Special Report

Gold: A Lucrative Investment Opportunity

aranca

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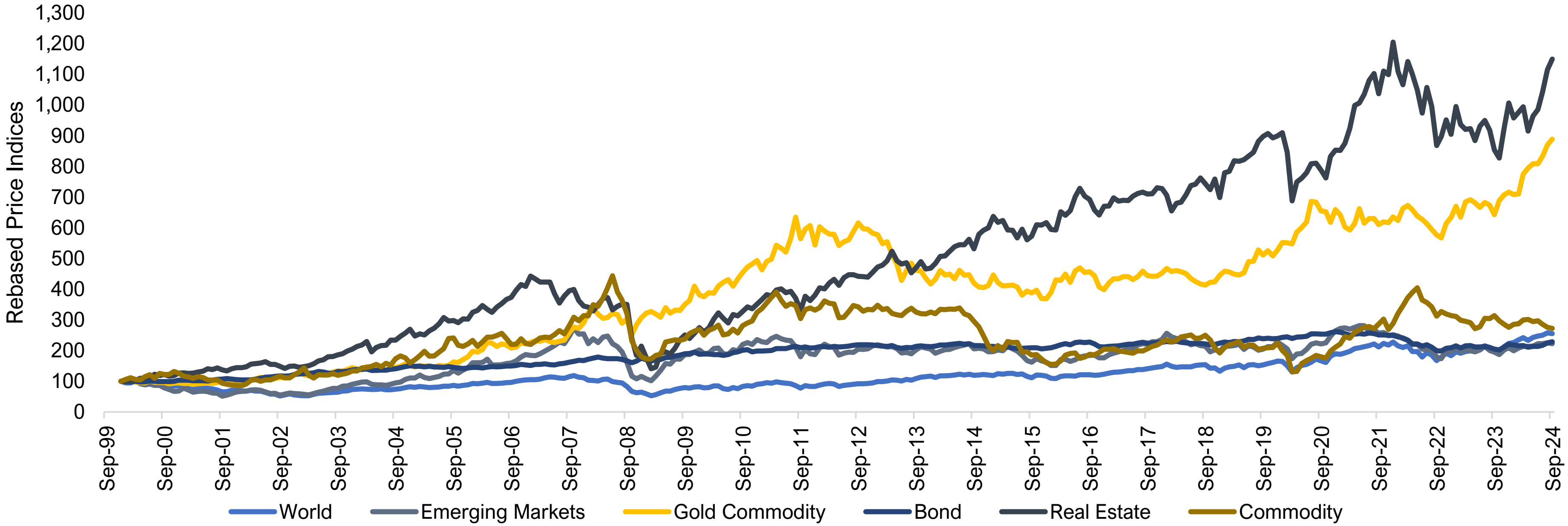
Contents

A Timeless Hedge Against Market Volatility

- Gold consistently exhibits a negative correlation with major stock indices, reinforcing its role as a defensive asset during market downturns.
- In low-yield environments, gold aligns with bond performance and shows a strong correlation with commodities, especially when energy prices rise.
- Amid economic crises, inflation, and geopolitical tensions, gold provides stability, maintaining its value when other asset classes experience heightened volatility.

Comparison of Gold and Other Asset Classes' Return



Note: Annualized returns are from 1/01/2000 to 9/19/2024. Indices used - World: MXWO Index; Emerging Markets: MXEF Index; GOLDS Commodity; Bond: LEGATRUU Index; Real Estate: FNERTR Index; Commodity: SPGSCI Index.
Source: Bloomberg

