The benefits of gold for SMSF trustees

The Perth Mint SMSF investment white paper - 2021 edition

THE PERTH MINT
AUSTRALIA

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Introduction: Why do people still invest in precious metals?

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Many astute investors allocate 5–10% of a diversified portfolio to gold.

Precious metals such as gold and silver have been valued as a store of wealth for generations.

Contemporary investment vehicles are today making this asset class more convenient than ever to hold within a diversified investment portfolio.

The range and availability of gold investment products is highly relevant to Self Managed Superannuation Fund (SMSF) trustees seeking to build and protect their wealth.

While listed equities, cash (including term deposits) and property comprise the majority of assets chosen by SMSF trustees, demand for precious metals, such as gold and silver, has also been growing significantly for more than a decade.

Indeed, many astute investors are choosing to allocate 5–10% of their portfolio to gold. Those who have invested in the metal have been well rewarded, with the gold price rising above US dollars (USD 2,000) and Australian dollars (AUD) 2,400 per troy ounce in 2020. This has helped gold generate returns of almost 10% per annum since the turn of the century.

With a wide choice of investment products, The Perth Mint has been at the forefront of the growing demand for precious metals. Our unique government backed depository now holds more than AUD 5.5 billion in physical precious metals for approximately 60,000 clients including SMSF trustees, as well as central banks, sovereign wealth funds and institutional investors.

In this white paper we review:

- The performance of gold in 2020 and the outlook for the years ahead.
- The five main benefits precious metals may offer SMSF trustees as they seek to build and protect wealth.
- The frequently asked questions SMSF trustees have about how to invest in precious metals.
- What to look for when investing in precious metals.

We also outline the investment solutions provided by The Perth Mint, with a focus on the products best suited to SMSF trustees. These products include our ASX-listed gold product (ticker code: PMGOLD) which can be bought and sold via a regular share trading account.

A review of 2020: Gold market update

In USD terms, the gold price increased by 25% in 2020, while the precious metal rose by 14% in AUD terms. The slower pace of price appreciation in Australia was a result of an increase in the value of the AUD, which ended 2020 at USD 0.77, up 10% for the year.

The gold price rose strongly in 2020, hitting all-time highs in many countries, including the United States and Australia. The precious metal again outperformed the majority of other asset classes as the impact of COVID-19, and the fiscal and monetary policy response to its emergence fuelled a surge in safe haven demand.

Gold's rally in 2020 continued a strong period of performance that dates back to Q4 2018, when the precious metal was trading below USD 1,200 and AUD 1,650 per troy ounce. Since then, the gold price has increased by 59% in USD and 49% in AUD terms, with the rally in 2020 driven by multiple factors, including:

- The sharp decline in equities during Q1 2020, with the S&P 500 and the ASX 200 both falling by more than 30% in little over a month between late February and late March last year. This fuelled safe haven demand for gold, which has historically performed well when equity markets decline.
- Significant monetary easing by global central banks, including in Australia where the Reserve Bank (RBA) cut interest rates to just 0.10%, and implemented its own Quantitative Easing (QE) program to support financial markets and the economy.
- The continued decline in global bond yields, with US and Australian 10-year government bond yields dropping by 30-50%, from 1.92% to 0.93% (US) and 1.37% to 0.97% (Aus) in 2020.
- The continued increase in the value of negative yielding debt (i.e. securities guaranteed to decline in purchasing power based on current inflation rates if held to maturity), with JP Morgan estimating this number topped USD 31 trillion in 2020. This number was up 20% relative to 2019 and has more than doubled relative to levels seen two years prior.
- Unprecedented fiscal stimulus in 2020, as governments sought to minimise the economic fallout from COVID-19.

On the last point, the International Monetary Fund's October Fiscal Monitor estimated that government stimulus in 2020 amounted to almost USD 12 trillion (circa 12% of global GDP), with deficits on average surging by 9% relative to their pre-COVID levels.

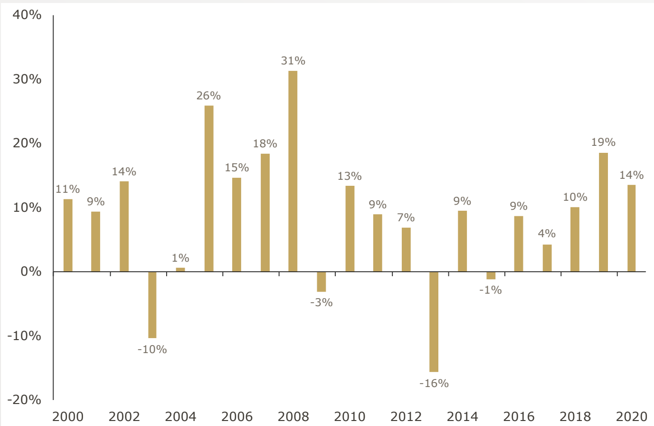
On the monetary front, developed market central banks engaged in a combination of policy rate reductions, expanded liquidity operations, use of USD FX Swap lines, large-scale public sector asset purchases, private sector asset purchases, and implementation of term funding schemes.

According to Yardeni Research, the total balance sheets of the Federal Reserve, the European Central Bank, the Bank of Japan and the People's Bank of China grew by approximately USD 8 trillion in 2020.

While all of these policies helped mitigate the scale of the economic downturn seen in 2020, their impact in lowering real yields and the concern that they may foster higher levels of inflation in the years ahead, were a clear tailwind driving the gold price higher for most of last year.

Given this environment, it is little surprise that gold performed as well as it did in 2020, with last year's increase representing the fifth year in a row prices have increased in AUD, as indicated in the chart below.

Calendar year AUD gold price returns – 2000 to 2020



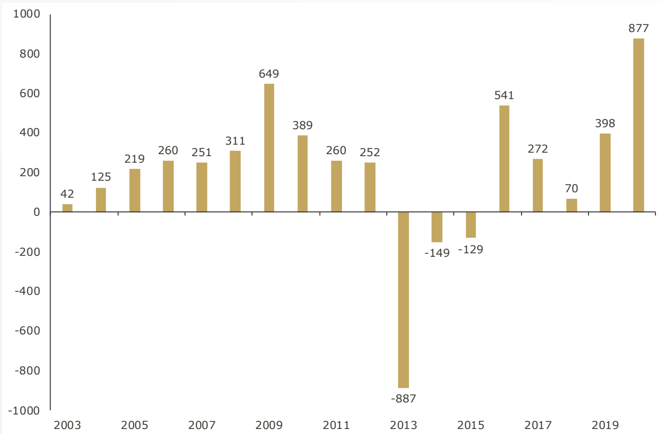
Source: The World Gold Council, The Perth Mint

The case for gold was further boosted in 2020 by high profile investors and asset management firms speaking favourably about the precious metal and the role it may play in a portfolio.

This included Bridgewater, the largest hedge fund in the world. Last year it released a research paper titled: "Some Perspective on Gold in the New Paradigm", which found that the price of gold was still low compared to other stores of wealth based on historical analysis, and that gold provides provided necessary diversification in a world where there are plenty of risks and few assets that diversify them.

The factors that drove the rally in the gold price throughout 2020 also contributed to an uptick in investment demand. This was seen most notably through the increase in holdings in gold ETFs, which attracted a calendar year record 877 tonnes of inflows. This is highlighted in the chart below, which plots total annual inflows into gold ETFs since they were first launched.

