



WORLD GOLD COUNCIL

## **PRESS RELEASE**

**FOR IMMEDIATE RELEASE**

### **FUND MANAGERS ARE TOLD ITS TIME TO RECONSIDER GOLD**

#### **It Lowers Risk and Adds Diversification to Portfolios**

DANA POINT, CA: May 23, 2000 – Fund managers attending the Corporate Pension Fund Summit in California today were urged to reconsider the strategic role of gold in their portfolios.

Richard Scott-Ram, Chief Portfolio Strategist and Economist for the World Gold Council, said that despite conventional wisdom, gold continues to provide valuable portfolio diversification and should not be viewed as a stand-alone asset whose value stands and falls on its individual price performance. Rather, gold is a defensive asset that tends to perform well when other asset classes do not. Mr. Scott-Ram said that there is no doubt that the potential for institutional gold investment is significant and that world economic conditions continue to point towards increased gold investment among institutional investors.

He said it was only three years ago that the WGC started a program marketing gold to institutional investors in the U.S. “We know of 30 separate institutions that have, between them, bought some 160 tonnes of gold during these three years. This represents an investment of some \$1.5 billion which may not sound like a great deal in the overall context of the U.S. pension industry whose assets currently exceed \$10 trillion. Nevertheless, if the practice of allocating a small percentage of pension portfolios into gold becomes more prevalent, it would represent a significant development, for the gold market.

The existing institutional investors in gold mentioned portfolio diversification as the major driving force behind their decision to buy gold. An increasing number of fund managers, he said, were seeking asset classes that have a low correlation to each other - classes that do not go up and down together because they are driven by different economic forces. He reminded the audience that PGGM, the second largest pension fund in Holland, had announced that it intends a strategic reallocation of its assets, investing up to 5 percent in commodities, in the near future.

Given the possibility that the underlying rate of U.S. inflation may be moving slowly upwards, combined with continued stock market volatility, Mr. Scott-Ram said that there was surely a need for greater portfolio diversification into alternative assets such as gold.

There were, he said, other reasons to hold gold. One of the more important is its liquidity. "Gold has greater liquidity than many "alternative assets" like venture capital and real estate. It can be traded 24 hours a day and at very narrow spreads. There are few mainstream investments for which one can say the same," he said. For example, he added, gold proved to be the best and most effective means of generating cash during the 1987 stock market crash.

Mr. Scott-Ram pointed out that figures released in London yesterday by the WGC showed that demand for gold remained strong during the first quarter of this year and that there was now every reason to suppose that demand for gold would outstrip supply for years to come. All this, he said, would continue to add strength to gold's role as a worldwide asset class.

"This is a good time for investors to consider a move into gold", he said, "The price of gold is at a relatively low level while other financial assets are at historically high levels".

He said that history would seem to suggest that this situation will not continue indefinitely and that equities will possibly move down and/or gold upward.. “It would seem only prudent, therefore, for pension fund managers to include bullion in their portfolios,” Mr. Scott-Ram said.

The World Gold Council is an international organization formed and funded by leading gold mining companies from around the world to increase the demand for, and holdings of, gold.

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