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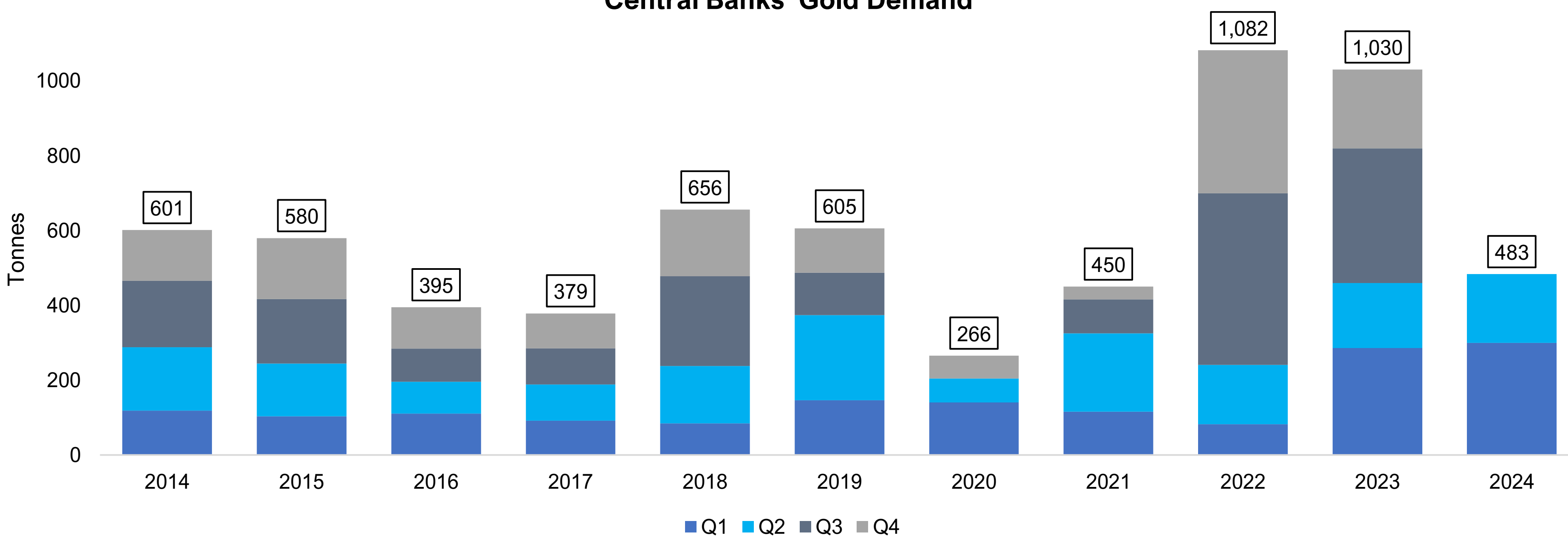
Global Central Banks: Strengthening Reserves with Record Gold Purchases

- Central banks have consistently increased their gold holdings over the last decade, reflecting their responses to global economic uncertainties and monetary policies.

- According to the 2024 Central Bank Gold Reserves (CBGR) survey, 29% of central banks plan to increase their gold reserves within the next twelve months. This marks the highest level of intended reserve growth since the survey began in 2018.

- The People's Bank of China has been the world's largest single buyer of gold in 2023. Simultaneously, the central bank reduced its U.S. Treasury holdings.

