

Gold Alternatives Allocation Update

Q1 2026

In a Nutshell

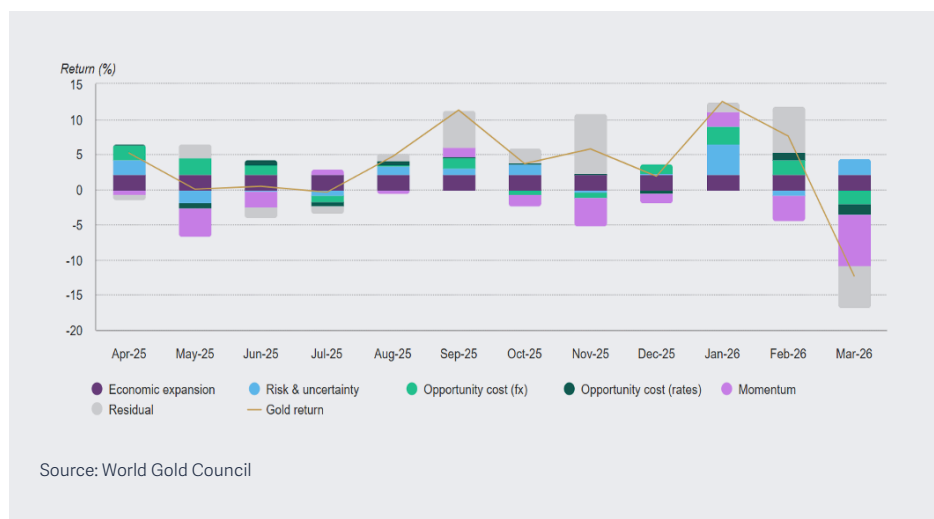
March madness does little to shake the strategic bull case

Summary

Our holding in the Royal Mint Responsibly Sourced Gold ETC finished Q1 up 5.4% in dollar terms (and 7.5% in £), well ahead of the FTSE All World index's 3% decline (in USD). This follows gold's gain of 67% in 2025 (55% in £).

However, the first quarter of 2026 was also a great demonstration of the complexity of navigating modern markets over short periods. After the onset of the Iran conflict, gold, often viewed simplistically as a "safe haven," acted in a manner that surprised many, falling almost 12% in March for its weakest month since June 2013.

In our view, the correction was less a reflection of gold's diminishing lustre and more a consequence of technical deleveraging, institutional liquidity requirements, and a tactical pivot by key sovereign players. As we move into Q2, the strategic rationale for maintaining a core allocation to physical gold remains not only intact, but perhaps even bolstered by the very instabilities that caused the recent price swing.



Momentum (pink bar) was the dominant factor during Gold's decline in March. It still finished Q1 up 5.4% in USD and 7.5% in GBP

Developments

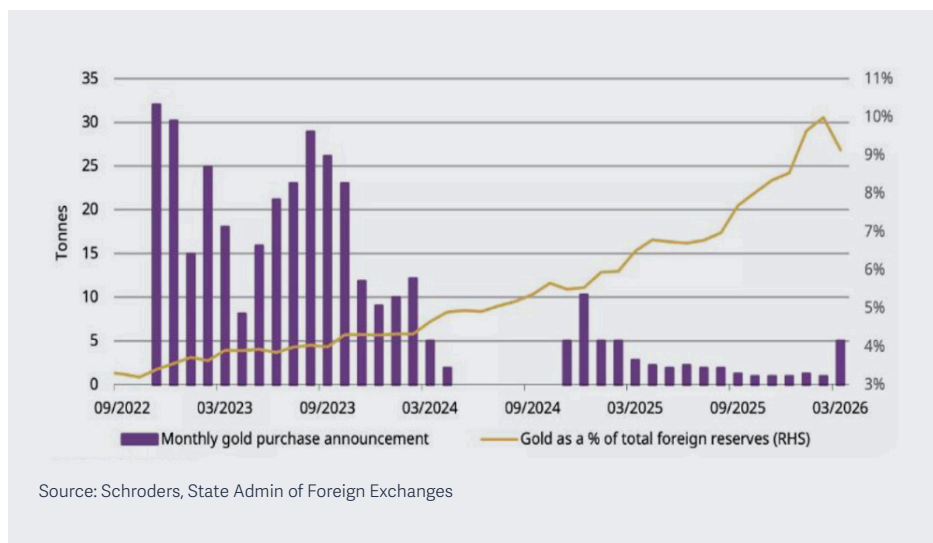
Why did gold decline so significantly in March despite a backdrop that - on paper - seemed perfectly calibrated for a further rally? Historically, heightened geopolitical friction and a corresponding surge in energy prices would act as a dual engine driving gold higher. Instead, we witnessed a steep sell-off.

One cause of the decline was a classic "dash for cash." After almost three years of gains averaging 30% per annum, gold had become a crowded near-term trade, buoyed by significant momentum and FOMO ("fear of missing out"), leaving many relatively recent holders sitting on substantial paper profits when markets overall began to fall.

