

Gold – The Real Asset for the Real World that is Performing Really Well

Joshua Rotbart, Founder and Managing Partner of precious metals firm J. Rotbart & Co., is passionate about gold, real gold. He gave an animated presentation to the audience at the Hubbis Indonesia Wealth Management Forum on how through history gold has proven its sustained value, and how the longer someone keeps it, the more it will appreciate. He said that the stars are currently tidily aligned for gold and Asia's HNWIs should all keep a portion of their wealth in physical gold. And for wealth management advisers, working with his firm is an ideal way to leverage client relationships.

“CENTRAL BANKS HAVE BEEN BUYING GOLD SINCE THE FINANCIAL CRISIS,” opened Rotbart. “Before that they were selling gold. Around 20 central banks bought gold this year. Why? It depends on the country, of course, but reasons range from reducing reliance on the US dollar, useful if you are subject to American sanctions. And there are other political reasons for different countries. Then there is pure diversification - we know gold performs very well in times of uncertainty. Thirdly, there is financial security - governments know that their currency is only as good as the gold they have in their vault.”

And finally, as he noted, the Central Bank of the Philippines had underlined in a recent conference, gold is liquid, it is even one of the easiest assets you can sell. “Sometimes our private clients do not believe how easy it is to sell, even as much as USD10 million, or more,” he reported.

Gold – on the up and up

The third key development this year is the price of gold. “We know that gold in the long term appreciates an average of



[Link to Content Summary page](#)

[Link to Article on website](#)

[Link to Presentation](#)

[Link to Event Homepage](#)

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10% a year, based on past performance,” he explained. “The last 10 years saw gold appreciate about 6% a year. And gold has very strong negative correlation to the market, so the deeper the dip is in the market the better gold performs.”

Gold broke the important USD1500 per ounce benchmark and if viewed in UK sterling, it rose 20% in August alone. “That means that when you advise your clients,” he told the audience, “that gold is also a good hedge against their domestic currency depreciation, for example a weaker Philippine peso or Indian rupee. And overall in dollar terms, gold is doing very well at 20% up this year.”

He then remarked on a comment from the editor of The Financial Times, who he reported had said that journalists and gold traders like bad news. “Gold is excellent as a holding in difficult times, or in anticipation of more difficult financial and economic conditions,” he stated.

Non-correlated

Rotbart clearly has an unwavering belief in the value of holding physical gold. He explained that it is non-correlated to mainstream financial assets, it is a hedge against inflation and currency depreciation, it can easily be bought, stored and insured outside the global financial system, it is highly liquid and, above all else, it has stood the test of the past several millennia as both a store and an enhancer of value.

Physical gold, he told the fascinated delegates, is not a financial product. “That means it can be held privately,” he explained. “It can be held directly by the client, or at secure logistics storage facilities in different countries, and clients can then also have access to it. If clients sell, they can

get same-day settlement as it is highly liquid.”

He explained that the precious metals market is monitored by the London Bullion Market Association, which supervises the refiners, the logistics operators, and the entire precious metals ecosystem to ensure it is professional and sound. “As long as you stay within this ecosystem,” he reported, “you are fine.”

