



WHAT'S THE GROWING RELEVANCE OF GOLD WITHIN WEALTH MANAGEMENT IN ASIA?

MARTIN HUXLEY

INTL · FCStone®

Commodities · Global Payments · Foreign Exchange · Securities



**A Leading Provider of
Execution,
Clearing Services and
Market Intelligence -
across Asset Classes
across Markets -
to Mid-market Customers Globally**

Business Segment Overview

	COMMERCIAL HEDGING	GLOBAL PAYMENTS	SECURITIES	CLEARING AND EXECUTION SERVICES	PHYSICAL COMMODITIES
Net Operating Revenue (\$mm)*	\$194 (38%)	\$81 (16%)	\$95 (19%)	\$102 (20%)	\$37 (7%)
Overview	<ul style="list-style-type: none"> High-touch, value-added service to help customers manage commodity price risk Access to advice, exchange-listed, OTC and structured products Long-term relationships focused on mid-sized clients 	<ul style="list-style-type: none"> Network covers over 140 currencies and specializes in transferring funds to the developing world Investment in technology has increased efficiency of platform and enabled expansion into higher volume/smaller pmts 	<ul style="list-style-type: none"> Market maker for non-U.S. equities and U.S. fixed income securities Provides high-touch brokerage and U.S. clearing for foreign institutions Investment Banking Asset Management 	<ul style="list-style-type: none"> Competitive clearing and execution of securities, exchange-traded futures and options Focused on professional traders and mid-sized funds/CTAs FX prime brokerage for professionals 	<ul style="list-style-type: none"> Full range of trading and hedging capabilities to producers, consumers and investors Acts as a principal to buy/sell on spot and forward basis Commodity financing and facilitation services
Customers Served	<ul style="list-style-type: none"> Commercial hedgers Producers/end-users Wholesalers and merchants Corporations Introducing brokers 	<ul style="list-style-type: none"> Financial institutions Non-profits Non-governmental and government organizations Corporations 	<ul style="list-style-type: none"> Fund managers Broker-dealers Investment advisers Corporations Banks Insurance companies 	<ul style="list-style-type: none"> Commercial hedgers Hedge funds Introducing brokers Financial institutions Proprietary trading firms 	<ul style="list-style-type: none"> Producers Traders Grain elevators Merchandise Importers/exporters Commercial hedgers
Segment Breakdown⁽¹⁾	<ul style="list-style-type: none"> Agricultural: 59% Energy and Renew. Fuels: 12% LME metals: 23% Other: 6% 	<ul style="list-style-type: none"> # of payments: 648.9k Operating Rev.: \$89.2mm Segment Income⁽²⁾: \$50.6mm 	<ul style="list-style-type: none"> Equities: 33% Debt Trading: 52% Inv. Banking: 3% Asset Mgmt.: 12% 	<ul style="list-style-type: none"> Exchange Traded: 25% Prime Brokerage: 13% Corr. Clearing: 23% Ind. With Mgmt: 13% Deriv. Voice Bkg: 26% 	<ul style="list-style-type: none"> Precious metals: 63% Physical Ags & Energy: 37%

*LTM 9/30/17. Net Operating Revenue = Operating Revenue less transaction-based clearing expenses, introducing broker commissions and interest expense.

(1) Reflects LTM 9/30/17 net operating revenues for Securities, Clearing and Execution Services and Physical Commodities, transactional revenue for Commercial Hedging.

(2) Calculated as revenues less cost of sales, transaction-based clearing expenses, variable bonus compensation, introducing broker commissions, interest expense and direct non-variable fixed costs.

How To Access The Market

Within the Precious Metals Industry, INTL is the market leader in innovation and has launched the worlds first online, premium based physical gold trading platform.

We aim to “Open Markets” making the trading process transparent and efficient.

