

GOLDEN OPPORTUNITY

Diversifying and limiting risk in the face of economic uncertainty

For centuries, investors and economists have been stumped by the question: “What is gold really worth?”

To answer this question, some people use conventional metrics such as inflation-adjusted gold price, Dow/gold ratio or oil/gold ratio. Others prefer to identify and closely monitor certain economic factors that could impact gold’s price, including real interest rates, inflation expectations and the buying behavior of central banks, to name a few. But no matter how gold is measured, its tremendous value cannot be denied. In fact, physical bullion has risen from \$250 an ounce in 1999 to \$1,800 an ounce today, a strong indication of heightened interest in the gold market.

“Gold used to be viewed as a broad commodity, and in the past, there wasn’t a stand-alone, easy way to invest in it,” says Kevin Quigg, Global Head of ETF Strategy and Consulting with State Street Global Advisors. “But with the advent of gold exchange-traded funds [ETFs] such as the SPDR Gold Trust [GLD], institutional and retail investors alike now have access to a simple, transparent and cost-effective means to participate in the gold market.”

With over \$65 billion in assets under management, GLD is the largest and most liquidly traded gold ETF on the market, and the sixth-largest holder of gold in the world. “GLD is a response to the global mandate for gold ownership and a method of exposing gold to a wider investor base,” says Quigg. “It really is a game-changer in the way people are using gold. Each investor has personal reasons for investing in the asset, but today we’re seeing a shift in the gold investing story from tactical to strategic allocation. Numerous investors now view gold as a separate asset class and a core component of a diversified portfolio in all market cycles.”

Throughout times of high inflationary pressure, economic uncertainty and/or geopolitical crisis, investors have turned to gold as a safe-haven asset. Gold was among the few assets that proved to be insulated from recessionary pressures by performing strongly during the credit crisis. But given the likelihood of continued high inflation and currency debasement in the U.S., keen observers will notice a shift from gold investment as a purely safe-haven play to a more strategic allocation.

Given gold’s unique market fundamentals and low correlation to mainstream assets, other commodities and other metals, it has become a mainstay of a well-diversified portfolio for a wide range of institutional and retail investors.

The one hang-up with gold that used to dissuade some investors was that it was difficult to access. That has changed. Today, bullion-backed gold ETFs like GLD offer investors more liquidity and better access to the gold market by removing the physical barriers of purchase, storage and insurance. Says Quigg, “Because gold ETFs are traded like a stock on an exchange, they allow investors to easily add the desired amount of gold exposure to their portfolios. GLD shares—which are backed by physical gold bullion—reflect the performance of the price of gold, thus providing investors with a true experience of investing in the gold market.

“GLD is the vehicle of choice for gold exposure among investors. It provides diversification while at the same time limiting risk, no matter the perspective, investment time horizon or objective of the investor,” concludes Quigg. ●

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*Source: Over the 10-year period ending June 30, 2011, gold’s correlation with the S&P 500® has been -0.01 with 0 being uncorrelated and 1 being perfectly correlated (StyleADVISOR, June 2011).

Important Information Relating to SPDR Gold Trust:

The SPDR Gold Trust (“GLD”) has filed a registration statement (including a prospectus) with the Securities and Exchange Commission (“SEC”) for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents GLD has filed with the SEC for more complete information about GLD and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov or by visiting www.spdrgoldshares.com. Alternatively, the Trust or any authorized participant will arrange to send you the prospectus if you request it by calling 1-866-320-4053.

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Diversification does not assure a profit and may not protect against investment loss.

Investing in commodities entails significant risk and is not appropriate for all investors.

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