Central Banks' Gold Demand

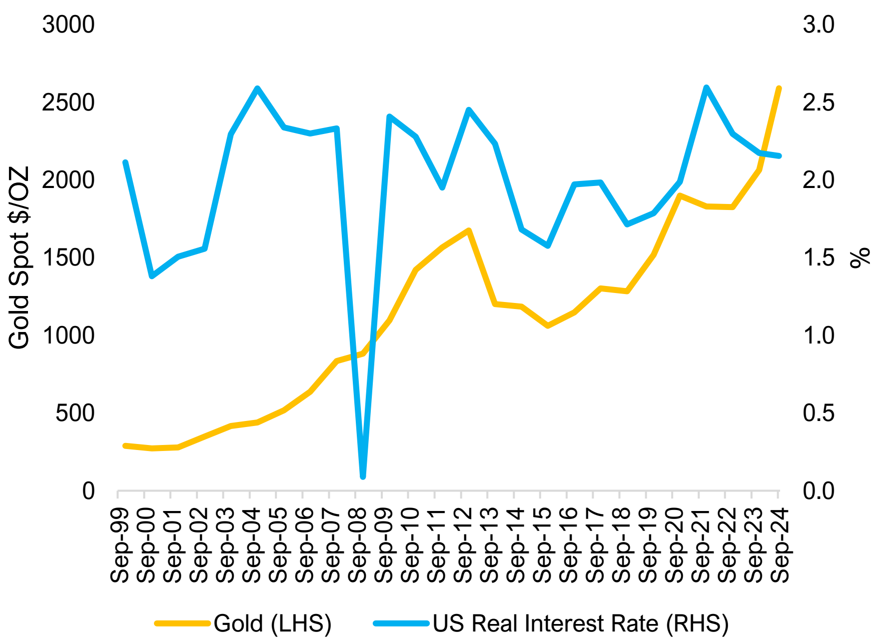


Source: World Gold Council, Metal Focus, Gold.org

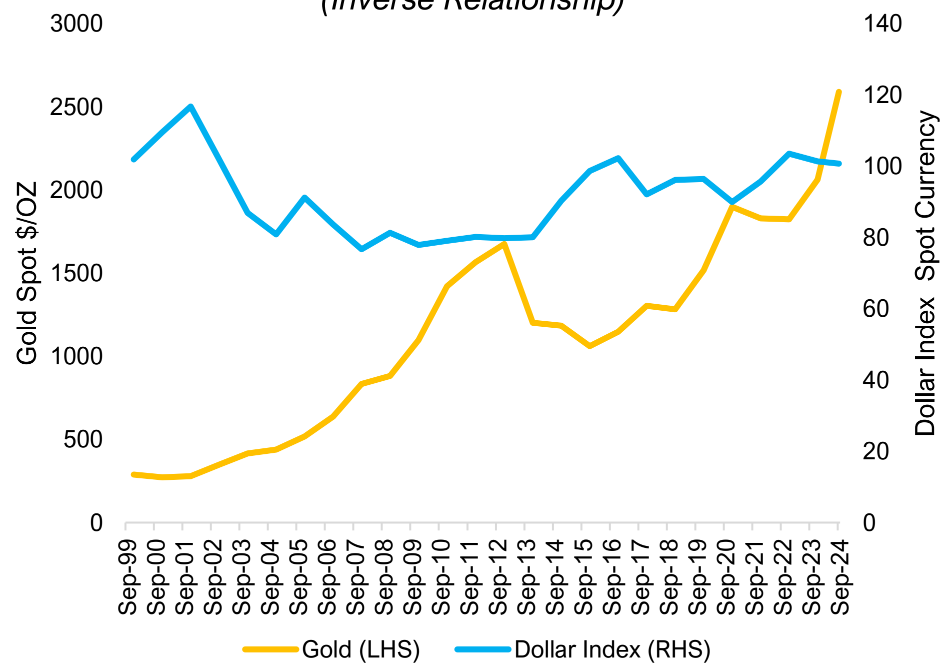
Gold's Resilience Amid Rising Rates and Fiscal Concerns

- Historically, gold prices have shown a strong inverse relationship with real interest rates and the dollar index.
- Despite rising rates, gold prices have stayed strong over the last 1-2 years due to increased central bank purchases and geopolitical uncertainties.
- Concerns around U.S. fiscal deterioration, sticky inflation, and weak economic data have further supported gold prices.

Gold Price vs US Real Interest Rate
(Inverse Relationship)



Gold Price vs Dollar Index
(Inverse Relationship)