BUYING PHYSICAL GOLD ONLINE

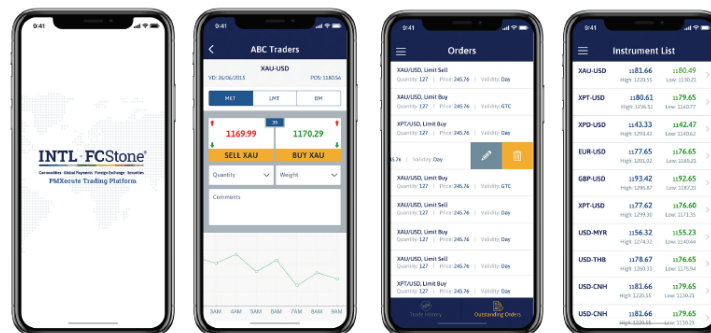
- To access INTL’s global bullion holdings and the wider market of counterparty offers, you simply need to log onto PMX+.
- The platform offers clients access to an extensive range of products, brands and vaulting locations.
- If the platform does not offer what you need, simply submit a ‘Request for Quote’ on the system and the platform will source your requirement.

SPOT MARKET TRADING

- INTL run a 24 hour online trading platform, accessible from your desk top or on the app based portal.

SERVICES

- INTL offers cost effective storage, loco Swaps, financing and leverage options.



Why Invest In Bullion?

Historically proven to be one of the safest and most stable stores of value available to investors

Bullion will always maintain value due to its limited supply and intrinsic value

Recognized hedge during periods of inflation

Proven to reduce investment risk in a diversified portfolio

Known as a 'Safe Haven Asset' – high quality collateral during periods of extreme risk

First class asset for wealth preservation, sustainability and ability to transfer title

Peak-to-Trough Market Drops

	Start	End	S&P 500 index	U.S. Treasuries	Gold
1987 crash	8/25/87	10/19/87	-33.2%	-7.2%	5.0%
Iraq invades Kuwait	7/17/90	10/12/90	-17.6%	-0.4%	7.6%
Asia crisis	10/7/97	10/28/97	-6.2%	0.0%	-4.6%
Russia/Long-Term Capital Management crisis	7/20/98	10/8/98	-18.7%	5.3%	1.2%
Sept. 11	9/10/01	10/11/02	-22.3%	11.2%	16.6%
Global financial crisis	10/11/07	3/6/09	-54.5%	15.8%	25.6%
2010 Euro zone crisis and flash crash	4/20/10	7/1/10	-14.5%	4.5%	5.1%
U.S. sovereign debt downgrade	7/25/11	8/9/11	-12.3%	3.6%	7.8%
China worries	8/18/15	2/11/16	-11.8%	3.5%	11.5%