Calendar year net flows (tonnes) into gold ETFs – 2003 to 2020



Source: The World Gold Council, The Perth Mint

The Perth Mint witnessed first-hand the strong demand for precious metals seen in 2020, with total holdings in The Perth Mint Depository increasing by 20% for gold and 15% for silver over the course of the year. The value of these precious metal holdings increased by 38% in AUD terms, and finished 2020 at more than AUD 5.9 billion, a record high.

Our fastest growing product was Perth Mint Gold (ASX:PMGOLD), which is the product of choice for SMSF trustees. Total holdings in PMGOLD rose by more than 70% last year, with the product one of the fastest growing ETFs on the ASX.

Outlook for 2021 and beyond

After a record run in 2020, there are some potential short-term headwinds for gold.

The first of these is the fate of the USD. Since late March 2020, the USD has fallen by more than 12% (DXY index), with speculative positioning relatively stretched by the end of 2020. If this losing streak comes to an end soon, the gold price may pullback in the short-term, though for Australian investors it would likely be less of an issue as the AUD would also be under pressure in these circumstances.

Strength in equity markets, coupled with rising optimism regarding the new Biden administration are also headwinds for precious metals in the short-term, with a pullback in gold in early January 2021 coinciding with Democrat victories in the Georgia Senate election runoff.

In the long-run, Democrat control of Congress may well prove to be gold bullish, with the precious metal historically performing best (with average annual returns +20% in USD terms) when Congress is controlled by the Democratic Party, as it will be going forward.

Gold's outperformance in this environment is largely a result of markets perceiving the Democratic Party to be fiscally aggressive, which can feed into longer-term concerns regarding debt levels and higher inflation, both of which support the investment case for bullion.

The Biden administration's plan to unleash a further USD 1.9 trillion in stimulus, announced in January 2021 will only reinforce this market view.

Other medium to long-term tailwinds that are relevant to the outlook for gold include:

- **Rising inflation expectations**
  The US five-year forward inflation expectation rate ended 2020 at 2.03%. That is higher than the end of 2019, and an increase of more than 1.10% since inflation expectations plunged during March 2020.
- **Record low yields**
  By the end of 2020 only 15% of all global bond markets had a yield above 2%, with most government bonds now yielding less than inflation.
- **Outlook for monetary policy**
  Central banks have been clear that more monetary stimulus will be forthcoming in 2021 and beyond, with cash rates unlikely to move higher for years to come. Morgan Stanley, for example, estimates that central bank government bond purchases alone across the G-10 will approach USD 2.8 trillion in 2021, with total annual quantitative easing likely to top USD 3.5 trillion.

Gold stands to benefit from this backdrop of already low to negative real yields, rising inflation and continued policy stimulus, especially given it has historically increased by approximately 20% per annum in AUD terms in years where real cash rates were 2% or lower, like they are today.

The fallout from COVID-19 remains an X factor for gold, and indeed for financial markets as a whole. While everyone hopes that we have seen the worst, and that 2021 marks the beginning of a 'post COVID' world, there are no guarantees.

Mutations are beginning to develop, while meaningful parts of the global economy remain locked down. Even the best-case scenario, which would see a successful rollout of vaccines around the world, represents an enormous logistical (not to mention political) challenge, with global economic output unlikely to catch up to its pre COVID-19 trajectory for years.

Markets are pricing in a best-case scenario right now. If the situation deteriorates, expect risk assets to suffer, policy makers to deploy even more stimulus, and safe haven assets like gold to catch a bid.

Combined, these potential tailwinds indicate that gold prices are likely to remain biased to the upside for some time to come.

Most importantly, from a portfolio management perspective, the precious metal continues to offer unique diversification benefits to investors, which should see investment flows supported in 2021 and beyond.

SMSF Association

The SMSF Association is the peak body representing both the professionals who serve, and the more than one million direct trustees who form the AUD 700 billion Self Managed Superannuation (SMSF) market.

The Perth Mint is proud to work with the SMSF Association through a series of educational articles and webinars to promote the role precious metals can play in a balanced SMSF portfolio.

This educational content details the reasons investors are incorporating precious metals into their portfolios, with a particular focus on best practice for Australians investing their retirement savings via a SMSF.

To find out more, please contact The Perth Mint on (61 8) 9421 7250, visit perthmint.com/smsf or email us at Depository@perthmint.com.

Invest in Perth Mint Gold via the ASX

Perth Mint Gold
ASX code: **PMGOLD**

Why PMGOLD?

Traded on ASX

PMGOLD can be bought and sold like shares using a brokerage account.

Government guaranteed

PMGOLD is the only ASX-listed gold product which offers an explicit government guarantee on investor metal holdings.

Low cost

PMGOLD is less than half the cost of similar products, with the lowest management fee of all products offering gold.

Redeemable

PMGOLD allows investors to take physical delivery of metal in Australia, from as little as one troy ounce.

Transparent

Set at 1/100th of a troy ounce of gold, the price of PMGOLD is easy to compare with live Perth Mint spot prices.

Highly liquid

PMGOLD invests only in physical gold, one of the most liquid assets in the world.

Why are SMSF trustees investing in gold?

As the case for gold continues to strengthen, many SMSF trustees are opting to allocate 5-10% of their portfolio to the metal. In this section of our white paper we cover five key reasons to include gold in a well-diversified portfolio.

1. Gold has delivered solid long-term returns

The price of gold has risen by an annual average of almost 9% since the early 1970s.

One of the principle reasons investors purchase gold is its historical ability to generate strong long-term returns.

From the beginning of this century to the end of 2020, the price of gold rose from under AUD 450 to more than AUD 2,450 per troy ounce. This represents a total gain of more than 450%, and an almost 9% compound annual average growth rate over this 20 year period.

Not only did the precious metal perform well in absolute terms during this time, but in relative terms as well. The returns on gold either matched, or in many cases exceeded, the returns generated by other asset classes.

This is illustrated in the table below, which highlight the returns delivered by gold over multiple time periods to the end of 2020, as well as the returns delivered by traditional asset classes including Australian shares, cash and housing over the same timeframe.

Table: Asset class returns (%) over multiple time periods to end 2020

Asset Class	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year
Gold	13.50	14.0	10.90	8.90	6.00	8.70
Australian shares	1.40	6.70	8.70	7.40	7.50	6.60
Cash	0.20	1.20	1.40	1.70	2.40	3.50
Australian bonds	4.50	5.40	4.60	5.00	6.30	5.90
Australian housing	2.30	-0.20	2.40	3.90	3.50	4.70
M edian Superannuation fund (growth strategy)	3.70	6.20	7.50	7.40	7.80	6.40

Source: Chant West, The Perth Mint, Australian Bureau of Statistics

The table makes it clear that over the last fifteen years, no other mainstream asset has outperformed gold, testament to the beneficial role that it could have played in a diversified portfolio.

The strong performance of gold is not contained to the new millennium alone, with the yellow metal, despite its short-term volatility, delivering an annual average price growth of almost 9% since the start of the 1970s.

2. Gold has been a strong performer when real cash rates are low

In low cash rate environments, no single easily accessible asset has delivered higher returns than gold.

In today's low cash rate environment, one of the most topical issues for many investors is what to do with their cash holdings.

The income being earned on cash is at record lows, due to the Reserve Bank of Australia (RBA) cutting interest rates three times last year, with the local cash rate ending 2020 at an all-time low of just 0.10%.

The latest set of Australian inflation data to end 2020 suggests prices across the nation rose by 0.90% per annum over the last year, with average annual inflation running at approximately 2% for the last decade.

The prices of essential items like health care, education and electricity have risen much more sharply than broader inflation indices, with much of the money Australian households, including SMSF trustees, have sitting in cash continuing to lose value in real terms.