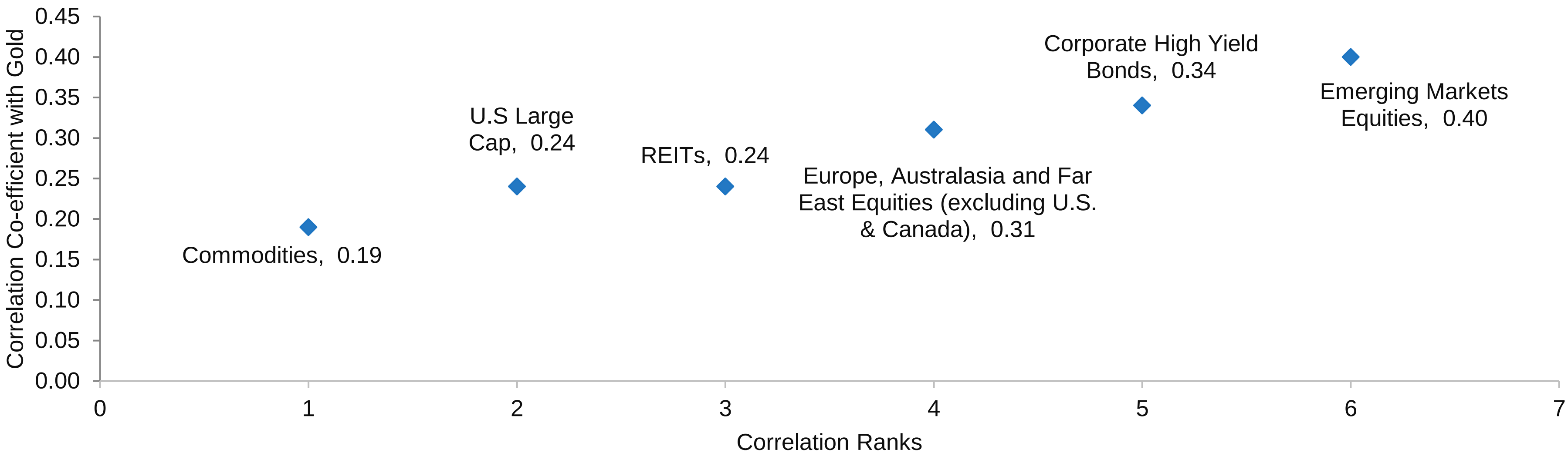


Source: Bloomberg
(Data as of 19th September 2024)

A Strategic Asset for Enhanced Diversification and Risk Mitigation

- Gold's low correlation with U.S. large-cap stocks (0.24) and developed international markets (EAFE: 0.31) effectively reduces portfolio risk, enhancing risk-adjusted returns.
- Gold's independent performance during equity market downturns provides a valuable cushion for investors, helping stabilize portfolios in challenging economic conditions.
- With a near-zero correlation to commodities (0.19) and moderate correlation to emerging markets (0.40), gold enhances overall portfolio diversification and improves risk management, strongly complementing various investment strategies.

Correlation of Gold with each asset class



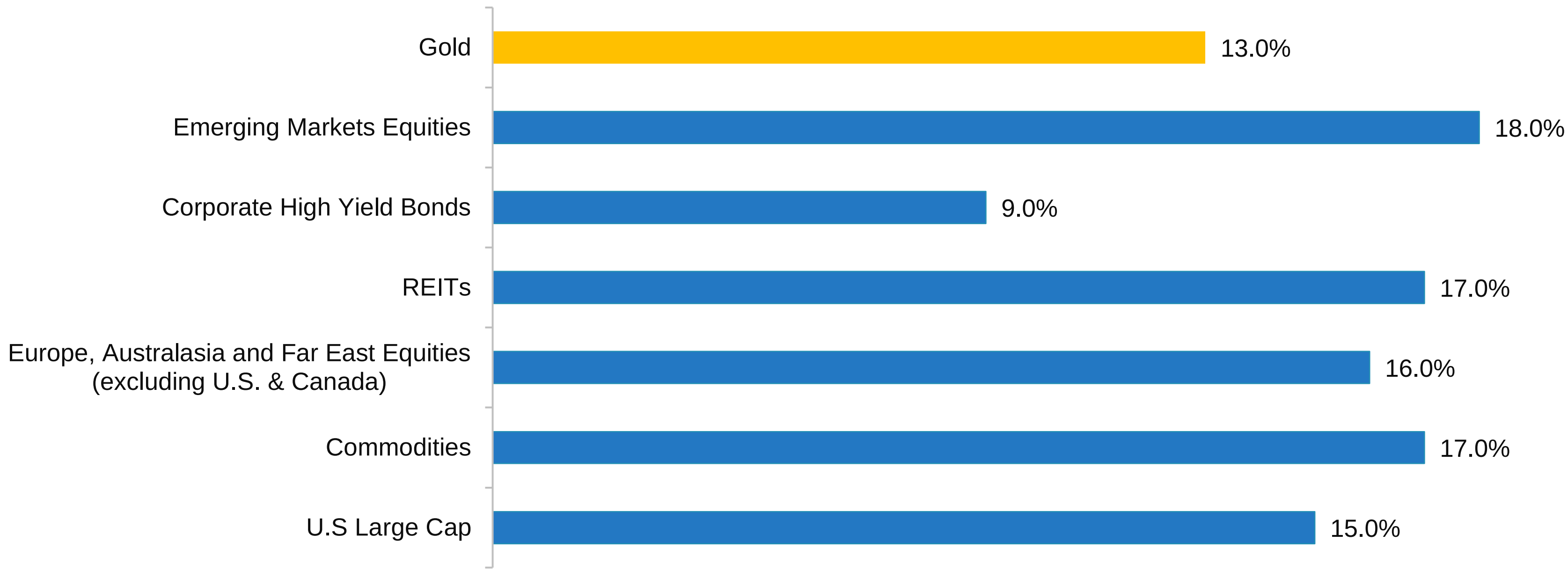
Note: All correlation coefficients are measured from 6/31/2013 to 6/30/2024. Indices used - Large Cap: S&P 500 Index, MSCI EAFE, EME- MSCI Emerging Markets; Corp HY ; Bloomberg Corporate High Yield , Bloomberg Commodity Index, REITs : NAREIT All Equity Index

