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## The role of gold in the portfolio

For average investors to predict the future price movements of the gold is difficult, and there is likely to be a futile task. Regardless of the price of gold has risen to the number, some investors seem convinced that the future price of gold there will be a further appreciation of the space, but on the other hand, some people think the price of gold is facing the crisis of the bubble. Exactly how to estimate the fair value of the gold? Golden investment portfolio can play what function do?

## The focus of a "gold value is difficult to estimate, but it is difficult to ignore"

Relative to agricultural land or dividend stocks and other productive assets, gold lack some of the basic elements that can be used to measure its value, and not create additional cash flow for holding gold spot, it does not produce interest or dividends, so gold future cash flows, we can not predict or discounted. But even if the price of gold is difficult to estimate, but many investors still on the investment value of gold have high interest. Although the U.S. Federal Reserve (Fed) Chairman Ben Bernanke that traditionally central banks will continue to hold gold, but in fact gold is not a currency, and general investors holding gold is used as avoid risk insurance value tools, such as stocks tail risk (low of extreme events occurred) have been the massive sell or hyperinflation events, investors would expect gold to be able to play a hedging function.

Gold price data provided by the London Bullion Market Association (LBMA) can be traced back to 1973, if we price movements of gold since 1973 with the U.S. stock market and the inflation rate is compared, we can be clearly observed in the gold price and currency. The positive correlation between expansion and presents a negative correlation between the stock market.

There are two periods during this period, which clearly show the above-described characteristics of gold. In 1973, S & P 500 index fell by about 15% in 1974 and further down 26%; but on the other hand, inflation in the United States, from 3% in 1972, increased to 9% in 1973, while in 1974 and further increased to 12%. In the same period, the gold play a very good inflation hedge, gold prices rose

e 73% in 1973, up to 66% in a single year or in 1974. Another significant period of time, the financial tsunami in 2008, gold also show the hair of the tail risk hedging, the S & P 500 index fell 37% in 2008, while the price of gold in the year rose 4.32%.

## Focus II "investors should hold gold?"

Price of an asset but a rising trend in the market, the majority of asset prices fell, and it has its special status of the strategic value of assets means the file. The assets and insurance similar in nature, can be avoided or reduced in poor condition, the fear suffered a substantial loss (that is, the tail risk) moderate, because people would be willing to accept small in good condition in the period losses. Quite sensitive to gold price inflation and financial turmoil, catastrophic events, so when these conditions occur, the gold will be able to play the hedging effect. For investors who want to configure some gold assets in the portfolio, Morningstar configuration approximately 5% of the weight should be appropriate. In addition, Campbell Harvey, a professor at Duke University, with Claude Erb January 2013, published an academic recommended configuration for gold 2% of GDP, Ibbotson investment consulting company in the United States (Morningstar's designed to do the asset allocation and investment advisers departments), research data, indicating that investors respond to the configuration of at least 7% of the proportion of gold.

Specifically, what gold portfolio what effect it? According to Morningstar data show that, in the stock and bond allocation ratio of 60% and 40% of the portfolio, the configuration is approximately 5% of the gold can indeed slightly enhance the rate of return and reduce risk, and improve the portfolio's risk-adjusted return. Ended January 10, 2013, the shares of debt with a ratio of 60%, 40% of the portfolio (stocks represented by the S & P 500 index, bonds nearly 10-year annualized return was 7.13% by the representative of the Barclays U.S. Aggregate Bond), the annualized standard deviation of 14.61% (in the original currency terms). After adding 5% of the gold investment positions, the proportion of stocks in the portfolio were reduced to 58% the bond proportion dropped to 37%, results an annualized rate of return of the overall portfolio rose to 7.76%, while the the annualized standard deviation is reduced to 14.06% (in the original currency terms). However, the rate of return of the portfolio will increase mainly because we have selected during the gold price outperformed the stock relationship. In fact, in the past hundreds of years, the stock return is still greatly exceeded the rate of return of the gold. Therefore, long term investors still holding stocks or bonds earn

a higher rate of return, but holds a small amount of gold still help reduce overall portfolio risk and enhance portfolio's risk-adjusted After the reward.

### Focus "gold fund products

Investors interested in gold investment, fund investment targets by which class to get the gold investment positions? Fact, in the field of mutual funds, there are a variety of investment in gold way. The most direct method is the gold spot by directly buy and store gold bullion, to get the fund's investment site, for example : investment in the world's largest gold ETF – the SPDR Gold Shares (GLD) ETFs (the files ETF is in the United States, Hong Kong Japan, Singapore, Mexico and other countries listed transactions). In addition, a method to obtain gold investment positions, is to invest in gold mining stocks. Equipment in Taiwan nuclear industry stock - precious metals fund groups within the Fund, the main investment targets is associated with gold mining, mining or trading of listed stocks. However, it is worth the attention of investors, because this type of fund does not invest directly in physical gold, while the gold price and reward performance of the Fund is a certain degree of correlation, but the gold mining company's business risk, overall economic conditions and the stock market also affect the performance of the fund. This is why the price of gold in 2012, up about 8.26%, but precious funds group but fell by an average of 12.27 percent (in the original currency), reasons.

Generally, gold-related investment products can usually be as inflation hedging tools, or the effect of uncertainty in the market of large hedge against inflation. Even gold investment is not necessarily to investors provides a good income, but on the whole period of poor performance in the market situation, investors may benefit from the scattered distribution of assets in gold investment positions. In other words, even if the investor does not have much of a view on the trend of the future price of gold, but investors will still be some gold investment positions held in the portfolio has a certain role.

### 台灣核備銷售之產業股票-貴金屬基金組別績效一覽表

基金名稱	原幣報酬率(%)					原幣別
	一個月	三個月	六個月	一年	2012年	
匯豐黃金及礦業股票型基金	0.74	-7.34	4.32	-16.05	-13.06	新台幣
富蘭克林黃金基金美元 A 股	0.58	-12.47	11.46	-20.25	-15.71	美元
新加坡大華黃金及綜合基金	-1.31	-12.30	1.66	-19.16	-13.66	新加坡幣
瑞銀(瑞士)黃金股票基金	-2.33	-13.89	2.99	-18.50	-12.61	美元
貝萊德世界黃金基金 A2	-2.37	-9.43	5.31	-13.83	-8.16	美元
愛德蒙得洛希爾環球黃金基金(A)	-2.41	-14.00	6.36	-19.40	-13.91	美元
天達環球策略基金 - 環球黃金基金 C 股	-2.82	-11.29	5.85	-13.77	-8.10	美元
德意志 DWS Invest 黃金貴金屬股票 LC	-4.02	-12.60	-1.71	-18.52	-12.94	歐元
產業股票-貴金屬基金組別平均	-1.74	-11.66	4.53	-17.43	-12.27	N/A
黃金價格(倫敦黃金 PM 定盤價)	-2.19	-4.90	5.00	2.32	8.26	N/A

資料來源: 晨星 Morningstar。以近一個月原幣報酬率為排序依據, 報酬率計算截至 2013 年 1 月 10 日止, 報酬率以原幣別計且僅計算一個級別。