



B E R R Y

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Touchbutton

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To infinity and beyond

We all know that money makes the world go round, but what exactly is money? One thousand years ago, the answer was simple: gold. Two hundred years ago, the answer was still simple: gold. But now, the answer is a lot less clear. For many it would be the dollar; for some the Swiss franc; for a few diehards, sterling or the euro. But in an increasingly fragile world, gold may once again become to be seen as the only true currency.

We have written earlier in the year in Touchbutton about the merits of a stake in gold, and we visit it again now against a backdrop of infinite Quantitative Easing, and the distinct possibility of volatile and genuinely uncharted waters ahead for investors. We continue to believe that inflation will be the least unpalatable solution to the world's debt crisis, and this poses a serious threat to the integrity and value of investment assets. Investors always need to stay on their toes, but never more so than now.

The current climate remains a very attractive one for gold investors. It is a hard asset with intrinsic value; it carries no liabilities; it is universally recognized as a store of value; and it has no counterparty risk. More or less every time that people lose confidence in reserve currencies, they turn to gold. Since 2000, gold has appreciated against all the world's major currencies - in sterling terms almost six fold. It is also, conveniently, an uncorrelated asset class, which means that in the multi asset portfolios that we look after, our stakeholding in gold adds to our diversification. Never before has diversity in portfolios seemed more sensible and appropriate than now.

Gold is not, however, without its risks. It is a volatile asset, to a similar degree to that of equities, which means that it should be regarded as a longer term investment. But in an environment of negative real interest rates around the world and the general debasement of paper currencies, it remains the ultimate hedge.



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