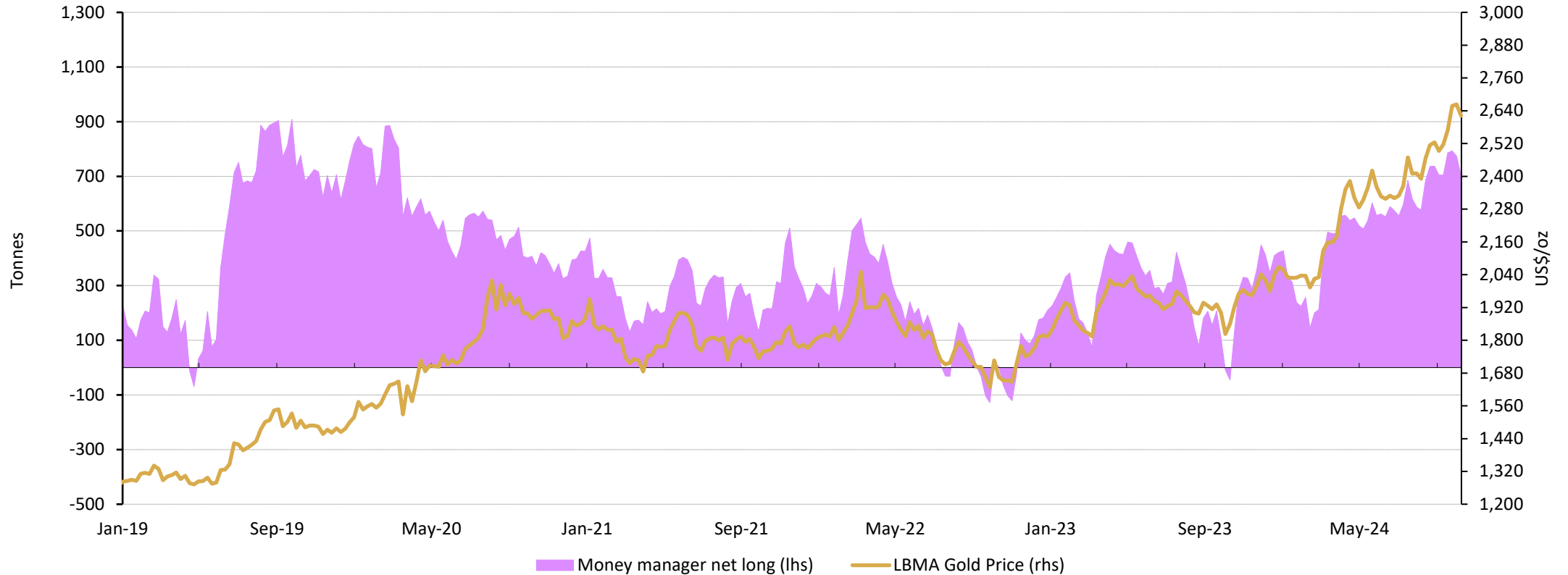
Change in holdings of gold by Exchange Traded Funds\*



\*Data from January 2020 to 28th October 2024

Source: Bloomberg, Company filings, World Gold Council.

# Comex NET Managed Money Positions



Source: Bloomberg, World Gold Council, The Commodity Futures Trading Commission (CFTC)

