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Gold | Theme Update

Q2 2026

In a Nutshell

A stellar asset gets taken on a rollercoaster ride in the first half of 2026

Summary (returns in GBP, brackets in USD)

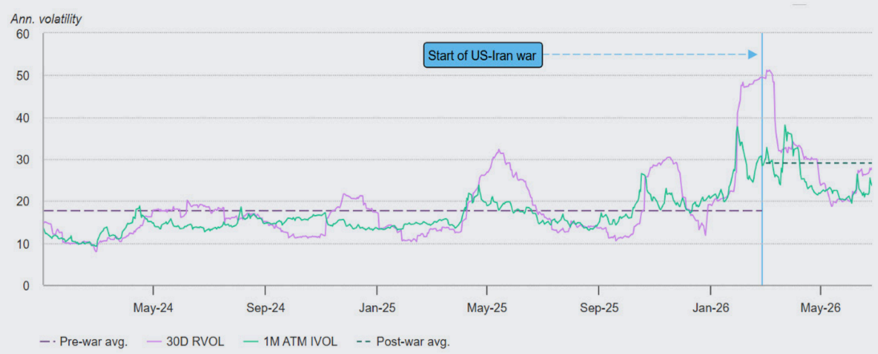
The gold allocation finished the second quarter down around -13% (-13%) and the first half of the year of -7% (-8%). Over the last twelve months gold remains up +26% (+22%), has returned a remarkable +26% (+28%) annually for the last three years and an equally impressive +18.5% (+18%) in each of the last five years to the period ending 30th June.

We expect further gyrations in the near term given the inherent volatility of the asset itself, the rapidly changing geopolitical and economic environment and the impact of those forces on inflation and interest rate expectations. Investor sentiment will also oscillate as gold hovers around key technical levels.

Longer term, the bull case for a strategic allocation to gold within multi-asset portfolios remains in place.

Developments

Gold's realised volatility rose to more than 50% on the initial outbreak of the Iran war. Whilst its volatility has since subsided, it remains around 30%, well above the 20-year average of 17%.



Source: Bloomberg, World Gold Council

Gold is a volatile asset and became more so at the outbreak of the Iran conflict

At quarter end gold had fallen approximately 25% from its peak. Historically, declines have tended to stabilise at around 30%.

Threshold	Number of occurrences	Average drawdown	Median drawdown
-5% or more	29	16%	8%
-10% or more	11	30%	28%
-20% or more	8	36%	29%

Source: Bloomberg, World Gold Council. Data from 1/71 to 26/6/26

Price declines have historically stabilised at c.30%

Whilst history never repeats it does rhyme, so a reasonable prediction for the near-term price is that it will be range bound, albeit a wide band.

Source: Bloomberg, World Gold Council

Range-bound trading seems likely, even if the range is a relatively wide one

For gold to resume its upward trend towards $5,000/oz. it will need a clear catalyst such as greater economic/political uncertainty or increased chatter around the present level of government indebtedness and future obligations. Both of those are very plausible.

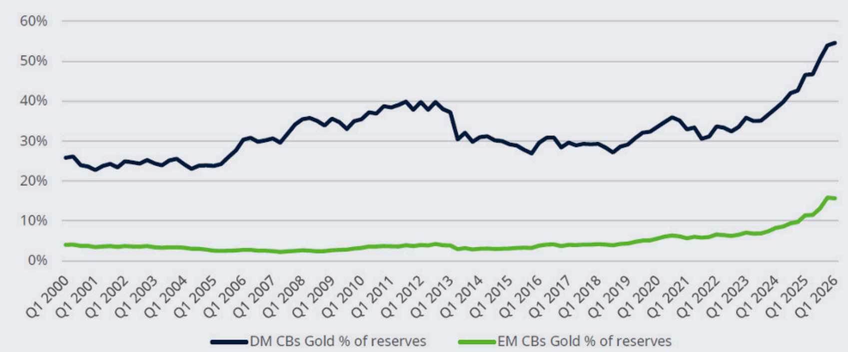
However, if rates were to rise materially higher from here the opportunity cost of holding gold would also rise. In addition, a market melt-up may persuade some holders to switch from gold into assets with large earnings and cash flow potential, although with so much enthusiasm already evident in valuations, caution in those areas would seem to be the better part of valour. As Apollo Chief Economist Torsten Slok recently put it: "This AI thing better work out"*.

Whilst Q2 and H1 declines are unwelcome, they should be viewed through the appropriate lens. First, just as we advise clients, we do not seek to predict near-term tops or bottoms – we are investors not traders with a long-term horizon of 1-5 years or more. Second, gold's return over most recent time periods has been hugely impressive, so volatility/profit-taking/reversal of sentiment at some point in the journey are inevitable. Third, we remain in the midst of a wider bull market, one that was up +14% for the quarter (and +13% YTD) despite Ukraine, Iran, inflation and government debt concerns. Gold's primary role in a multi-asset portfolio is to partially hedge that exposure over reasonable time periods.

Outlook

As we look beyond near-term price movements, the real question is whether a strategic allocation to gold still ticks all the boxes.

