

The Growing Importance of Gold for the Wealth Management Industry in Asia

Martin Huxley, Head of Precious Metals for Asia at INTL FCStone, gave a talk at the Hubbis Malaysia Wealth Management Forum highlighting the growing role for physical gold for the Asian wealth management market, as evidenced by a survey the firm conducted with Hubbis earlier this year.

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Executive summary

Martin Huxley heads up the precious metals business in Asia for US-listed global commodities and financial services group INTL FCStone. He is a keen advocate of the value of buying and holding physical gold, especially for broadly balanced high net worth portfolios.

Gold has a variety of key attributes that Asia's HNW investors should understand. It has historically proven to be one of the safest and most stable stores of value available to investors. There is limited supply and the quality of newly mined gold is less predictable than before. Gold is an ideal hedge against both inflation and global crises, of whatever form, whether financial or geopolitical. As it does not correlate significantly with the mainstream bond or equity or currency markets, it is an ideal diversifier.

Huxley also highlighted some results from a physical gold survey the firm conducted with Hubbis earlier in 2018. The survey showed that there is firm and growing demand for physical gold in Asia, as well as rising demand from Western economy investors to buy and store gold in Asia, especially as the precious metals infrastructure of both Hong Kong and Singapore have improved so markedly to leading global standards.

INTL FCStone's precious metals expertise is available to help HNWIs and their wealth management advisory firms buy, hold, trade, leverage and sell physical gold.

HUXLEY FIRST EXPLAINED the role of INTL FCStone as a Nasdaq-listed financial services company with a roughly USD1 billion valuation that focuses on the trading, execution, and risk management services across a host of asset classes, especially in the global commodity markets. Huxley is responsible for the firm's physical metals business across the Asia region where the company offers a full physical and trading service, provided on a global basis.

Gold's key attributes

Huxley then briefly touched on some of the key attributes of physical gold as an investment. He explained that gold has historically proven to be one of the safest and most stable stores of value available to investors. "Bullion," he said, "should always maintain value due to its limited supply and intrinsic value and is recognised as a hedge during periods of inflation and is proven to reduce investment risk in a diversified portfolio.

Zooming on the supply characteristics, Huxley noted that the supply from mines is falling and mining is becoming ever harder and more expensive. Consequently, the gold quality is diminishing. "All these factors," he reported, "means that while demand is consistent, supply is weakening in both volume and quality, thereby supporting the market fundamentals."

Huxley added that gold is known as a 'safe-haven asset' offering high-quality collateral during periods of extreme risk. Moreover, gold can be easily and safely stored outside the global banks or global financial system and title can be easily transferable to family members or other par-



MARTIN HUXLEY
Global Precious Metals

ties. "All these attributes," Huxley observed, "make gold a first-class asset for wealth preservation and sustainability and therefore ideal for Asia's rapidly-growing high net worth community."

Gold's diversification qualities

Adding further insight, Huxley noted that gold does not tend to correlate strongly with other mainstream financial asset classes such as bonds, currencies or equities. "Consequently, this helps gold maintain its status as virtually an insurance for investors," he reported. "It performs particularly well in terms of crisis and stress." And Huxley then referred to slides that showed, for example, that gold produced a 26% return in the 18 months after the global markets crisis of 2007.

He also highlighted how the Indonesia rupiah had weakened some 30% against the US dollar in the past five years, while Indonesian gold had risen some 50% over the same period of time.

Huxley then talked about some of the results of the survey the firm conducted with Hubbis earlier in 2018. Roughly three-quarters of the wealth management community canvassed said that their clients bought or invested in gold, while only 13% of those wealth advisers handled the investment in gold themselves.

INTL FCStone - supporting the gold market

"This is where we as a firm can really help the wealth management community," he noted, "as we can provide directly, or provide access to, all these vital services around

the purchase, delivery, storage and trading of gold for your clients. Moreover, there is even leverage available for physical gold, which INTL can offer your HNW clients, if required, to provide additional liquidity.”

Huxley also touched on the arguments for bullion versus ‘paper’ gold such as exchange-traded funds. “ETFs or other paper gold investments tend more towards

short-term speculative money,” he reported, “whereas physical gold offers a longer-term perspective and a greater diversification opportunity.”

Huxley reported that the survey results indicated that physical gold should represent somewhere between 5% and 10% of a substantial HNW portfolio, although the holdings remain considerably below that currently.

“Asia’s HNW clients like to hold

increasing percentages of physical gold,” said Huxley in conclusion. “They like to hold it or to know that it is in storage in a secure vault that is outside the global financial system. We are also seeing more and more buyers from the Western economies hold gold in Singapore or Hong Kong, where the gold market infrastructure and logistics have in recent years become of the very highest range and quality.” ■