The question for investors about what to do with the cash in their portfolio is unlikely to go away anytime soon, with the RBA making it clear that they are unlikely to raise short-term interest rates for some time, whilst the bond market is telling us real yields may remain negative for the better part of a decade at least.

This environment is likely to be supportive of gold, with almost 50 years of market history telling us the precious metal has typically delivered strong returns when real rates have been low.

In Australia between 1971 and 2020 there have been 27 years when real cash rates were 2% or higher and 23 years when they were 2% or lower. The table below highlights the returns on cash and gold, in both nominal and real terms, during these periods.

Real cash rate environments and average asset returns (%) – 1971 to 2020

Real Cash Rate Environment	Number of years	Years gold rose	Nominal cash return	Nominal gold return	Real cash return	Real gold return
Real cash rate below 2%	23	19	5.10	20.40	-0.80	14.50
Real cash rate above 2%	27	17	9.30	4.30	4.80	-0.10

Source: The Perth Mint, Australian Bureau of Statistics

Real cash rates are calculated by subtracting the official inflation figure from the RBA cash rate. As an example, if the RBA cash rate was 8%, and annual inflation was 5%, then the real cash rate would be 3%. If the RBA cash rate was 2% and annual inflation 3%, the real cash rate would be -1%.

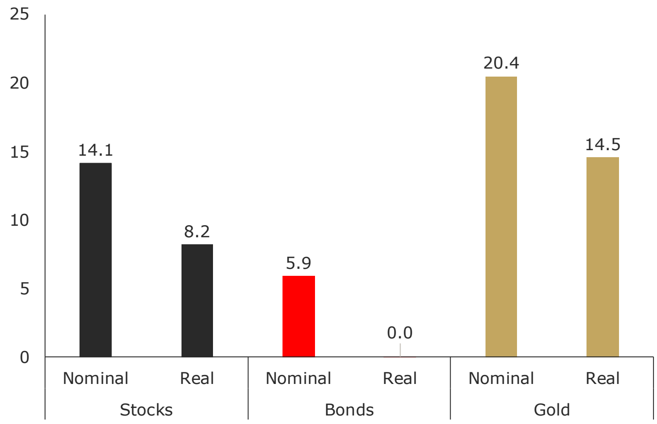
The data tells us that when real cash rates are above 2%, gold recorded an average annual increase of 4.3%, with the precious metal essentially flat in real terms.

However, in years when the real cash rate was below 2%, the price of gold rose by an average of more than 20% in nominal terms and by over 14% in real terms, with a calendar year increase seen in 19 of those 23 years.

Gold has not only performed strongly in absolute terms when real cash rates have been low, but on a relative basis as well, outperforming both stocks and bonds during the years when real cash rates were below 2%.

This can be seen in the chart below, which plots the nominal and real returns for Australian stocks, bonds and gold during years when real cash rates were below 2%.

Average annual asset class returns (%) when real cash rates were below 2% - 1971 to 2020



Source: The Perth Mint, Reuters, The World Gold Council, Australian Bureau of Statistics

Two key drivers help explain why gold has delivered such strong absolute and market leading relative returns in low real rate environments.

- Low or even negative real cash rates are typically only implemented as a form of monetary stimulus when the economy is weak or softening, as was the case last year due to the emergence of COVID-19. In such environments it's natural that investors adopt a more defensive approach, seeking out safe haven assets such as gold.
- If the real rates investors like SMSF trustees can earn from cash or short-term bonds are low, or even negative, then the opportunity cost of investing in gold is significantly reduced or completely eliminated.

Given the outlook for monetary policy, and the current yields available on traditional safe haven assets, it would not surprise to see gold's historical outperformance in low real rate environments stimulate continued demand for the precious metal in the years to come.

3. Gold has been an effective hedge against equity market falls

For Australian investors, gold has historically been the highest performing single asset when equity markets have fallen.

Another reason many investors include a permanent allocation to gold in a diversified investment strategy is its historical ability to balance out overall portfolio returns.

Gold has helped provide balance because its returns have typically been uncorrelated to those generated by financial assets. More importantly, it has been negatively correlated to the equity market when that market has fallen, providing diversification when it has been needed most.

A look back at the performance of gold and the local equity market in Q1 2020 demonstrates this point, as the ASX 200 suffered an almost 30% decline in one month as fears over COVID-19 and the measures taken to limit its spread, caused a huge decline in economic activity.

Over the same period, the price of gold in AUD rallied more than 20%, helping to protect the portfolios of investors with an allocation to the precious metal.

The performance of gold during this time was not an anomaly.

Instead it was a continuation of a trend that has been in place for 50 years, with gold typically serving as an excellent hedge against falling equity markets. Historical studies highlight the fact that gold has typically outperformed all other asset classes in environments where stock markets have fallen fastest.

For evidence of this consider the table below, which looks at the performance of various asset classes and investment strategies in the quarters that global stock markets suffered their largest losses.

Average quarterly global asset class returns (%) when global equities suffer their largest quarterly falls

Asset Class	Global equities	Global fixed income	Hedge funds	Global 60/40 fund	Gold (USD)
Average of 10 worst quarters	-19.10	3.90	5.90	-10.30	4.20

Source: AQR Capital Management, Good strategies for tough times, Q3 2015

The AQR report, from which the above table is drawn, examined the worst 10 calendar quarters for global equity market returns between 1972 and 2014.

As the table makes clear, global equity markets fell by almost 20% on average during these periods. Hedge funds also performed poorly, as did a 60/40 (60% equities, 40% fixed income securities such as bonds) portfolio.

The table also makes it clear that gold was the highest performing single asset class, delivering returns averaging 4.20% during the quarters equities fell fastest.

The above findings, which look at global equity markets, are just as applicable to Australian investors.

The table below highlights the same calendar quarters in which global equities suffered their largest falls. However, instead of looking at global markets, it shows the average returns for Australian equities, Australian cash, Australian bonds and gold priced in AUD.

Average quarterly returns (%) for Australian asset classes returns when Australian equities suffer their largest quarterly falls

Asset Class	Equities	Bonds	Cash	Gold (AUD)
Average of 10 worst quarters	-15.00	5.50	1.80	8.80

Source: The World Gold Council, Reuters, The Perth Mint

There are two key insights that can be drawn from the table above.

The first and most important is that for Australian investors including SMSF trustees, gold has been by a considerable margin the highest performing single asset class when equity markets suffer serious declines in value.

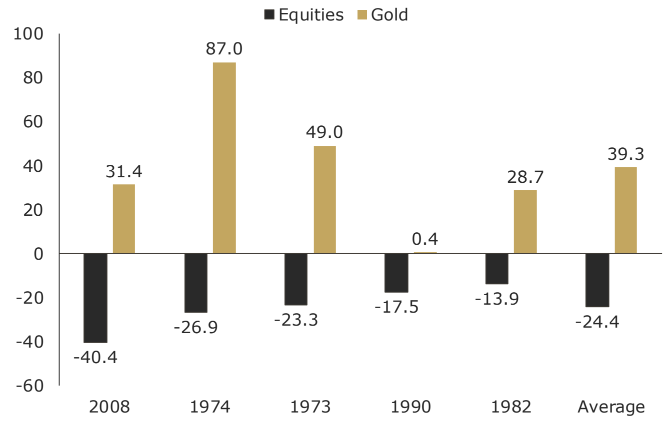
The second is the degree of correlation that exists between equity markets across the globe. In all the quarters that global equities fell, Australian shares also fell significantly.