Source: Bloomberg, J.P Morgan

Strategic Hedge and Stability Anchor in Volatile Markets

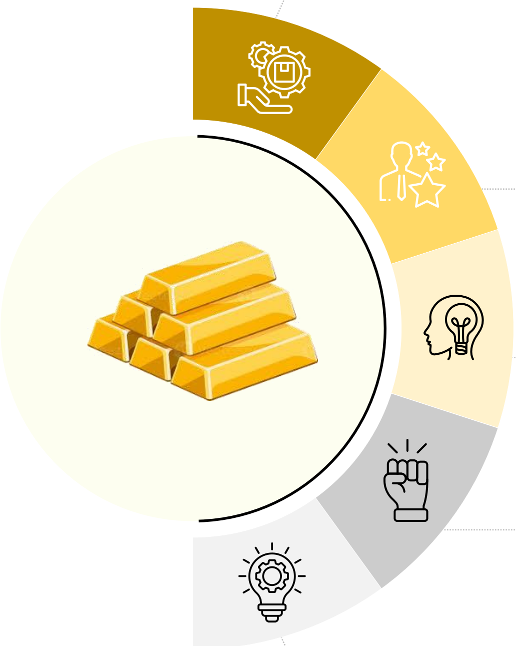
- Gold's annual volatility of 13% offers a favorable risk-return profile compared to higher-volatility assets like commodities (17%), emerging markets (18%), U.S. large-cap stocks (15%), and EAFE assets (16%).
- Historically viewed as a hedge against inflation, gold helps preserve purchasing power as inflation rises, making it a sought-after tangible asset during economic uncertainty.
- While bonds provide stability at 9% volatility with lower returns, gold combines moderate volatility with a strong return potential, appealing to investors seeking stability and growth

Annual volatility of different asset classes



Note: Annualized volatility is from 6/31/2013 to 6/30/2024. Indices used - Large Cap: S&P 500 Index, MSCI EAFE, EME- MSCI Emerging Markets; Corporate High Yield ; Bloomberg Corporate High Yield , Bloomberg Commodity Index, REITs : NAREIT All Equity Index
Source: Bloomberg, J.P Morgan

Sustained Demand and Growth amid Economic Uncertainty and Favorable Interest Rates



Interest Rate Outlook	▪ Anticipated rate cuts by central banks, particularly the Federal Reserve, could reduce the opportunity cost of holding gold. ▪ Lower rates typically make gold more attractive, as returns from other interest-bearing assets diminish, driving increased demand for gold as a store of value.
Central Bank Purchases	▪ Central banks are expected to maintain robust gold purchases, particularly from emerging markets. ▪ This trend is fueled by a desire to diversify reserves away from the U.S. dollar amid geopolitical instability.
Positive Investor Sentiment	▪ Ongoing geopolitical tensions continues to enhance gold's appeal as a safe-haven asset. This ongoing demand indicates potential for further price increase, reflecting gold's continued appeal across regions. ▪ Gold has performed well in 2024, rising by 25.53% year-to-date*, outpacing many other asset classes.
Strong Demand from Central Banks	▪ The World Gold Council notes that central banks, especially in Asia, continue to purchase gold as a strategic reserve asset. ▪ In 2023, gold was one of the best-performing assets in emerging markets like China driven by weak consumer confidence and growth concerns.
Catalyst for Continued Growth	▪ The outlook for gold may hinge on the emergence of a catalyst, such as falling interest rates or heightened geopolitical risks, which could sustain momentum and attract further investment.

*(*Data as of 19th September 2024)*

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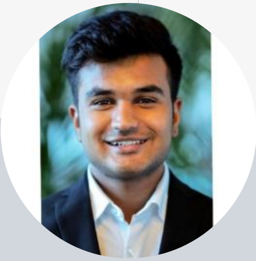

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