

# Gold Alternatives Allocation Update

Q4 2025

## In a Nutshell

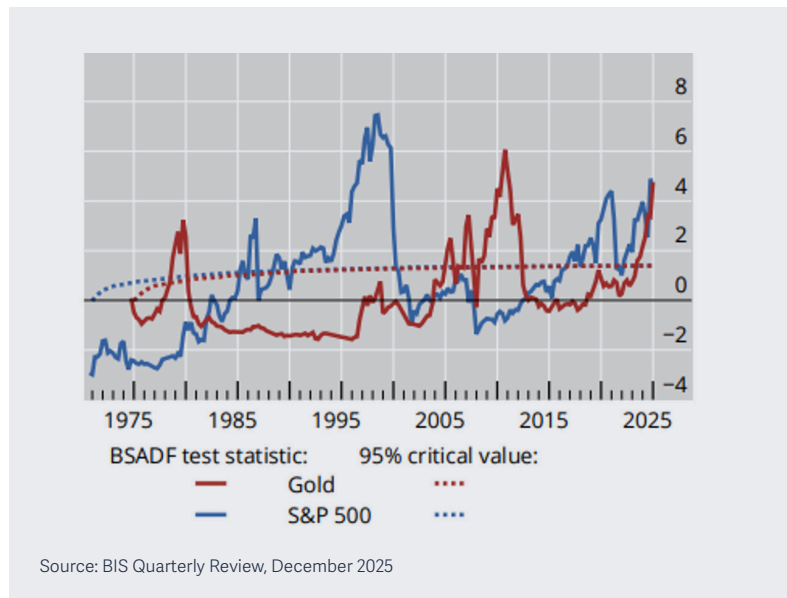
Seemingly no end in sight (yet) to the gold rush

### Summary

The fourth quarter of 2025 marked a historic chapter for the gold market, as the precious metal shattered previous records. While gold had been on a bullish trajectory throughout much of the year, the final three months saw a "perfect storm" of macroeconomic and geopolitical factors that propelled the spot price beyond the psychological \$4,000 per ounce barrier, eventually settling near \$4,333. This surge was not driven by a single event but rather by a confluence of geopolitical uncertainty, monetary pivots, and a continued shift in how global institutions view the long-term stability of the U.S. dollar.

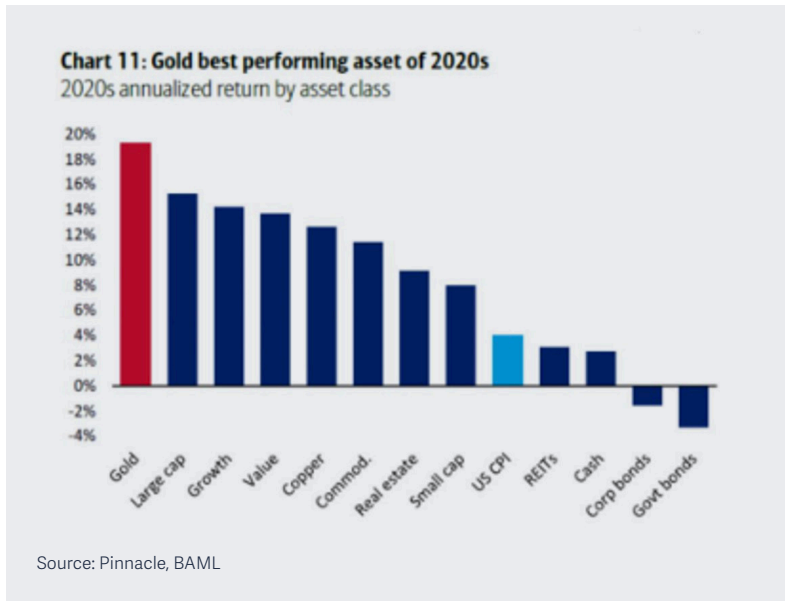
### Developments

In the early part of Q4, gold prices surged in parallel with other risk assets, which is at odds with the historical pattern of lacklustre gold performance during risk-on phases when other assets promise higher returns. This highlights that gold is benefitting not just from its traditional reputation as a safe harbour during times of uncertainty (both fiscal and geopolitical), but also from some investors looking to play the momentum trade.