As a result, while there is nothing wrong with incorporating overseas equities into a portfolio, they will not necessarily provide true diversification because global equity markets and the Australian equity market tend to move in the same direction concurrently.

Gold, on the other hand, has provided robust portfolio diversification because it is uncorrelated to equities and typically performs best when equity markets are weakest.

This can be seen in even more detail in the chart below which shows returns on the equity market (black columns) and gold (gold columns), during the five worst calendar years for Australian equity markets between 1971 and 2020, as well as an average of the five years.

Gold and equities annual returns (%) in five worst calendar years for equities – 1971 to 2020



Source: The Perth Mint, The World Gold Council, Reuters

The chart highlights that with the exception of 1990, when it was basically flat, gold delivered exceptionally strong gains in the years when equity markets suffered their largest falls.

The average annual increase for gold across these five calendar years was almost 40%, with the outperformance relative to shares topping 60%.

For those who owned gold as a hedge against falling equities through these periods, this would have made a profound difference to their overall portfolio return, as well as leaving them better positioned to capture the recovery in the market than those who were fully exposed to the downside.

What about when equities rise?

Given gold has historically performed well when equity markets have fallen, it should be no surprise that its performance hasn't been as strong in environments when equity markets have rallied.

This is because, in environments where equity markets are rising, investors are less likely to seek out safe haven assets. Crucially, however, gold has still on average generated positive returns in rising equity markets.

The table below, which uses market data from 1971 to 2020 inclusive, helps illustrate this point. It shows the average return for equities and for gold in the months, quarters and years when the equity market has risen, as well as when the equity market has fallen.

For example, the table is telling us that:

- The average gain for equities in the months when equities rose was +3.9% and in those same months equities rose, the average return on gold was +0.8%.
- The average loss on equities in the quarters when equities fell was -6.7% and in those same quarters when equities fell, the average return on gold was +3.8%.

Average gold and equity returns when equities fall and when equities rise (%) – 1971 to 2020

Equity Markets	Time Period	Equities	Gold
Equities Rising	Monthly	3.90	0.80
	Quartery	7.90	2.20
	Yearly	22.20	10.50
Equities Falling	Monthly	(3.60)	1.00
	Quartery	(6.70)	3.80
	Yearly	(14.70)	15.70

Source: The Perth Mint

The table reinforces the point that during periods when equity markets have rallied, gold has tended to rise too. When equities have declined, gold has on average delivered positive returns, which is why it has proved so effective at helping to manage overall portfolio risk.

This is one of the main reasons gold has become known as a safe haven asset and why it continues to be held by many investors as part of a diversified portfolio.

Gold's defensive qualities are particularly relevant given the environment SMSF trustees find themselves in today, with historically low and in many cases negative real yields on traditional defensive asset classes, like cash and government bonds, which we covered in the previous section of this white paper.

Those assets are unlikely to provide the same protective qualities that they did in the past, reinforcing the need for astute investors to look for alternative assets to protect and grow wealth in the years to come.

Combined, these factors present compelling reasons to look at investing in gold.

4. Gold offers foreign currency diversification

A decline in the value of the AUD can boost the AUD gold price and help SMSF trustees protect their portfolio.

As gold is priced in USD, it provides a form of foreign currency exposure, and therefore diversification, for Australian investors..

Though not always the case, this foreign currency element can have two main benefits for Australian investors:

1. During 'risk off' environments, when traditional assets such as equities fall fastest, the AUD also tends to decline, magnifying the gains and diversification potential gold can offer.

   What happened during the GFC clearly illustrates this. In 2008, the Australian equity market fell by more than 40%, while the price of gold in USD rose by just over 4%.

   However, AUD gold investors not only benefitted from that 4% rise in the USD gold price, they also gained from the drop in the value of the AUD, which fell by almost 20% in 2008. Consequently, the return Australian investors generated on gold holdings was more than 28%, helping them protect their overall portfolios and wealth.

   Q1 2020 was another reminder of this, when COVID-19 saw both equity markets, and the AUD plunge. The USD gold price rose by 6% in that three-month period. The AUD gold price rose by more than 20%

2. Movements in the AUDUSD FX rate mean the return profile for gold priced in AUD is sometimes smoother and less volatile than returns for gold priced in USD.

The following chart helps illustrate this by highlighting the price of one ounce of gold in both USD (black line) and AUD (gold line) from the beginning of 2000 to the end of 2020.

USD and AUD price of gold (per troy ounce) 2000 to 2020

Source: The World Gold Council, The Perth Mint

USD denominated gold

The black line shows how the price of gold in USD rose from under USD 300 per ounce at the end of 1999 to almost USD 1,800 per ounce by late 2011. It then fell towards USD 1,050 per ounce by the end 2015, a decline of almost 40%. By the end of 2020 it had climbed back above USD 1,887 per ounce, in line with the previous all-time highs seen in 2011.

AUD denominated gold

The AUD price of gold has had a smoother run, rising from just below AUD 450 per ounce at the end of 1999 towards AUD 1,700 per ounce by December 2011. Like USD gold, the price for local investors also fell for a couple of years after that, but it bottomed out at approximately AUD 1,300 per ounce in late 2014. The decline of just over 20% was barely half that compared with the fall in the USD gold price.

The key takeaway for SMSF trustees looking to balance their portfolio and manage risk is that gold can offer a simple way of accessing foreign currency exposure, which can be a valuable diversification attribute.

5. Gold is simple and easily accessible

“Simplicity is the ultimate sophistication.”
– Leonardo Da Vinci

A final driver of demand for gold is its simplicity and accessibility as an investment.

Gold in particular is:

- Easy to buy.
- Accessible to a broad range of investors.
- Low cost and liquid.
- Subject to minimal execution risk.

Each of these features, and why they are virtues from an investment perspective, are explored in more detail below.

a. Easy to invest in

Gold is incredibly easy to purchase, store and sell.

One of the most popular ways to access gold today is via listed products, including Perth Mint Gold (ASX ticker code PMGOLD). As highlighted earlier in this white paper, PMGOLD trades like regular shares on the ASX and can be bought and sold via a stockbroker or standard share trading account.

Gold can also be bought direct through The Perth Mint via our depository accounts (which allow for trading online, over the phone or via email). Depository holdings are backed by physical gold, the safekeeping of which is guaranteed by the Government of Western Australia.

The Perth Mint provides regular valuations of these holdings, including at the end of the financial year, allowing SMSF trustees to meet their reporting obligations.

When it comes to selling, this can also be done over the phone, or online 24 hours a day, allowing investors to purchase and liquidate their holdings when it suits their needs.

There are no lock up periods, no opaque fee structures, no derivatives or underlying instruments when it comes to gold itself.

b. Accessible to all investors

Anyone can be a gold investor, even if they are just starting out with a modest pool of capital.

Australian investors can buy as little as AUD 50, which is the minimum trade size for The Perth Mint’s Depository Online solutions. Our ASX-listed gold product, PMGOLD, ended 2020 trading at approximately AUD 24.57 per unit, and is typically subject to the same minimum investment amounts as regular shares.

To further illustrate how accessible gold is, it is worth noting that the largest consumer markets for physical gold in the world today are China and India, where per capita incomes are a fraction of those in the developed world, including Australia.

At the other end of the spectrum, central banks across the globe collectively own more than 35,000 tonnes of physical gold, with a market value in excess of AUD 2.75 trillion at the end of 2020. The size of these central bank gold holdings (which account for almost 20% of total global gold ownership) help highlight the vast size of the gold market itself.