Source for data: Bloomberg

Gold vs. Stocks



XAU vs. IDR

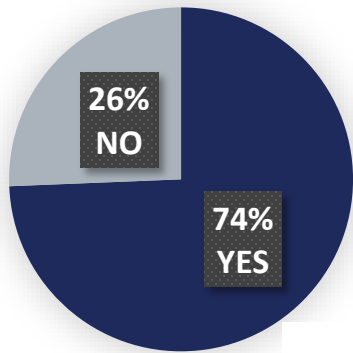


Source: Bloomberg

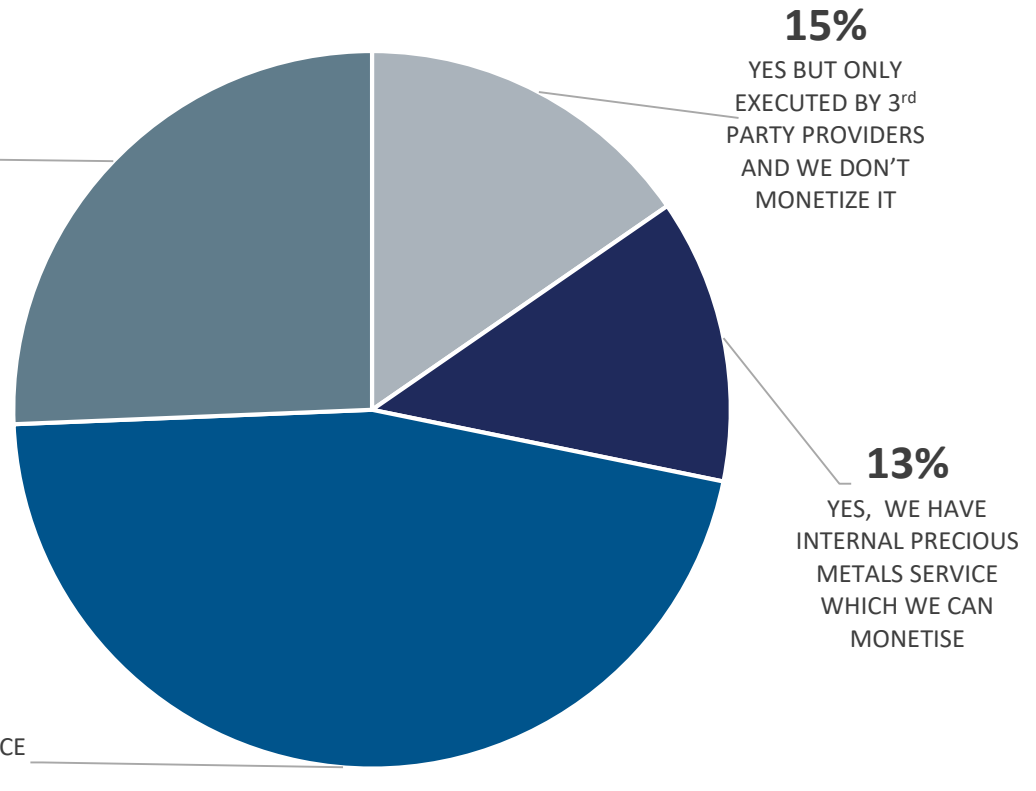
Key Findings from Recent Survey

Hubbis Physical Gold Survey: Key Findings

“Do your clients buy gold?”



26%
YES, NO SPECIFIC
SOURCE WAS GIVEN



“Do you advise your clients in purchasing gold and do you monetize it?”

Hubbis Physical Gold Survey: Key Findings

Gold investment among Asian HNWIs - Over 2/3 of clients from wealth management institutions have invested in gold (paper/physical) in their past investment activities

Asia's Interest for physical Gold – Although the majority of HNWI clients are investing Paper Gold/ETF's, physical gold is still relatively popular in Asia

Respondents' indicated a **bias towards gold ETFs**, primarily because of the perceived ease, lower transaction and storage costs

Allocation of gold within a HNWI portfolio - most respondents indicated between 5% to 15%

"Gold competitors"- cash, bonds, property, gold mine shares and mutual funds

Increasing demand for physical gold after GFC

Leverage is rarely applied among Asian HNWIs - Almost 90% of the respondents will not consider leverage for gold unless it's for trading/speculation purposes

Investing in Gold: What are the Risks?