As bond yields spiked higher over rising energy prices, the cost of the Iran conflict, fears around inflation and the diminishing probability of US interest rate cuts, the "opportunity cost" of holding a non-yielding asset like gold also increased. A technical "tipping point" also occurred in mid-March, when gold broke below its 50-day and 55-day moving averages, triggering some automated sell programs.

However, the most significant development this quarter was the shift in central bank behaviour, specifically by the Turkish Central Bank. For the better part of a decade, Turkey has been one of the world’s most aggressive accumulators of gold as part of a deliberate strategy to de-dollarize its national reserves (in tandem with many other Central Banks). In the wake of the Iran conflict and the subsequent spike in energy prices, the Turkish Central Bank sold or swapped approximately 50 tonnes of gold in a single week, reminding everyone that Central Banks do not hold gold merely for appreciation; they hold it for sovereign insurance. In this instance, Turkey utilized its gold reserves to both stabilize the Lira amidst volatility associated with the regional conflict, and to offset the balance-of-payments pressure caused by \$100+ oil.

In our view, the move was not a shift away from gold as an asset class or US dollar alternative, but rather a functional deployment of a liquid buffer to manage a national economic emergency. So while the Iran conflict may result in a "step change" downward in the rate of central bank net purchases globally, the fundamental desire to diversify away from dollar-denominated assets remains a long-term structural theme for Central Banks overall, particularly nations like China, Poland and others in the Eurozone periphery who continue to bolster their reserves.



Chinese Central Bank reported gold purchases and share of total foreign exchange reserves. At <10% this remains low

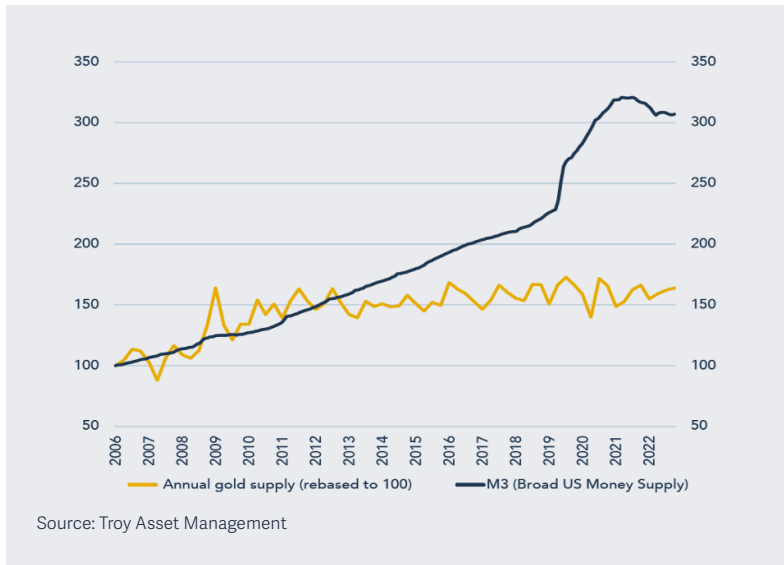
Thus, in a market where every sector of the US equity market was also posting declines (save for energy), gold was sold not because it had failed its long-term objective, but because it was an asset with sufficient embedded gains and deep enough liquidity to turn into cash, either to cover losses elsewhere in investor portfolios or to finance budget deficits.

Outlook

If we contextualize the recent price action within the broader bull market that began in earnest in 2024, we see that the gains of 2025 were characterized by a fair degree of "momentum chasing" and FOMO. Such parabolic moves are rarely sustainable without periods of cooling, even when the long-term thesis remains intact.

In that respect, we believe that the macro-economic pillars supporting gold have not crumbled; if anything, they have hardened:

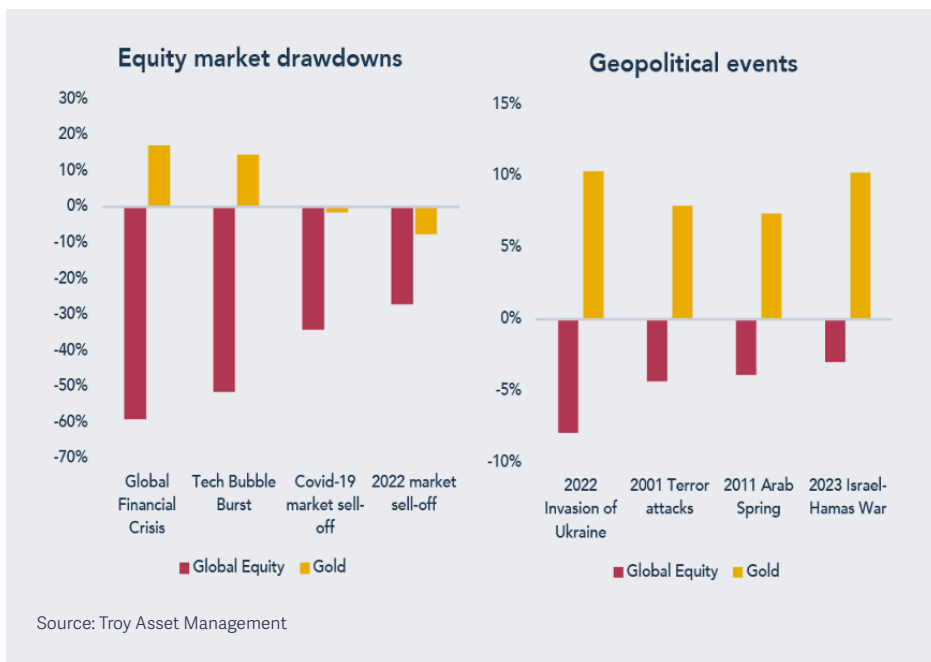
- **The Weaponization of the Reserve Currency:** The precedent set by the freezing of Russian reserves fundamentally altered the calculus. Every nation must now ask: is the US a reliable partner, or is the dollar going to be used as a geopolitical tool? As long as the threat of sanctions and economic "warfare" persists, gold remains the only Tier-1 reserve asset with no counterparty risk.
- **Fiscal Profligacy:** The US national debt continues to expand at a rate that many economists (and ourselves) view as unsustainable. Gold acts as a direct hedge against "fiscal dominance," where the central bank is forced to keep long-term rates lower than inflation to service otherwise overwhelming levels of government debt. The US currently spends over \$1 trillion per annum on interest alone.
- **The Neutrality Premium:** In a multipolar world characterized by trade wars, tariffs and a world order "crumbling into disarray" (Chinese President Xi Jinping), a neutral, non-national currency becomes increasingly attractive. Gold is nobody's liability and requires no government's "permission" in order for it to hold value.



