GOLD FEVER: TO OWN THE METAL OR THE MINES?

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Gold has once again reclaimed investor attention. Its price surged to record highs in 2025 as central banks ramped up purchases, investors sought shelter from rising geopolitical risk, and the credibility of major fiat currencies came under strain. Portfolio managers NICK BALKIN and RASHAAD TAYOB tackle an important portfolio question relating to gold — how to own it?

For more than 2,000 years, gold has stood apart as a scarce, tangible store of value with no counterparty risk. It remains one of the few assets that tends to perform well when others falter. But for investors the question isn't whether to own gold — it's how. Should exposure come through the metal itself, or through the companies that mine it?

Gold exchange-traded funds (ETFs) provide clean, low-cost access to bullion. They track the metal price directly, with none of the operational risk, cost pressures or capital allocation uncertainty that comes with mining businesses. For this reason, bullion remains the preferred gold exposure in Foord's retirement fund portfolios. These strategies aim to preserve capital and grow wealth steadily across cycles. Gold ETFs help to deliver that outcome by offering liquidity and diversification without operational risk.

Gold miners are different. They offer geared exposure to the gold price — profits can rise much faster than the metal when prices move — but they also carry real business risks. Mining is capital intensive, politically exposed and operationally complex. Historically, returns have been inconsistent and there have been years when gold miners have been loss making. For that reason, gold miners are not a structural holding across all Foord portfolios.

But they do have a place, especially in funds where the investment horizon is long, which includes equity funds. Such funds have higher risk budgets and portfolio managers look to own businesses that can generate long-term capital growth.

Owning precious metals miners in such portfolios will depend on two conditions being met.

First, we must have a constructive, longer-term view on the gold price. Second, the fundamentals of the mining business must support the investment case. We watch for disciplined cost management, capital efficiency, and the ability to generate returns through the cycle. In these conditions, miners can outperform bullion and may offer a better risk–reward profile for long-term investment strategies.

It's worthwhile noting that in multi-asset portfolios — which includes traditional retirement fund portfolios — we have other tools to manage risk and correlations across asset classes, geographies and currencies to achieve inflating-beating returns. In these portfolios, we favour gold ETFs for their more predictable return profile and greater downside protection. This is part of our safety-first investment philosophy for such strategies.

Gold remains a strategic asset in Foord's portfolios — one we've held consistently through cycles. Whether expressed through bullion or miners depends on the mandate, the market, and the risk budget. That flexibility is essential to how we manage money: disciplined, valuation-aware, and always aligned to portfolio purpose.

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