\*Data from 01 January 2019 to 17 October 2024



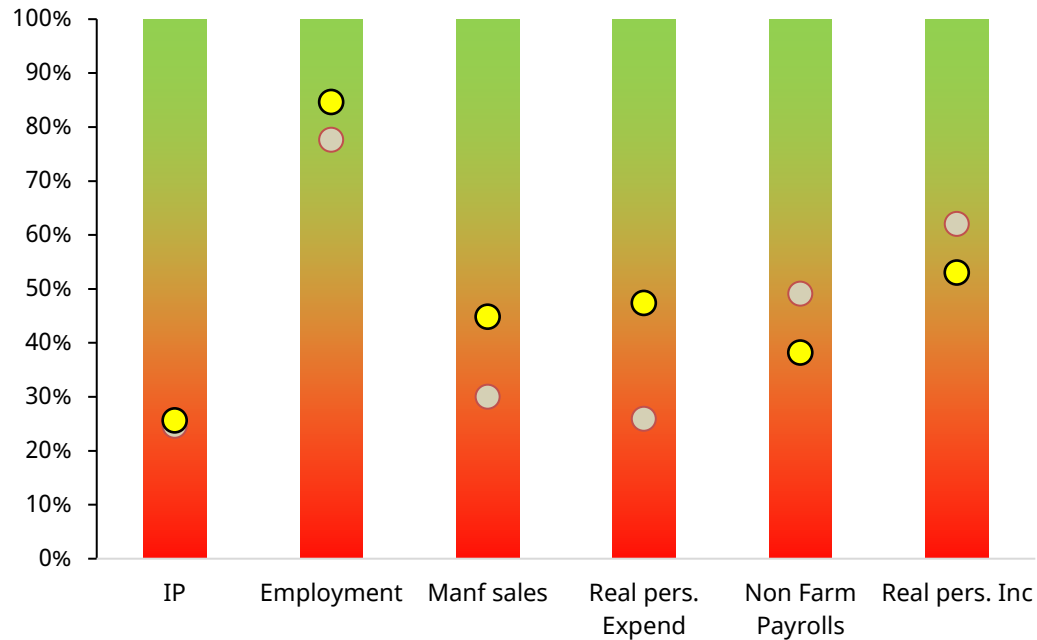


# Looking ahead

# The economy: hard, soft or no landing?

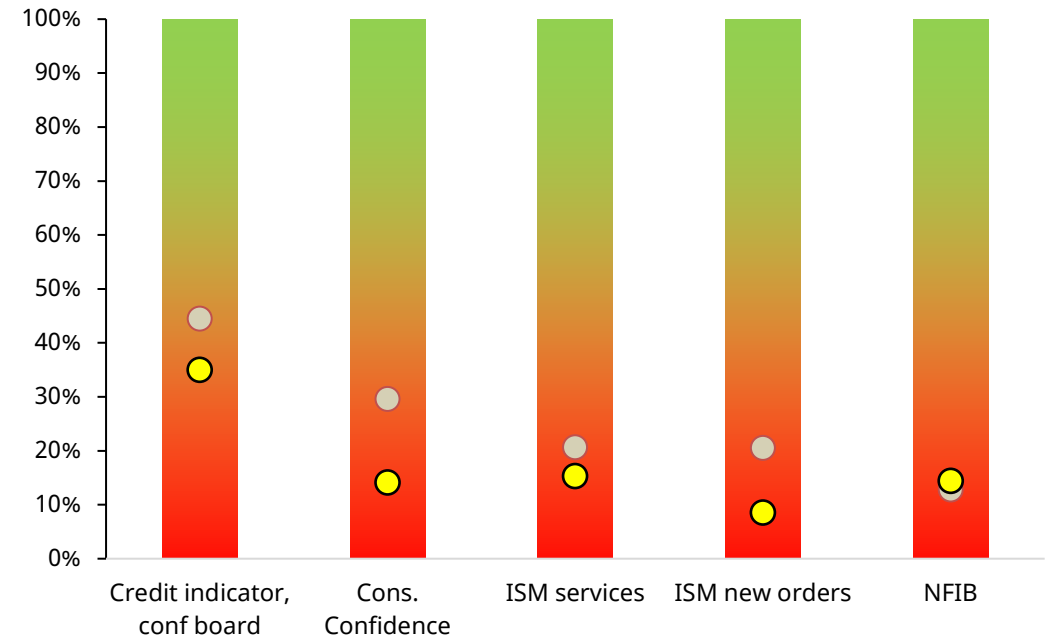


NBER data



\*As of 30 September 2024  
Source: Bloomberg, NBER, World Gold Council

Soft data



\*As of 30 September 2024  
Source: Bloomberg, World Gold Council

# In summary...potential vs risks ahead

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## Upside

- Rate cuts could propel gold higher
- If the US slips into recession, then absolute and relative performance to come
- Trump victory triggers more CB & OTC buying

## Downside

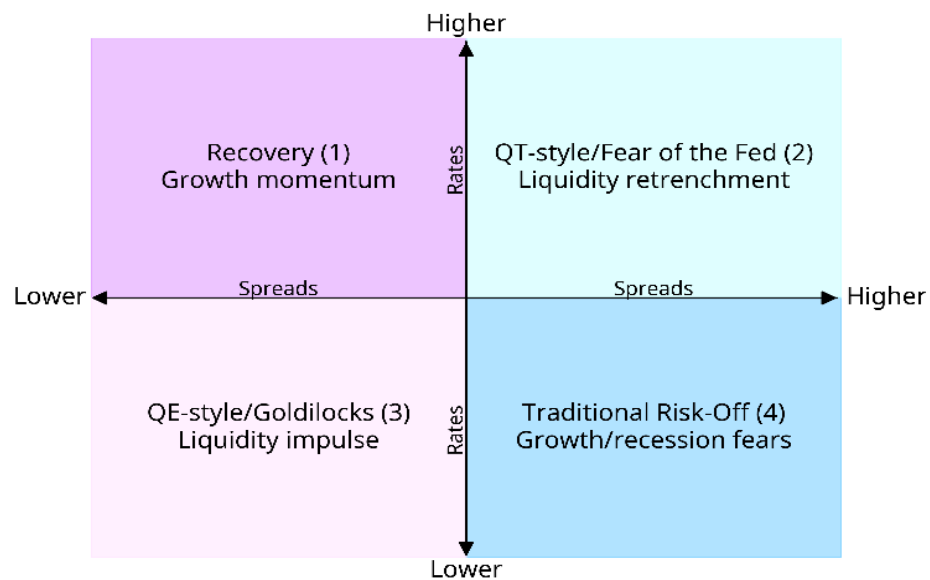
- Surprise US economic strength
- Fewer rate cuts than priced
- Long liquidation from speculative investors



