TIM
UNDERWOOD

Newsletter – September 2025

The price of gold rose to over US$4,000 per oz. at the start of October 2025. Breaking convincingly above US$2,000 in February 2024 we have held gold in portfolios since well before that date so the returns have been very good. We also had a large allocation to gold, not a timid 2-3%.

Typically fund managers and advisors do not own gold in a global portfolio but instead invest in a mixture of shares and bonds. The classic asset allocation has been 60% in shares and 40% in bonds. However just recently the major US investment firm Morgan Stanley, with US$1.5 trillion under management, stated that asset allocation should be 60% shares, 20% bonds and 20% gold. (We were 3 years ahead of Morgan Stanley!) If they, and other investment firms, do allocate 20% of assets to gold, the price will surge, as there is a limited supply and it cannot be suddenly created.

Some people might think the gold price has moved up too fast and it is a "bubble", however the price was flat lining just below $ 2,000 for several years. In 2011 it reached $ 1,770 before falling back and creating a long basing period. It does not move up in a regular and set amount each year, but has periods of flat lining followed by periods of significant gains. The latter is what we now see. The leading buyers are central banks around the world while retail investors have largely ignored gold and been directed to shares, for example technology companies.

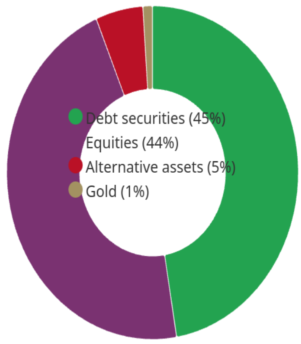
Consider valuation and size!

The leader in the technology sector is the Artificial Intelligence company Nvidia, which currently trades on a price earning (PE) ratio of 50, while the largest gold mining company, Newmont Mining, has its shares trading on a PE of 15, meaning it is significantly cheaper on a price and earning valuation. Then look at the size. Nvidia has a market cap of $ 4400 billion while Newmont is at 93 billion. The difference in scale is huge so a small shift in assets from AI companies to gold miners could have a significant impact on the valuations of the latter.

At the moment most retail investors do not hold a significant amount of gold.

The World Gold Council estimates that gold (including physical bullion, coins, and ETFs) represents about 1% of global financial assets. This suggests that for the average investor, gold is a minor allocation, if held at all.

Of the US$266tn invested in global financial assets, only 1% is currently invested in gold*



*Estimates include the global market capitalisation of all publicly traded stocks as at end 2022; the total value of outstanding debt securities as at Q2 2022; the assets under management of alternative assets as at end 2021; and investment holdings of gold bullion as at end 2022. Central bank holdings of gold and bonds were excluded.
Source: BIS, ICE Benchmark Administration, Metals Focus, Preqin, Thomson Reuters GFMS, World Federation of Exchanges, World Gold Council

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If investors want to make a meaningful investment in gold, I suspect it is only going to get more expensive if they wait, given the structure of the gold market and the current global and economic policies of Governments.

See April 2024 Newsletter for an interesting technical gold chart.

https://timunderwood.com/wp-content/uploads/2024/06/2024-April-Report.pdf

As to Nvidia's PE it is based on its earnings, which are sales less costs. Another measure of valuation is the share price to sales which I wrote about in the August 2023 newsletter. It is still very, very high today! See

https://timunderwood.com/wp-content/uploads/2023/09/2023Aug-Report.pdf

Gold is different.

Best wishes

Tim Underwood 14 October 2025