At current prices, the gold market is valued at over AUD 15.7 trillion, making it larger than the vast majority of equity and fixed income markets.

c. Low cost and liquid

Daily turnover in the gold market typically averages in excess of USD 150 billion, making it one of the most liquid asset classes on the planet. This is important for investors as it means that it is very easy to buy and sell gold quickly, without impacting the price.

This liquidity, and the size of the market, means that gold can be a very cost-effective asset class for investors, including SMSF trustees, to include in their portfolios.

The following table illustrates this, highlighting the average management expense ratios (MER) and trading spreads for a range of asset classes that can be purchased via ETFs on the ASX. The table also shows the MER and trading spreads for PMGOLD, The Perth Mint’s ASX listed gold product.

Management expense ratios and trading spreads for ETFs

Assett class	Management Fee	Spreads
All EFTs	0.51%	0.26%
Australian Equities	0.53%	0.27%
Global Equities	0.57%	0.29%
Infrastructure	0.62%	0.24%
Property	0.46%	0.24%
Fixed Income	0.30%	0.17%
Cash	0.12%	0.02%
Currency	0.74%	0.21%
Commodities	0.51%	0.28%
PMGOLD	**0.15%**	**0.08%**

Source: The Perth Mint, ASX Investment Products December 2020 update

The table makes it clear that gold is at the very low end of the spectrum from a cost perspective, with cash ETFs the only asset class that are cheaper to access.

Lower costs are obviously beneficial to the end investor, given it means they will get to keep more of the return generated by the asset for themselves.

d. Subject to minimal execution risk

The Perth Mint defines execution risk as the risk that the performance an investor generates from their investment within a certain asset class is different to the performance of the asset class itself, over the given time period.

As gold is an entirely homogenous asset class, every investor who owns gold over a given time period will generate the same return.

A comparison with other asset classes helps demonstrate why this makes gold a simpler investment with less execution risk than other mainstream asset classes.

Consider the table below, which comes from the June 2020 SPIVA (Indexed Versus Active) Australia Scorecard, produced by S&P Dow Jones Indices. The table plots the percentage of funds that were outperformed by their respective benchmarks across five popular asset classes, over multiple time periods to the end of June last year.

Almost without exception, well over 50% of fund managers underperformed their respective indexes over all time periods. As an example, while market data tells us that in the 15 years to end June 2020, Australian shares returned 6.6% per annum, many investors in Australian equity managed funds would have seen a lower return than this, with more than 85% of funds underperforming the S&P ASX 200 benchmark.

The table makes it clear that even when professional investors are managing money, there are no guarantees returns will match the index for that particular asset class.

This illustrates an important point about these asset classes: investors not only have to decide that they want to invest in the asset class in the first place, but then, be it via luck or skill (or a combination of both), they also have to hope that the stocks, bonds or properties that they invest in, or that fund managers invest in on their behalf, perform as well as the market itself.

Get it right and they may outperform, but there is always a risk they end up with results that are worse than the "market" or the asset class they are investing in as a whole.

Gold investors need not worry about these additional complexities or risk factors, with this simplicity another factor helping drive demand over the past decade.

Percentage of Funds Outperformed by the Index (Based on Absolute Return)

Fund Category	Comparison Index	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	15 Year (%)
Australian Equity General	S&P / ASX 200	57.14	76.32	79.94	82.13	85.27
Australian Equity Mid and Small Cap	S&P / ASX Mid-Small	49.61	56.49	73.91	54.29	51.85
International Equity General	S&P Developed Ex-Australia LargeMidCap	71.05	77.22	83.20	92.02	92.71
Australian Bonds	S&P / ASX Australian Fixed Interest 0+ Index	68.12	77.97	77.19	79.25	82.35
Australian Equity A-REIT	S&P / ASX 200 A-REIT	44.78	58.21	57.53	73.08	77.78

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2020. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

What about gold's volatility?

Gold can help lower overall portfolio volatility. The data proves this conclusively.

Despite the strong long-term returns gold has generated, and its role as a trusted safe haven, the fact that gold can be volatile at times can worry some investors. While this is understandable, historical analysis of market returns demonstrates that gold can actually lower overall portfolio volatility, even if it is volatile in its own right.

The following table helps put the volatility of gold in its appropriate context and explains why it should not stop the metal from playing an important role in a well-diversified portfolio, alongside equities, cash and other more traditional assets.

The table shows the best and worst month, calendar quarter and calendar year return for gold, and for equities between 1971 and 2020, as well the annualised volatility of monthly returns for both asset classes.

It also highlights the same statistics for a hypothetical 50% gold/50% equities portfolio.

Gold, equities, blended portfolio: Best and worst month, quarter and year, and annualised volatility

Investment	Worst month	Best month	Worst quarter	Best quarter	Worst year	Best year	Annualised Volatility
Gold	-20.30	29.40	-22.70	53.90	-28.90	153.30	20.40
Equities	-42.10	18.80	-40.70	28.00	-40.40	66.80	17.50
50/50 Gold and Equities Blend	-17.30	22.40	-18.80	34.80	-20.80	94.30	13.50

Source: The Perth Mint

A few things stand out looking at the above table:

- The worst losses over a month (-20.3%), quarter (-22.7%) and year (-28.9%) for gold have been dwarfed by equity market losses in their worst month (-42.1%), quarter (-40.7%) and year (-40.4%).
- The best gains over a month (+29.4%), quarter (+53.9%) and year (+153.3%) for gold were much better than the corresponding best month (+18.8%), quarter (+28.0%) and year (+66.8%) for the equity market.
- The volatility of gold as a stand-alone asset is only slightly higher than the volatility of the equity market.

The first two points communicate an important finding for investors, which is that gold's most powerful moves tend to be to the upside. The equity market, on the other hand, experiences a higher proportion of its most powerful moves to the downside.

No doubt this is one of the reasons there is a popular saying in financial markets that equities "go up the stairs but down the elevator".

Combining gold and equities

The results from the 50/50 blended portfolio also carry important insights for investors.

They highlight clearly that blending gold and equities together can significantly reduce the risk to which equity market investors are exposed, with annualised volatility dropping from 17.5% for equities alone to just 13.5% in the 50/50 blended portfolio example.

Importantly, gold also helped to significantly reduce worst-case losses, with the biggest monthly, quarterly and annual declines for the 50/50 blend of gold and equities -17.3%, -18.8% and -20.8% respectively. These declines are substantially less severe than the drawdowns pure equity market investors have had to endure since the beginning of the 1970s.

This is because in those months when equities fell fastest, the price of gold typically rose meaningfully, mitigating losses and reducing overall volatility at the portfolio level.

Summary of attributes

Gold's diversification benefits and ability to reduce risk at the portfolio level are fuelling demand from astute investors worldwide.

The topics and data discussed in this white paper offer insights into why many investors seeking to protect and build their wealth allocate up to 10% of their portfolios to gold, with even higher allocations in certain investment environments.

Over the long term the precious metal has offered several key benefits to investors, including:

- **Strong long-term returns:** The gold price has delivered long-term returns of almost 9% per annum since the early 1970s.
- **Strong outperformance in low real interest rate environments:** Gold prices have risen in 19 of the 23 years when real Australian cash rates have been 2% or lower, as they are today. The average gain during those years has been more than 20%.
- **Demonstrated hedge against equity market falls:** Gold has historically been the highest performing single asset class in environments where equity markets suffer their biggest corrections.
- **Currency diversification:** Gold offers a de facto foreign currency exposure in an Australian investor's portfolio and it has historically benefited from any decline in the value of the AUD.
- **Liquidity and simplicity:** Gold is highly liquid and simple to incorporate into a portfolio. It is accessible to all investors and can be purchased in amounts as little as AUD 50.