The expansion of US money supply (M3) dwarfs the annual gold supply and will continue to do so

Valuation

Gold earns no interest and pays no dividend. Instead, its value is derived from its scarcity and its role as a "monetary anchor." Thus, our gold position is viewed as a long-term strategic allocation, a valuable diversifier, a portfolio "volatility dampener" and a store of value, unique in its durability and resilience.

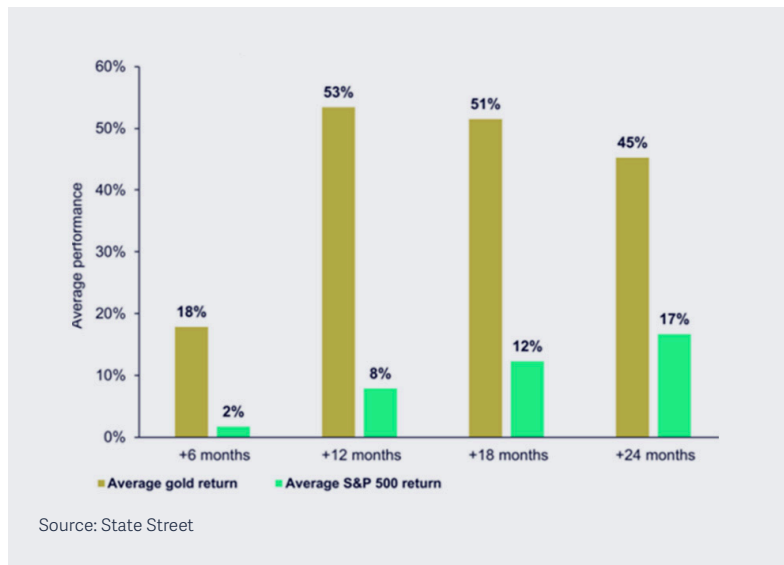


Gold performs well during prolonged equity market sell-offs and major geopolitical events

The fundamentals for gold have, if anything, strengthened. What we are witnessing is a healthy, inevitable correction in a long-term secular bull market taking place within an increasingly uncertain world. As one gold fund manager said recently:

"The idea of meaningful de-dollarisation is still sniffed at by many intellectuals. Given Trump's assault on the post WWII order, the imminent politicisation of the Federal Reserve, the fact many MAGA isolationists think being the "reserve currency" is a bad idea anyway, the abandonment of allies, military adventurism, as well as the regularly expressed view from China's monetary authorities that a multi-polar monetary order is required, should we really be that surprised those seeking way round the dollar are stepping up their efforts?" (Schroder ISF Global Gold Fund)"

We agree. Whilst we have no idea how gold will perform in the near-term given the recent energy price shock, the chart below highlights its resilience during other periods when similar shocks occurred.



No global event is identical to another, but gold has tended to outperform the US equity market in the 6-24 months after major oil shocks

Positioning

How we own gold is often as important as how much we own. We implement our strategic allocation via the Royal Mint Responsibly Sourced Physical Gold ETC. Most gold-backed instruments rely on the London bullion market and the commercial banking system for custody. We have specifically selected the Royal Mint for several reasons:

- Outside the Banking System: The gold is custodied in a purpose-built, high-security vault in Llantrisant, Wales. This removes the "banker risk" associated with traditional synthetic or bank-custodied gold products.
- One-for-One Backing: Every share is backed by 100% physical gold bars, ethically sourced and verified.
- The Delivery Option: Perhaps most importantly, the Royal Mint ETC allows for physical delivery of gold bars to the investor. While this is a feature most clients may never use, it is the ultimate "break glass in case of emergency" insurance. In a true systemic crisis, the ability to take physical possession of your wealth is a vulnerability that we have effectively neutralized.

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