

PRESS ARTICLE

GOING FOR GOLD | MAY 2011

The last few years have seen unprecedented levels of market volatility, as investors have seen the value of their investments rise and fall. However, diversification across different asset classes such as stocks and shares, bonds and property can enhance returns for a given level of risk.

Overall, a well-diversified portfolio is fundamental for minimising the risk associated with achieving any investor's long term goal. Traditionally, portfolios held a mixture of bonds and shares through varying allocations by countries (US, Japan, UK), economic sectors and government or corporate bonds.

In recent years, investors have been able to access additional or alternative investment opportunities which in the past were only available to the very wealthy. Nowadays, there are a variety of unit and investment trusts through which investors can gain exposure to these alternative assets.

One of these 'alternative' investments could be gold, which is not something ordinary individuals can just pop out and buy – or indeed carry if they could buy it.

Gold had a remarkable year in 2010 starting at just below US\$1100 an ounce to over US\$1416 by November 2010 and now standing at US\$1504 (as at Blackrock Gold Report 20/04/2011). However, investing in these non-traditional areas require a thorough understanding of the risks involved and the product being purchased. Investors should understand exactly what they are buying and avoid any nasty surprises when their investments do not perform as expected.

You can now access funds which invest in gold and other precious metals, where the fund manager buys and sells shares in areas such as mining stocks or companies backed by actual holdings in gold bullion, thus allowing ordinary individuals access to the performance of gold and thereby adding further diversification of their portfolio.

The prices of gold and mining shares are driven by different factors and therefore are not linked to the same factors that affect bonds and other share prices. Therefore gold and other precious metals offer valuable diversification benefits within a correctly balanced investment portfolio. These funds should only form a small part of any overall portfolio as they can be very volatile in nature, as they hold a high percentage in stocks and shares and therefore carry a high degree of risk.

Whilst the outlook for the major global currencies remains uncertain, particularly the Euro in light of the recent bailouts of Greece and Ireland, market commentators still expect investment flows into gold to remain strong over the coming years. The tragic events in Japan and civil unrest in the Middle East and North Africa have highlighted gold's attractive qualities as a 'safe haven' asset class during times of political and economic turbulence.

Should the political unrest be resolved and the economic turbulence ease along with the potential of an interest rate rise in the near future then many market commentators believe that gold may start to lose its shine.

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