While other asset classes offer some of these benefits, gold is arguably the only asset that offers all the above attributes in one easily accessible investment, with its diversification benefits and ability to reduce risk at the portfolio level fuelling demand from astute investors worldwide.

Given the economic and financial market environment investors face today, we expect that gold will continue to attract attention from investors around the globe.

What about silver?

Contrarian investors are taking note of the recent outperformance of silver relative to gold. History suggest this is bullish for precious metals.

While gold attracts significant attention in the markets and media, silver is another popular investment for those who consider precious metals, although it does have a much higher industrial component to its demand and usage.

This can be seen in the table below, which highlights the major categories of global physical silver demand (in millions of ounces), as well as a total demand figure. Note that the figures for 2020 are forecasts, as final data for the end of the year was not available at the time this report was published.

Global physical silver demand 2011 – 2020

Demand	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Industrial	508	451	461	450	456	490	517	512	511	475
Jewellery	162	159	187	194	203	189	196	203	201	188
Net physical investment	272	241	300	283	310	214	156	166	186	216
Total demand	1045	984	1069	1022	1067	996	965	988	992	963

Source: The Silver Institute, World Silver Survey 2020.

Net physical investment, at just 186 million ounces in 2019, accounted for less than 20% of total physical silver demand. It has averaged approximately 23% of total demand over the last decade.

Even if one were to add jewellery into the mix (bearing in mind both gold and silver jewellery demand are partially investment driven, particularly in emerging markets), total demand from these sources combined would still be below 400 million ounces. That equates to less than 40% of total demand.

By contrast, purchases for gold jewellery, and gold bars and coins, generally represents 85–90% of total physical demand in any given year.

The role silver plays as an industrial metal is one of the reasons it is more volatile than gold, with prices typically increasing and decreasing more rapidly than the gold price.

But for investors who can withstand that volatility, such as those with a longer-term outlook, there are times when silver offers significant return potential. The years to come may be one such period, as relative to gold, history suggests that silver remains cheap,

To help visualise this, it's worth looking at the gold to silver (GSR) ratio, which measures how many ounces of silver you could buy with one ounce of gold. This can be seen in the chart below, which shows how the GSR has moved over time, as well as the long-run average GSR, and movements in the price of gold itself

GSR ratio and price of gold 1969 to 2020

Source: Reuters, The World Gold Council, The Perth Mint

A few things stand out when looking at the above chart:

- The GSR went above 110 in early 2020, the cheapest silver has ever been relative to gold. Since then, the GSR has fallen, with silver outperforming gold in the last nine months of last year
- A GSR ratio of more than 70, which is where the ratio sat at the end of 2020, is high by historical standards, with the long-run average GSR closer to 58.
- The GSR has often fallen as low as 20 or 30 at the top of previous bull markets in precious metals, including 1980 and 2011.
- A declining GSR (which means silver is outperforming gold), often coincides with a rising gold price. This makes it a solid indicator that precious metals are in a bull market.

On the last point, price movements between May 2003 and August 2011 are a perfect example of a falling GSR, signifying a strong bull market in both gold and silver, as the table below highlights.

Gold price, silver price and GSR in May 2003 and April 2011

Date	Gold price (USD)	Silver price (USD)	GSR
May 2003	364.60	4.52	81
April 2011	1563.60	47.95	33
Return	+329%	+961%	-60%

Source: Reuters, The World Gold Council, The Perth Mint

The table makes it clear that the 60% decline in the GSR over this time period was a result of a more than 900% increase in the price of silver. Gold investors also fared very well over this time period, with the price increasing by more than 300%.

Given this market history, and the current set up in precious metal markets, it's understandable why many investors are looking to allocate a portion of their portfolio to silver in 2021.

What to look for when investing in precious metals

Two key questions to consider are whether the organisation makes its financial information publicly available and whether this information is externally audited.

Having trust in a counterparty is a vital part of investing in any asset class. It is particularly relevant when investing in precious metals such as gold and silver because they are physical assets that need to be stored securely.

Given the requirement to receive regular valuations and reporting, many SMSF trustees buy a listed product like an ETF that is backed by gold (such as PMGOLD). Another popular option is for investors to store their gold and silver with the organisation from which they bought it.

As a consequence, the enterprise an SMSF trustee chooses typically plays two roles, effectively acting as both a broker and as a custodian to secure their investment.

When assessing how safe their precious metals investment will be, SMSF trustees should consider the following factors.

1. History and reputation

Questions on history and reputation to consider may include:

- When was the organisation founded?
- Who/what is (are) the owner(s)?
- Are there any guarantees safeguarding investor holdings?
- Is the organisation a member of industry bodies such as the London Bullion Market Association (LBMA)?
- Does it refine and manufacture its own gold and silver bars?
- Are its investment products backed by physical gold/silver?

2. Published and audited statements

Two key questions to consider are whether the organisation makes its financial information publicly available and whether this information is externally audited. Examples would include the annual report, and physical gold and silver bar lists where relevant.

3. Liquidity and balance sheet strength

By accessing externally audited financial information, trustees can gain a better understanding of the balance sheet strength of the organisation they are considering. While the market for gold is highly liquid, this will be of little comfort if the organisation lacks the balance sheet to make a market when trustees are looking to trade.

4. Transparency and reporting

Transparency is another critical consideration. Does the organisation quote a gold price online? Does it offer a clear explanation about the fees and charges that apply? Reporting practices are also important as it is crucial that SMSF trustees receive timely and accurate trade confirmations, as well as portfolio valuations.

5. Are the precious metal holdings guaranteed?

A guarantee can provide further peace of mind regarding the safety of an investment, and the comfort a trustee can have utilising a third party to custody their gold and silver holdings.

About The Perth Mint

More than AUD 5.5 billion in customer metal safeguarded.

The Perth Mint offers an ever-expanding range of innovative investment products that combine the enduring appeal of precious metals with the convenience of contemporary investment vehicles. With innovative solutions sought after by clients from across the globe, we:

- Secure more than AUD 5.5 billion in physical metal for approximately 60,000 clients, ranging from individual investors to SMSF trustees, sovereign wealth funds and central banks.
- Manufacture physical precious metal products worth more than AUD 23 billion annually.
- Refine more than 10% of annual global gold production, including in excess of 80% of Australia's gold production.
- Distribute minted bars and coins to more than 100 countries annually.

Unique guarantee and structure

The *Gold Corporation Act 1987* states that the Government of Western Australia, our sole owner, guarantees all our operations, undertakings and obligations. This provides clients with peace of mind and certainty gained from the knowledge that a highly rated sovereign entity is fully underwriting all our offerings.

Another key distinguishing feature The Perth Mint offers is integration.

The diagram below outlines our structure and breadth of operations. Our integration gives investors the assurance that the metal they buy is refined and stored at our Perth facilities, thereby minimising counterparty risk.

Our diverse operations are bound by strict prudential management guidelines and policies, to ensure compliance with legislative and regulatory requirements, and Australian codes of practice.

With an annual turnover of more than AUD 23 billion, our markets include Australia, China, India, the Middle East, North America and Europe.