In 2025, gold and the S&P 500 exhibited explosive behaviour jointly for the first time in the last 50 years

This, in turn, implies a reasonable degree of speculative behaviour and elevated risk-taking, perhaps indicating a late stage in the cycle and dampening expectations for future returns.



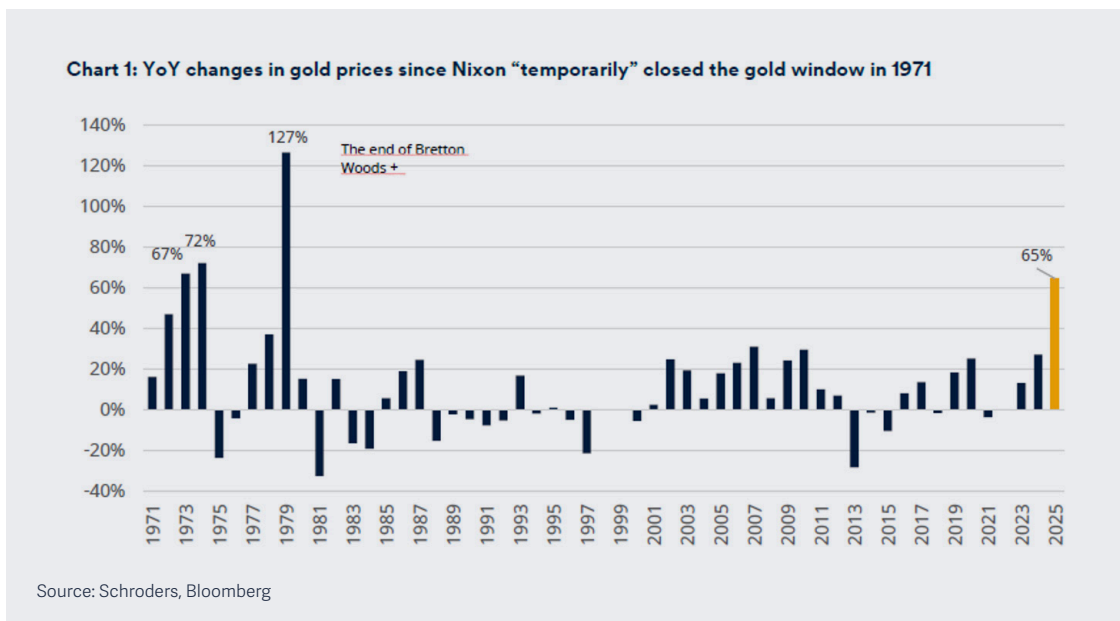
So far, gold is the best performing asset of the 2020's

One of the catalysts for gold's Q4 rally were the two additional rate cuts of 25 basis points each delivered by the Federal Reserve, which came on top of the September 25bps cut. These moves indicated that the central bank was continuing to shift its priority from fighting inflation to protecting a softening labour market. Lower interest rates reduce the "opportunity cost" of holding gold- which yields no interest - making it more attractive relative to Treasury bonds.

There was also significant domestic political friction in the United States. A prolonged government shutdown lasted over a month, shaking investor confidence in U.S. fiscal governance. The shutdown, paired with growing concerns over the U.S. national debt and fiscal sustainability, led to a period of U.S. dollar weakness. Then, in early January, the unprecedented threat of prosecution of Fed Chair Jerome Powell emerged, something he believes is "a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the president".

The final quarter of 2025 and the beginning of 2026 also saw international geopolitical changes continue at speed. The blockade and subsequent regime change in Venezuela, an uprising in Iran where help was promised but not (yet) delivered, and the ongoing dispute with NATO over Greenland all created further uncertainty.

