How Physical Gold Can Make A Key Addition to Any Portfolio

Maxime Fages, Head of Strategy & Digital Assets for Global Precious Metals, spoke to Michael Stanhope, Hubbis founder and CEO at the Indonesia Wealth Management Forum. Global Precious Metals has worked with Hubbis in recent years to promote the concept of holding physical gold to offset volatility in the mainstream financial investment portfolios, as well as because gold is outside the global financial and regulatory infrastructure.

The global investment markets are challenging today, and have been since 2018, but gold has performed rather well over the course of the last year or so. Why? And why should clients buy physical gold today?

Fages: "First of all, I should say I am actually not an adviser. However, I do have a directional view on gold, I do myself hold gold, and I believe there is a strong investment rationale, especially so given both the current global financial circumstances, as well as the tendency for governments and banks to overreach. For us as a firm, we believe that gold at the very least offers some degree of wealth insurance."

"Moreover, we believe physical gold is the best route. As a futures market professional historically, I am cautious when it comes to paper gold, and strongly recommend investors to buy physical gold from a reputable provider, like ourselves obviously, and make sure that they are therefore buying something that is liquid and accessible."

"As a firm, we have serious concerns about the levels of debt in the world. The global financial crisis settled down some nine or 10 years ago, but since that time global debt has increased and we wonder frankly if the precarious nature of the financial system has in fact only worsened in the past decade. We like assets that are safe, that cannot be taken away from you, that governments

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cannot expropriate. Gold is a highly confidential asset, with no formal reporting required. And for all those reasons, we have a strong preference for physical gold."

Can you explain more about the key investment differences between physical gold and paper gold?

Fages: "Paper gold is backed largely by leveraged contracts on physical gold. In ETFs, for example, if everybody is running for the door at the same time, this leverage will limit access of owners to tangible assets. Physical gold, like as in bullion or coins, can safely be stored and accessed as you require."

"Accordingly, the principal difference between paper and physical is that physical is owned directly and wholly by the investor, while paper gold belongs to another entity that has a form of relationship with the investor through shares or a contract."

Can you explain what your role is with regard to digital assets and whether Asia's HNWIs are participating in this market area?

Fages: "Actually, we see a surprisingly large amount of similarities between physical gold and cryptocurrencies, and especially Bitcoin. They are easy to transfer, and we do believe that cryptocurrencies and tokenisation will be very big in the coming years. However, for the moment, we don't necessarily see markets being ready for that right now, nor the regulators, or the courts. We are positioning ourselves for the future, but we are therefore slightly cautious now, as there is much more progress to be made in all areas, including more work to be done by the FinTechs."

And why are you here today, and what opportunities do you see in Indonesia?

Fages: "I am really excited to meet new partners. We have a very profitable story of working with advisors, lawyers and professionals working in direct contact with their end clients, and we are actually pretty good at helping these clients or these advisers building solutions for their clients. So, we welcome all discussions and hope to build new relationships and expand those we already have. We have a sensible fee arrangement protocol to ensure that there is a fair economic exchange, so there is value to be had by all the parties." ■