The Perth Mint's unique integrated structure

Services

Refinery
Treasury
Marketing
Distribution

Investment Solutions

Physical products
(Bullion bars and coins, cast bars)
Depository
Exchange traded products
GoldPass® digital app

Collectables

Numismatic coins
Limited edition collectables

Attractions

Multi-award winning visitor experience
Perth's premier jewellery destination

The diagram above outlines the breadth of support we provide to the Australian precious metals industry. Our structure allows us to offer our clients all-encompassing services, while creating value-added products accessible to an expanding range of markets throughout the world.

Frequently asked questions

All metal holdings stored on behalf of our clients are guaranteed by our owner, the Government of Western Australia, under the *Gold Corporation Act 1987*.

1. **Which precious metals product should I invest in?**

   The Perth Mint offers several investment solutions suitable for SMSF trustees.

   Most trustees tend to use one of two options. The first is Perth Mint Gold, our ASX-listed gold product (ticker code PMGOLD) which you can buy (and sell) through your stockbroker or online trading account. Given many SMSF trustees own direct shares, this is likely to be the easiest way for most trustees to add Perth Mint Gold to their portfolio.

   The second option is our depository online account, which allows trustees to buy and sell physical gold, silver and platinum on a 24/7 basis. The precious metal backing these products is safeguarded within our central bank grade vaults.

2. **How much does it cost to buy and sell gold?**

   We offer several options that make gold investment affordable and accessible. For SMSF trustees the most popular products are Perth Mint Gold (ASX: PMGOLD) and our depository online products.

   PMGOLD has trading spreads that are typically below 0.10% (i.e. if you bought AUD 100,000 of PMGOLD, the effective spread you would pay buying it would likely be no more than AUD 100), making it one of the cheapest ETF's to buy and sell on the ASX.

   For our depository online products, transaction fees are based on the size of the trade.

   As an example, a purchase or sale of gold between AUD 10,000 and AUD 100,000 attracts a transaction fee of 0.95% (AUD 950 on a AUD 100,000 investment).

   A full list of our transaction storage fees for our depository products is published online at this link:
   www.perthmint.com/storage/pricing.html

3. **Do I have to pay for storage?**

   Perth Mint Gold (ASX: PMGOLD) has a management fee of just 0.15% (equivalent to a fee of just AUD 150 on an AUD 100,000 investment), which covers the cost of The Perth Mint storing the gold that backs investments in the product. This fee is one of the lowest management fees of all listed products on the ASX.

   If you invest in The Perth Mint Depository, you can choose to invest in unallocated or allocated metal. If you invest in unallocated gold, silver or platinum there is no ongoing storage fee charged on your holdings. Unallocated holdings are the most cost-effective and popular form of investment among our range of clients and are still covered by the same government guarantee.

   Allocated metal does attract a storage fee. For gold, this is 1% per annum.

   A full list of our storage fees for our depository products is published online at this link:
   www.perthmint.com/storage/pricing.html

4. **Is my bullion safe with The Perth Mint?**

   Yes. All metal holdings stored on behalf of our clients are guaranteed by our sole owner, the Government of Western Australia, under the *Gold Corporation Act 1987.*

5. **Is bullion stored with The Perth Mint insured?**

   Yes, in addition to the government guarantee, precious metals stored on our clients' behalf are insured through underwriters at Lloyd's of London.

6. **Is bullion stored with The Perth Mint independently audited?**

   Yes. We are audited annually by the State Auditor General to ensure compliance with the *Financial Management Act 2006* and the *Gold Corporation Act 1987.* It should be noted that the **Auditor General** is appointed by the **Governor** of Western Australia and reports directly to **Parliament**, thus operating independently of the Government.

In addition, the Auditor General of Western Australia appoints a major accounting firm to undertake the external audit on their behalf. This is in contrast to many corporations which appoint their own external auditor. With the external auditor appointment out of the hands of management, and with the external auditor's work subject to further review by the Auditor General, we operate under a far more rigorous audit regime than that of public and private companies.

7. **Does The Perth Mint publish its financials?**

   Yes, our annual report is available to the public and can be downloaded from our website at this link: **www.perthmint.com/about_us_the_perth_mint_annual_reports.aspx**

8. **How easy is it to sell my investment and how long does payment take?**

   Selling metal is as easy as buying it.

   If you own PMGOLD via the ASX, then it can be sold via your stockbroker in the same way you bought it, trading whenever the stock market is open.

   If you have a Depository Online account with The Perth Mint, you can sell your metal back to us via our website, 24 hours a day, seven days a week. We will then credit the money from the sale to your account with us and transfer these funds to your nominated bank account upon your request.

   Payments to your designated bank account will typically occur within one to two business days of your redemption request.

9. **Can The Perth Mint work with my financial advisor or my accountant?**

   Yes. Trustees are welcome to appoint their adviser and/or accountant as operating authorities on their accounts. We can arrange ongoing reporting with appointed advisers, streamlining the process for trustees.

10. **Can I take delivery of the gold backing my investment?**

    Yes, you can take delivery of the gold backing your investment.

    However, storing bullion at home carries significant risk for any investor including SMSF trustees. It is also more difficult to prove ongoing ownership and value (which is a requirement for an SMSF). Physical precious metals stored at home are also not as liquid. Most importantly, investors who take their bullion home are no longer protected by the government guarantee offered via The Perth Mint on metal holdings.

    For these reasons, we encourage trustees to invest in our depository solutions. These offer the government guarantee on the safekeeping of metal held on clients' behalf, access to 24-hour liquidity, as well as regular valuations and reporting.

The Perth Mint's investment solutions

The Perth Mint offers several investment solutions suitable for SMSF trustees.

ASX-LISTED PRODUCT
Perth Mint Gold (PMGOLD)

PMGOLD is a convenient and cost-effective way to add gold to a SMSF.

Designed to track the international price of gold in Australian dollars, it enables investment in gold via the ASX with a very competitive management fee.

PMGOLD can be purchased by investors via their stockbroker or through a standard share trading account, alongside their equities and other listed product investments.

PMGOLD is set at 1/100th of a troy ounce of physical gold. Therefore, if gold is trading at AUD 2,200 per troy ounce, the price of PMGOLD on the ASX should be close to AUD 22.

Perth Mint Gold is unique in that it is:

- **Government guaranteed:** PMGOLD is the only ASX-listed gold product which offers an explicit government guarantee on investor metal holdings. This is offered under section 22 of the Gold Corporation Act 1987, an Act of the Western Australian Parliament.
- **Low cost:** At 0.15% per annum, PMGOLD is less than half the cost of similar products, with the lowest management fee of all products offering gold price exposure via the ASX.
- **Physically redeemable:** Unlike many gold exchange traded products, PMGOLD allows investors to take physical delivery of metal in Australia, from as little as one troy ounce.
- **Highly liquid:** PMGOLD invests only in physical gold, one of the most liquid assets in the world.

Find out more at:
www.perthmint.com/storage/perth-mint-gold-asx.html

ONLINE TRADING PORTAL
Depository Online

The Perth Mint Depository provides a 24/7 online trading portal with live pricing for investors to buy, store and sell gold, silver and platinum.

For SMSF trustees who prefer to invest directly with us, Depository Online is our most popular investment option, offering:

- 24/7 online accessibility
- A savings plan to allow for regular investment into precious metal
- Phone support
- Unallocated gold, silver and platinum, with no storage fee (in addition to other options)
- EOFY valuations
- Transparent pricing

Opening a Depository Online account for an SMSF account can be done via The Perth Mint website at:
www.perthmint.com/storage/open-account.html

PHONE
Depository Program

Modelled on a traditional service with personalised contact, the Depository Program is suitable for SMSF trustees who would prefer to trade by telephone or email.