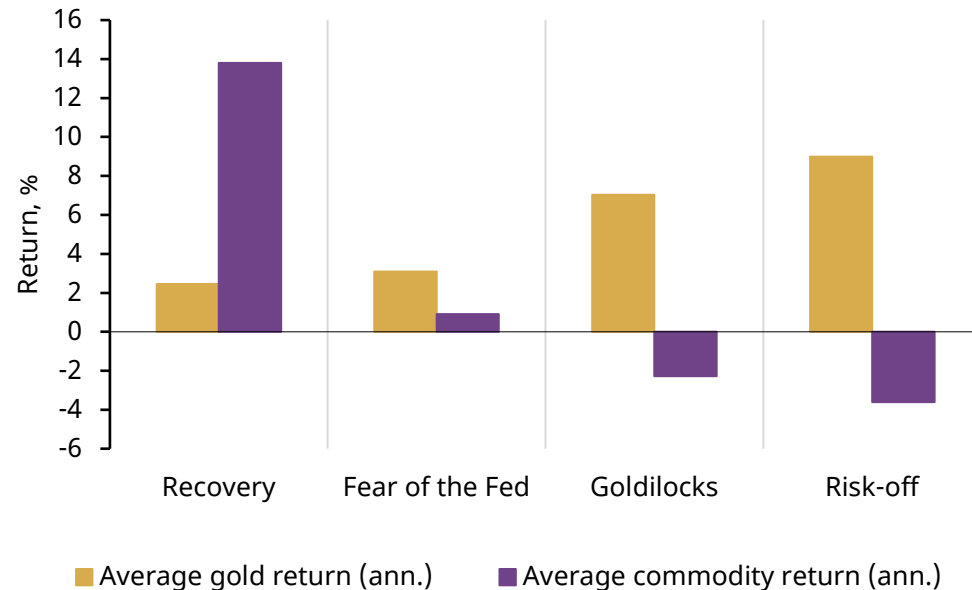
# Appendix

# The macro regimes: Gold & the four macro regime

## The four global macro regimes



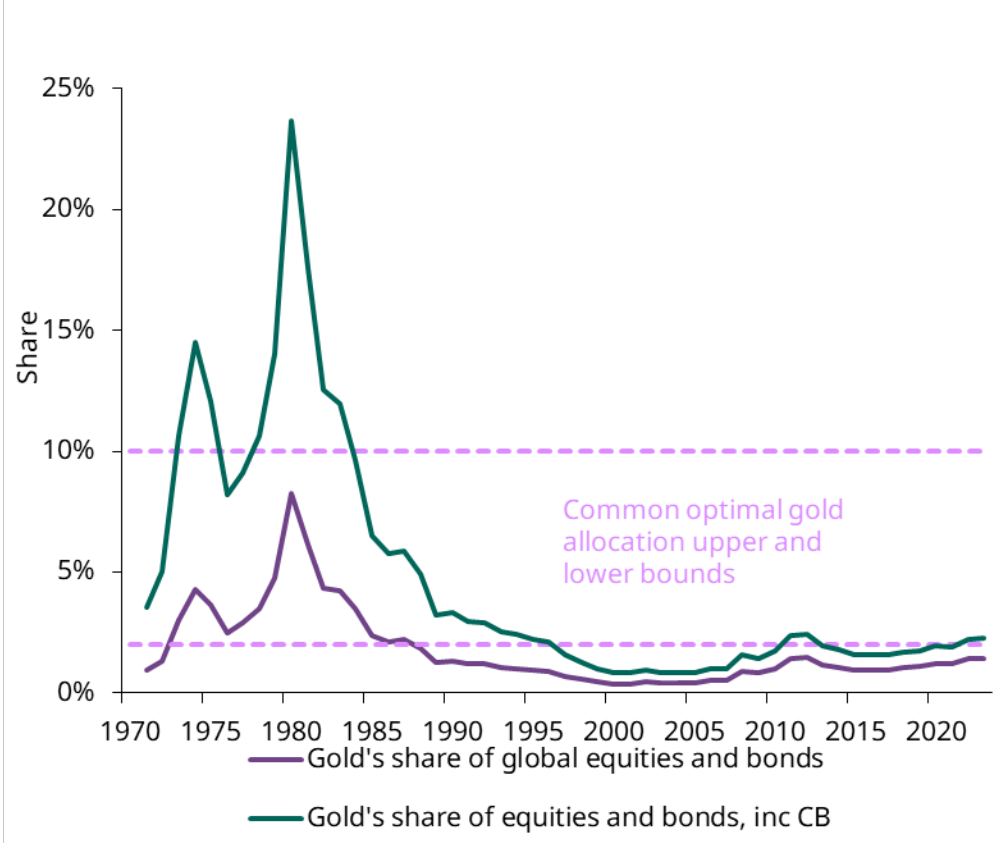
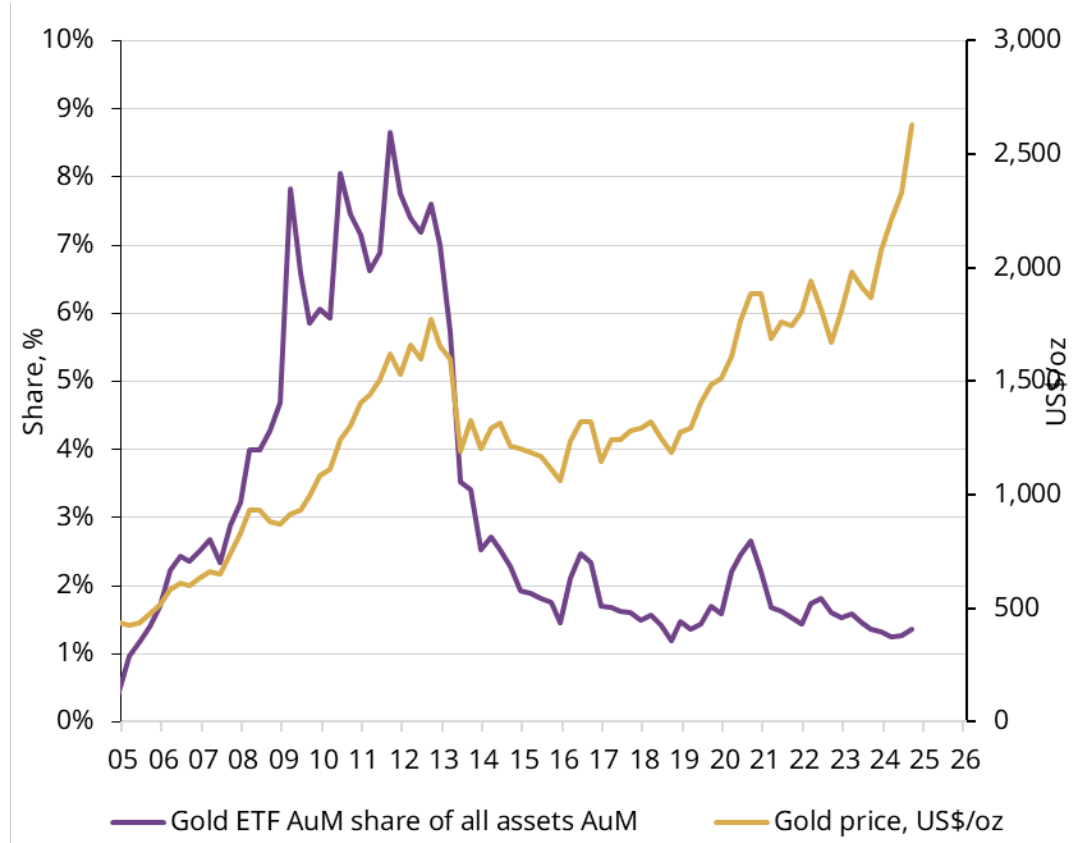
## Gold performs best in risk-off environments while the recovery phase is best for commodities



\*As of 30 September 2024  
Source: MFS, World Gold Council

\*Annualised returns from June 1989 to September 2024. Bloomberg US Agg Yield to Worst for yields. Bloomberg US Agg Corporate Average OAS for spreads. LBMA Gold Price PM in USD used for gold returns and S&P GSCI Index for commodities.  
Source: Bloomberg, World Gold Council

# Not stretched: despite the rally, gold is under-allocated



Source: Bloomberg, WFE, BIS, Refinitiv GFMS, Metals Focus, World Gold Council

# Thank you

Jeremy De Pessemier, CFA  
Asset Allocation Strategist

Michael O'Rourke, CFA  
Institutional Investor Relationships

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