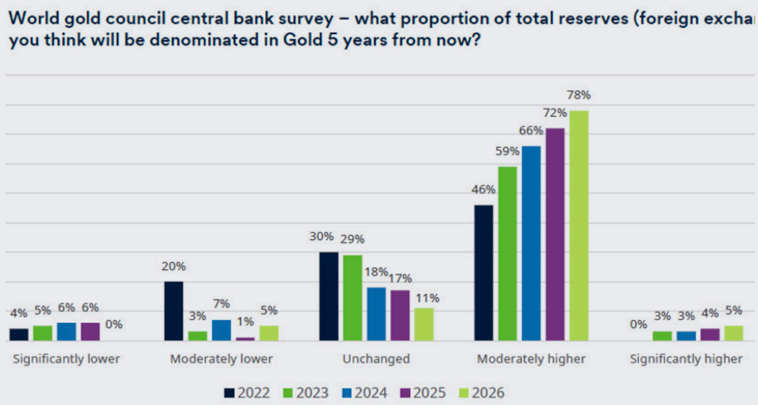
Central Banks remain key players and the runway for their continued buying is a long one, particularly in Emerging Markets.



Source: World Gold Council

EM Gold Reserves have a long way to go to match those of the developed world

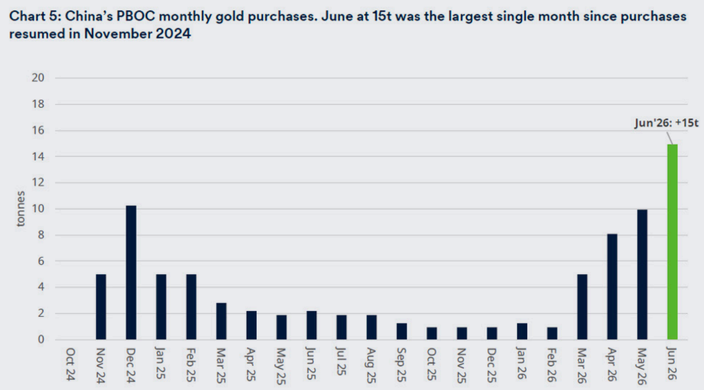
Like many journeys, we may take unwelcome detours as countries like Turkey remind everyone that gold is there to be spent when necessary, not just accumulated. But the direction of travel and ultimate destination have not changed, namely increased allocations to gold.



Source: World Gold Council

A record 83% of Central Banks surveyed think gold will be a greater % of reserves 5 years from now

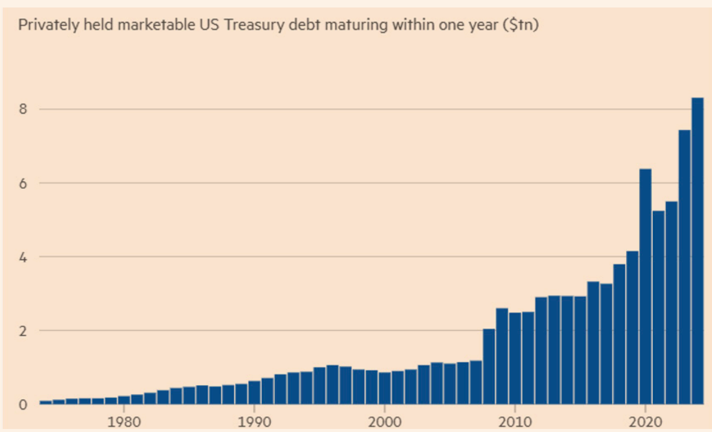
China remains the key buyer. Encouragingly, it stepped up its monthly purchases again recently as we entered Q2:



Source: Schroders

Key player has China stepped up its monthly purchases since March, with June the largest single month

Why are Central Banks and others likely to continue this trend? Partly due to the weaponisation of the US dollar. Partly to increasing geopolitical conflict and policy uncertainty. And partly due to the increased awareness of an ever-growing US debt burden. In the next 12 months, around $8 trillion of Treasuries need to be rolled over. Doing so at today's one year interest rate level would add around $49 billion in annual interest costs. A cost which, for the first time in history, is already greater than the amount the US spends on its entire defence budget.



Source: Financial Times

The US has an increasing debt burden that it needs to roll over at higher rates, making it even more expensive

Valuation

Gold is not easy to value. As Warren Buffett once said: "Gold gets dug out of the ground. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head."

All true, but it has nevertheless been a very long-term store of value and a recognised medium of exchange - a globally accepted alternative to fiat money. And right now, based on the chart shown above, that fiat money is almost certain to have an ever-diminishing value.

And, as the charts in last quarter's update highlighted, gold has tended to outperform 6-24 months after major oil shocks. Today's world is admittedly far less dependent on oil than in previous cycles but we are nonetheless in a world where the US war on Iran began 5 months ago and where the equity market is starting to look extended.

Positioning

We primarily hold the Royal Mint Responsibly Sourced Physical Gold ETC, which we have specifically selected for several reasons:

- It is 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.
- It has one-for-one backing: Every share is backed by 100% physical gold bars, ethically sourced and verified.
- It comes with a 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.

Source: X, 20 July 2026

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