Features of our depository program include:

- Access to our experienced in-house traders
- Cost savings on accounts in excess of AUD 50,000
- Unallocated gold, silver and platinum, with no storage fees
- EOFY valuations
- Transparent pricing

You can find out more about our Depository Program Account via The Perth Mint website at:
www.perthmint.com/storage/depository-program.html

SMARTPHONE APP

GoldPass®

GoldPass® is a full-service investment app that allows users to buy, store, sell and transfer physical gold via a 24/7 trading platform on their smartphone.

Investor holdings are visible via the app's interface along with any cash available, similar to how balances are seen on online banking systems.

The physical gold backing each investor's GoldPass® holdings is represented in the form of digital certificates within the app.

All GoldPass® digital certificates are 100% backed by physical Perth Mint gold stored in its central bank grade vaults, with the weight and purity of every ounce guaranteed by the Government of Western Australia.

SMSF trustees who wish to find out more information about GoldPass® can do so at the following website:
www.perthmint.com/goldpass.aspx

BUY AND STORE INDEPENDENTLY

Bullion bars and coins

For investors who wish to store physical precious metals themselves, our bullion range comprises:

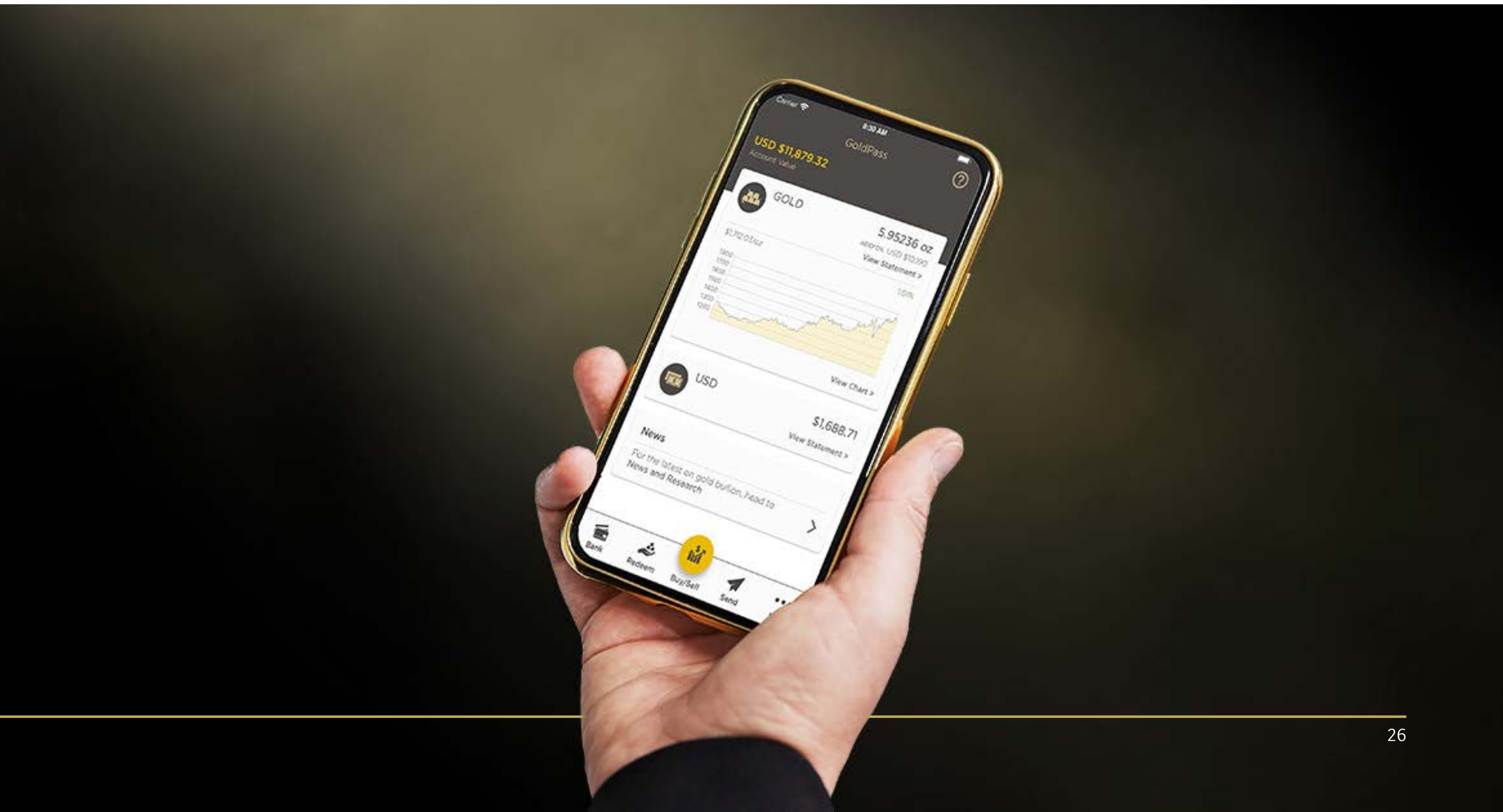
- Gold minted bars
- Gold and silver cast bars
- Gold, silver and platinum bullion coins

Bullion products can be ordered online or by phone for secure delivery to an approved location of the investor's choice. Alternatively, they can be purchased over the counter in our bullion trading room.

Please note that while we will happily accommodate SMSF trustees who choose to invest and take delivery of physical bars and coins for collection or delivery, there are some factors to consider:

- No government guarantee: The guarantee provided by the Government of Western Australia applies to client holdings on deposit at The Perth Mint's vaults. It does not apply to holdings withdrawn from the Mint.
- Reduced liquidity: The Perth Mint can buy back metal held in our depository with a phone call or email. Metal that has been delivered or collected needs to be brought or delivered back to the Bullion Trading Desk at The Perth Mint Shop, reducing the ease of sale.
- Streamlined reporting: We are only able to provide regular valuations, including at EOFY, for metal held in our depository.

SMSF trustees who wish to find out more information about buying gold and silver bars and coins can do so at the following website:
www.perthmintbullion.com



Data sources

The Perth Mint has sourced data used in calculations from a number of sources, including Global Financial Data, IRESS, Bloomberg, Chant West, the Australian Bureau of Statistics and Reuters. All data has been obtained from sources The Perth Mint deems to be reliable, but we do not guarantee their accuracy or completeness.

Australian Equity Data is All Ordinaries Accumulation Index from 1970 to May 2013. ASX 200 Accumulation Index from May 2013 onward. Australian Fixed Income data is Australian 10 Year Government Bond Index from 1970 to May 2013. S&P Composite All Bond Index from May 2013 onward. Australian Cash Data is Australian Total Return Bills Index from 1970 to May 2013, 90 Day Bank Bill Index from May 2013 onward. Australian Gold Price Data is LBMA London Gold Fix converted to AUD using Bloomberg FX rate to 1978, AUD gold price published by the World Gold Council onward.

Disclaimer

Past performance does not guarantee future results.

The information in this white paper and the links provided are for general information only and should not be taken as constituting professional advice from The Perth Mint.

The Perth Mint is not a financial adviser.

You should consider seeking independent financial advice to check how the information in this brochure relates to your unique circumstances.

All data including prices, quotes, valuations and statistics included have been obtained from sources The Perth Mint deems to be reliable, but we do not guarantee their accuracy or completeness.

The Perth Mint is not liable for any loss caused arising from the use of, or reliance on, the information provided directly or indirectly, by use of this white paper.

Find out more

For further information about our SMSF solutions please contact:

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