In such extraordinary times, it is hardly surprising that the gold price continued to hit new heights.



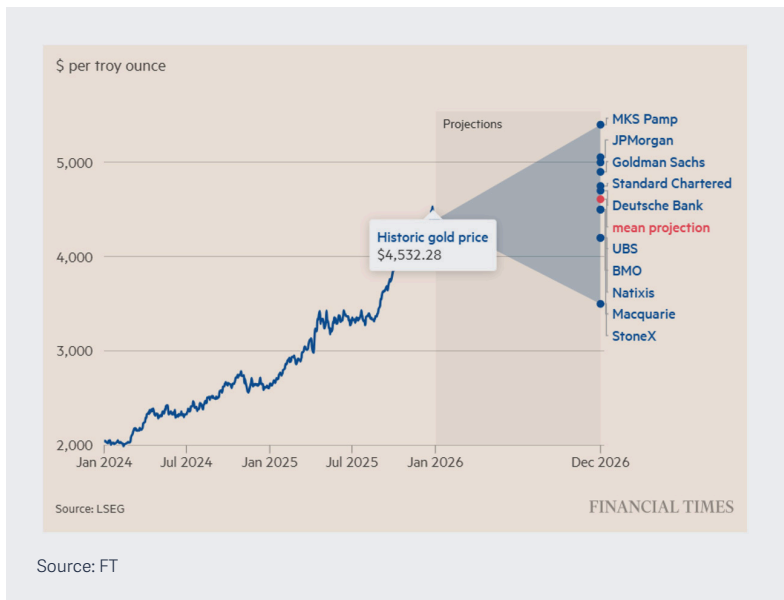
Only in the 1970s have we witnessed the type of price moves seen recently

**Performance**

Gold made 45 new all time highs during 2025, rising 65% overall, more than during the 2000's bull market. As Schroders points out, only in the last 1970s have we seen these types of move, making the sustainability of such a trend a common question. We see no need to determine that question specifically but would reiterate that whilst gold has had a very strong rally, it is also one based on fundamentals that remain very much in place – a weaker US dollar, ongoing geopolitical tensions and the likelihood of further Fed rate cuts, not least due to attacks on the Fed's own independence. Equally, we monitor changes in our holding daily and regularly trim back to our target weight.

