

GROWTHFINITI WEALTH - INVESTMENT NOTE

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Where Do Precious Assets Belong in a Long-Term Portfolio?

An institutional perspective on gold and silver positioning in a structurally higher-uncertainty macro regime.

Executive Summary

We've been receiving a growing number of client enquiries seeking clarity on gold and silver, especially in light of the subdued performance of equities over the past 15–18 months. This note aims to outline our perspective and reaffirm our positioning on these asset classes.

The global macro regime has undergone a structural shift, from an era of stability, rules-based globalisation, and low inflation to one defined by geopolitical fragmentation, financial repression, and persistent uncertainty. In this environment, precious metals, particularly gold, are regaining relevance, not as return-maximising assets, but as balance-sheet insurance.

Our conclusion is unambiguous:

- Equities remain the primary long-term wealth creators
- Gold plays a strategic, stabilising role
- Silver is cyclical and tactical, not defensive

Precious metals should therefore be intentionally allocated, not emotionally accumulated.



1. The Macro Regime Has Changed , Permanently

A decisive transition in the global economic order:

Key structural shifts:

- **Globalisation → Fragmentation**

Trade and capital flows are now shaped by geopolitics rather than efficiency.

- **Rules → Power Politics**

Sanctions, technology controls, and energy security increasingly dictate outcomes.

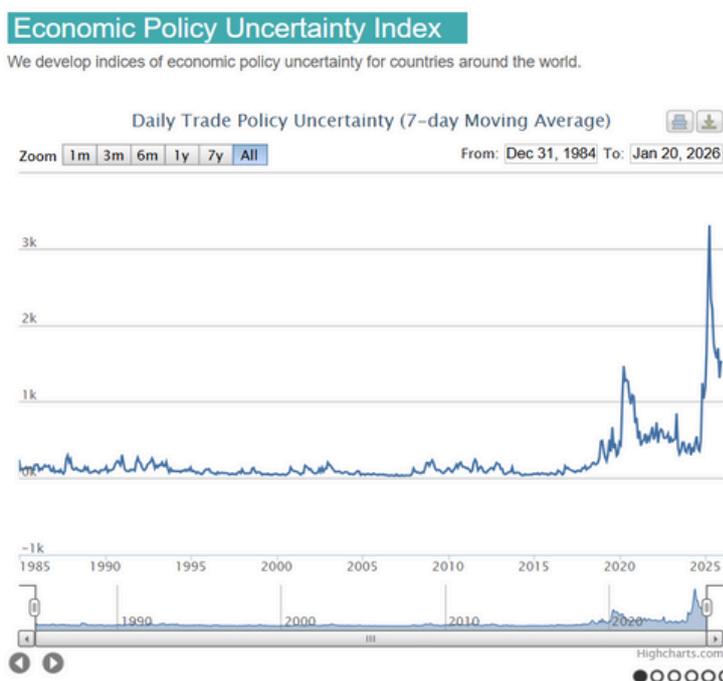
- **Low Debt → Financial Repression**

Elevated sovereign debt forces policymakers into negative real interest rates.

- **Currency Stability → Structural FX Volatility**

Policy divergence makes currency risk permanent, not cyclical.

This regime is visible in the sustained elevation of the Economic Policy Uncertainty Index, which has remained structurally higher since 2018 and accelerated post-2022.



Implication for investors:

Traditional portfolios built purely for growth are more exposed to regime risk. Diversification must now address tail risk, currency risk, and policy risk, not just volatility.



2. Why Gold Has Re-Entered Strategic Portfolios

Gold's renewed relevance is not valuation-driven; it is regime-driven.

Three structural forces at work:

a) Erosion of Monetary Credibility

Persistent fiscal deficits and expanding central-bank balance sheets weaken long-term confidence in fiat currencies.

b) Geopolitics Revives Neutral Assets

The weaponisation of reserves has elevated the value of non-sovereign, sanction-proof stores of value.

c) Financial Repression Favours Real Assets

Negative real rates penalise cash and bonds; gold carries no policy or counterparty risk.

Empirically, the report shows a strong inverse relationship between real interest rates (US TIPS yields) and gold prices, underscoring gold's role as a hedge against policy-induced erosion of purchasing power.

3. Who Is Buying Gold Today? Follow the Smartest Balance Sheets

One of the most important signals comes from central banks, the most conservative allocators globally.

- Central banks have been consistent net buyers of gold since 2010
- Purchases accelerated meaningfully post-2018 and post-2022
- Gold's share in official reserves has risen steadily

This reflects:

- Diversification away from USD/EUR concentration
- Preference for politically neutral, non-custodial assets
- Reduced reliance on the global payment infrastructure

Interpretation:

Gold is no longer just an inflation hedge; it is now geopolitical insurance.



4. Precious Metals Are Not One Asset Class

A critical mistake among investors is treating all precious metals as equivalent. Their distinguished roles:

Gold

- Monetary asset with deep liquidity
- Responds to real rates, currency confidence, and systemic stress
- **Role:** Capital preservation and portfolio insurance

SILVER

- Hybrid asset: monetary + industrial
- Higher volatility, pro-cyclical
- **Role:** Tactical, risk-on exposure

PLATINUM

- Hybrid asset: monetary + industrial
- Higher volatility, pro-cyclical
- **Role:** Tactical, risk-on exposure

Growthfiniti view:

Only gold qualifies as a strategic allocation. Silver does not.

5. Silver: Tactical Opportunity, Not Strategic Hedge

Silver's recent price strength reflects:

- Reflation expectations
- Declining real rates
- A catch-up rally after long underperformance

However:

- ~60% of silver supply is a by-product of base-metal mining
- Supply response is inelastic
- Future upside now depends on sustained industrial growth, not valuation mean reversion

The Gold:Silver ratio analysis shows that the relative catch-up trade is largely exhausted. Silver now behaves more like a cyclical commodity than a hedge.

Conclusion:

Silver amplifies portfolio volatility and should only be used tactically, within clearly defined risk budgets.



6. Portfolio Impact: Risk, Correlation, and Returns

The long-term data is unequivocal:

Risk characteristics:

- Gold: Low volatility, near-zero or negative equity beta during stress
- Silver: High volatility, positive equity correlation
- Equities: Highest volatility, highest long-term returns

Return characteristics (1996–2025):

- Equities deliver superior long-term CAGR
- Gold delivers modest returns but stabilises portfolios
- Silver underperforms equities over full cycles and increases drawdowns

Key insight:

Gold reduces portfolio risk; silver increases it.

7. Structure Matters More Than Timing

How investors access precious metals materially affects outcomes.

Investment routes:

- Physical: Tangible, no counterparty, but illiquid and cost-heavy
- Financial (ETFs, bonds): Liquid, transparent, scalable
- Mining equities: Leveraged but introduce equity and execution risk

Growthfiniti preference:

- Gold exposure via efficient, liquid financial instruments
- Avoid emotional accumulation or tactical trading
- Focus on discipline, not prediction

8. Growthfiniti Allocation Framework – Practical Takeaways

Our clear positioning:

- Equities: Core wealth engine
- Gold: Strategic hedge (insurance, not alpha)
- Silver: Tactical satellite only

Portfolio philosophy:

- Gold should be owned continuously, not traded
- Silver should be sized carefully, not emotionally
- Asset allocation should respond to regime shifts, not headlines



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