Paper Vs. Physical Gold

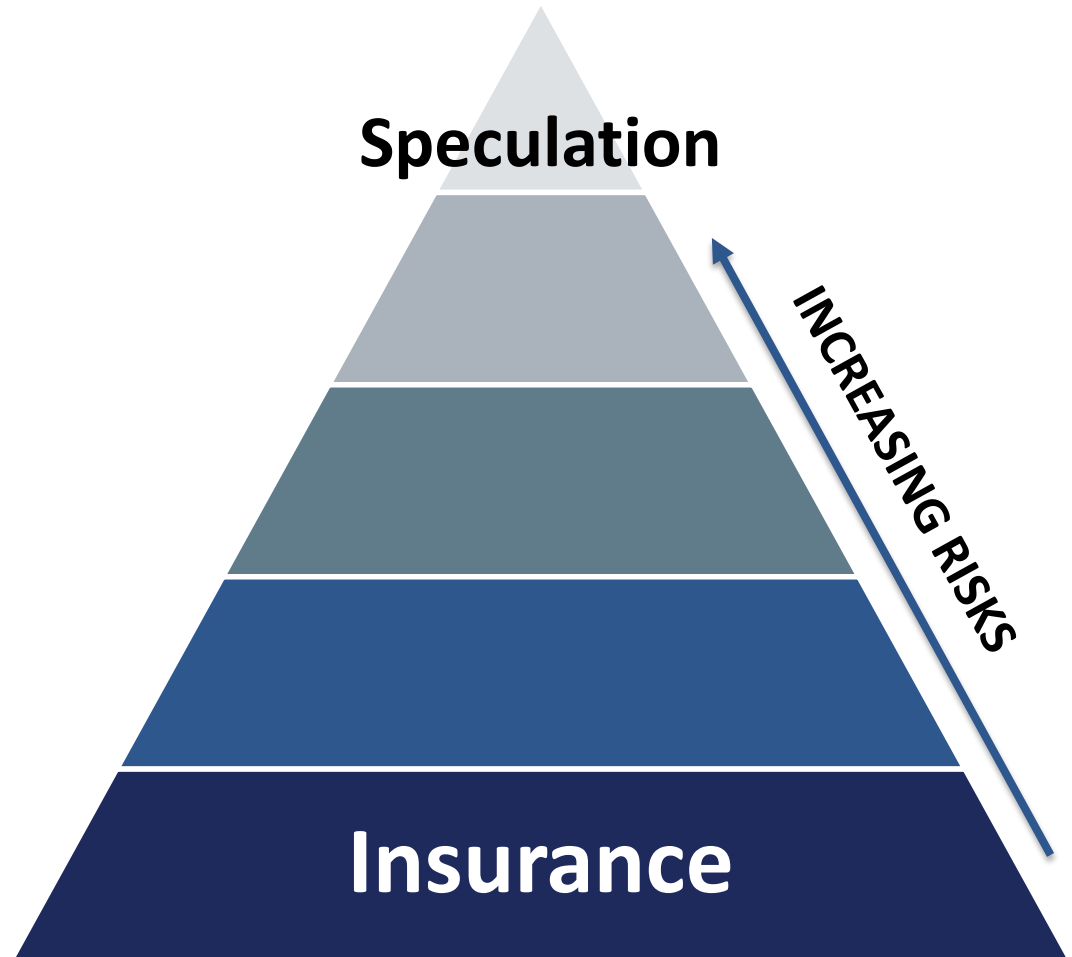
Gold Derivative/Shares in Gold mining companies etc.

Unallocated Gold ETF

Fully Allocated Gold ETF

Directly owned Gold held within the banking system

Directly owned gold held outside the banking system



Why Physical Bullion?

- Not all gold ETF's are underpinned by physical gold
- In the case of GLD which is backed by gold, only investors with in excess of 125,000 shares (USD12.5m in notional value as at 5 March 2018) may request physical delivery. The GLD ETF still reserves the right to settle in cash
- ETF's maintain multiple levels of counterparty risk in the inherent chain of custody
- In a period of financial crisis, the risks inherent in investing in an ETF would likely rise
- Ultimate benefits of owning physical gold to paper gold is really insurance against the financial system seizing up. We saw that happen in the GFC when several banks collapsed
- In times of stress, physical gold may not be available if demand exceeds available supply at that point in time. An example is late 2008 when the American Eagle 1 ounce coin traded at US1,000 representing a 25% premium to the equivalent gold price at the time of US\$800
- World class infrastructure exists in low risk jurisdictions such as Singapore making storage of physical gold transparent and very secure

Where are the Opportunities?

Where are the Opportunities? Understand the Market...

INTL FCStone offers full service capabilities for physical gold trading:

- Sourcing physical gold
- Pricing and margin trading
- Ability to price in multiple currencies
- Storage and insurance
- Leverage
- Liquidity/buy back

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THE GROWING DEMAND FOR PHYSICAL GOLD WITHIN THE
HNW AND UHNW SPACE IN ASIA

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