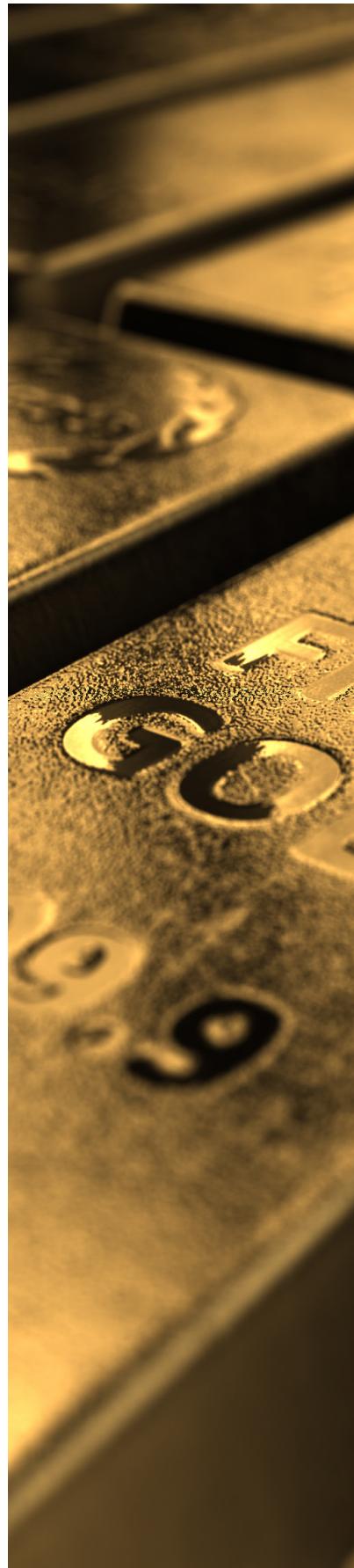
Asia's love affair with gold

Joshua observed that Asian people and investors have long had a love affair with gold. “This region has been a region of gold bugs long before that term was coined,” he reported. “Wherever you go in Asia, whether Thailand, China, Vietnam or other countries, people buy gold as a gift when a child is born, for cultural or religious ceremonies such as weddings, festivals and other special occasions. They like to buy gold jewellery when they have spare money.”

Rotbart explained that the precious metals investment industry has nowadays become highly professionalised in Asia, with an outstanding infrastructure of secure storage and logistics service providers, and insurance coverage, with specialists such as his firm that work in an entirely professional approach with clients who seek to buy, store and sell physical metals, especially gold bullion.

A professional industry

He told the audience that his Singapore and Hong Kong-based firm had for the past four years been helping individuals, companies and financial institutions buy, sell, transport and store physical metals such as gold, platinum, palladium and silver.



"We offer the professional level of services that investors must seek out for this type of purchase," he reported. "Clients can trade remotely, we work globally, we store gold in many top-flight locations, we offer a worldwide service across all time zones, and when clients call, we answer. We handle all logistics seamlessly, so the client can relax throughout the entire process. We are the one-stop gold-plated service provider."

Think before you leap

Rotbart then listed certain 'dos' of buying gold. He advises clients to use a professional company that can provide professional services and storage. Make sure that insurance is in place, make sure there is an insurance policy on your gold, which is itself an insurance policy. Stick to the London Bullion Market Association ecosystem: refiners that are accepted by the market. Gold must be 24-carat investment grade (99.99% pure). "Buy one-kilogram bars, which are the most acceptable in the market, and avoid working with anyone in the market that might be less than 100% professional."

"When you store gold in secure logistics facilities, he noted, it is

stored privately and away from cybersecurity risk. "The risk of someone stealing from a secure storage location in Singapore or in Hong Kong and getting away with it," he commented, "is virtually zero, and if it did happen, it is fully insured."

Get real

He also explained why in his firm view, HNWIs should buy physical rather than paper gold. "Even the best gold ETFs are not backed 100% with physical gold," he reported, "Even the very best ETFs, and I won't name names, are not fully backed by the physical asset, as they use derivatives and other instruments to maintain the daily fluctuations. We therefore strongly urge clients who want to do more than simply speculate on gold prices to buy physical for medium to long term holdings. If the ETFs had to be redeemed, they simply would not have enough gold to cover that."

As to how much of any portfolio investors should hold in physical gold, Rotbart cited Ray Dalio, Founder of investment firm Bridgewater Associates, who he said had stated: "...Most people should have roughly 10% of their

assets in gold, not only as a good, long-term investment but also for its effectiveness in diversifying the other 90% of assets people hold..."

Rotbart elucidated on why gold is an excellent tool for portfolio diversification. "As a guide, we believe most of our clients hold between 3% to 10% of their assets in physical metals; gold is considered a very good hedge, because historically when the market falls gold will usually fare better."

Advisers be aware...

Rotbart closed his comments with a word on why wealth management experts, such as those listening to his talk, should include gold in the suite of products and ideas for their clients.

"You are bringing in non-mainstream concepts and an additional creative solution," he remarked. "Your clients will appreciate when you offer something that is not necessarily linked to your institution, you can work safely and efficiently with professional firms such as ours, and you can make money from it, as there are transaction fees, storage fees and other recurring fees." ■