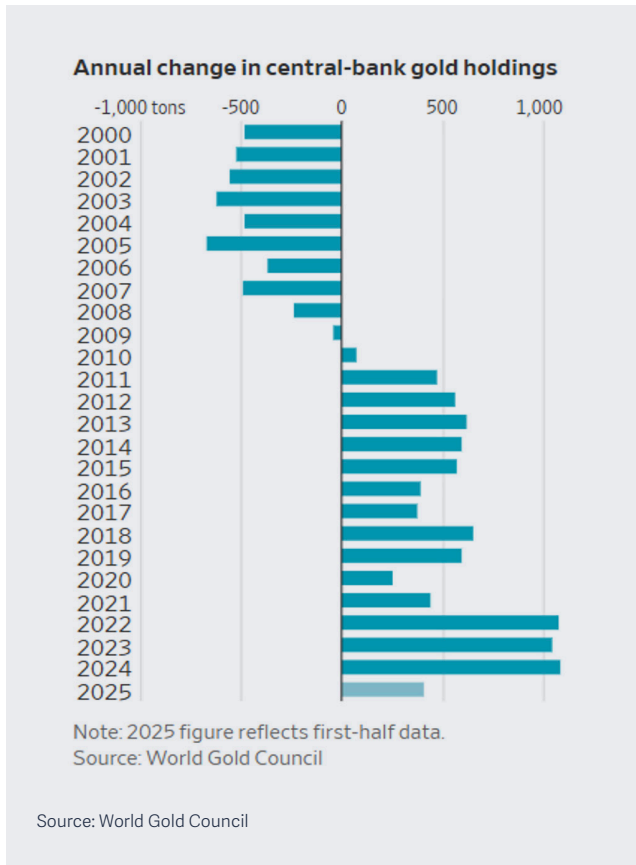
**Valuation**

Consensus estimates forecast a rise of 7% in 2026, although the variation is predictably wide, with the most bullish estimates predicting gains of 25%. Whilst the latter figure seems overly optimistic to us, we do expect gold to once again serve its role as a diversified source of portfolio returns, particularly during times of uncertainty. "Combined with ongoing Iran risks, concerns about Fed independence, and investor aversion to the dollar and U.S. government bonds amid rising fiscal debt worries, the underlying demand for hard assets remains firm," Saxo Bank analysts say.



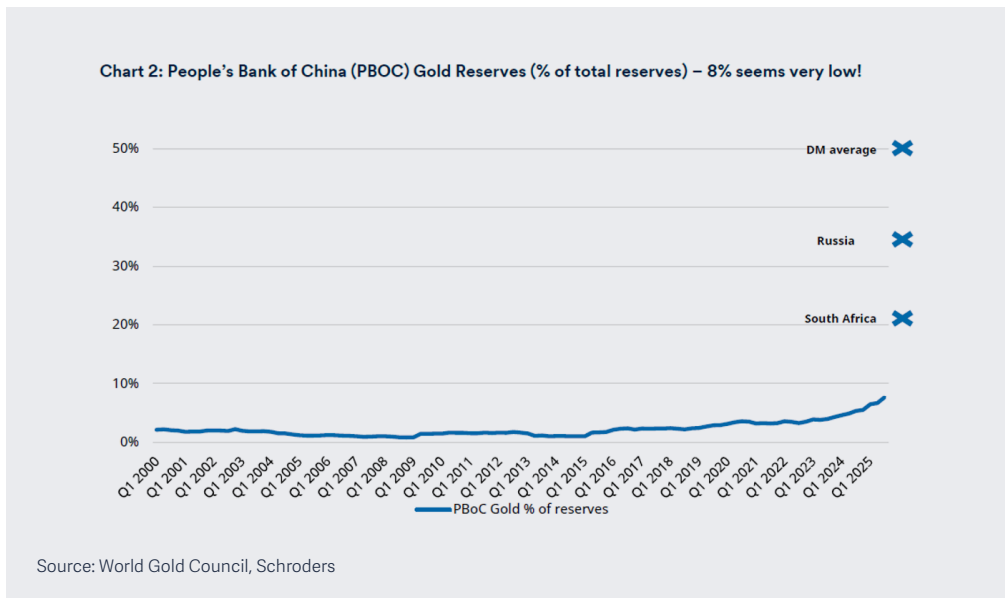
The range of price forecast for 2026 is wide, with an average of 7% but some seeing as much as 25% upside

It is also very hard to see why Central Banks would not continue to increase their gold reserves in 2026 as a strategic hedge to volatile and unpredictable world events.



We expect Central Banks to continue to increase their gold holdings in 2026, as US \$ uncertainty and global frictions shows no signs of abating

Despite consistent buying by Central Banks over recent years, there remains much further to go. China, for example, should remain a very long term strategic buyer



China, for instance, still has a lot of buying to do if it is to get close to the Developed Market average weight

### Positioning

We implement our allocation to gold via the Royal Mint Responsibly Sourced Physical Gold ETC. Their bars are backed one-for-one and custodied in a vault in Wales, outside of the banking system. If desired, we could take physical delivery, something never considered important until one day it becomes critical. The Royal Mint ETC removes any such vulnerability.

Our 2.5% strategic allocation is rebalanced as and when ceilings are hit, and those ceilings do not change merely because we are in a gold bull market. We also have modest (c. 0.5-1%) additional exposure via our allocation to Trend Followers given gold's recent price trends.

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