NUGG VanEck Gold Bullion ETF

GDX VanEck Gold Miners ETF

Gold investing: The portfolio standard

Gold has been used to store and grow wealth for centuries. Gold gave rise to the concept of currency and its popularity continues among investors today with gold being one of the most traded asset classes in the world. Investors favour gold because:

- It holds intrinsic value
- It's considered a "safe haven" in times of market turmoil
- It's been used as a hedge for both deflationary and inflationary environments
- It carries no liabilities and no counterparty risk
- When confidence erodes in the world's reserve currencies, investors often turn to gold

A history of gold

The Egyptians, around 6,000 years ago, were the first to smelt gold. It was a feature of their adornments, think King Tutankhamen's funeral mask. Some of the techniques Egyptians used to craft jewellery are still used today.

During the Bronze Age (~3,300 BC to ~1,200BC) gold started to be used in commerce as a currency.

In 560 BC, the first minted gold coins were produced in Lydia, a Kingdom of Asia Minor[1].

Over time countries tied their currency to the amount of gold they physically held. This was called the gold standard. Great Britain was the first to do this and because of their economic might during the reign of Queen Anne other countries soon followed suit. By the 19th Century all major countries other than China used the gold standard.

During the outbreak of World War 1, Britain abandoned the gold standard when Treasury notes were issued. The immediate impact was inflation and in 1925 Great Britain resumed the gold standard. This didn't last long. The Great Depression forced countries to abandon the standard again.

In 1944 the Bretton Woods system, similar to the gold standard, was established to assist with trade. Again, its existence was short lived as growing public debt incurred by the war in Vietnam, dwindling gold reserves, increased social welfare and inflation prompted President Nixon to undertake a series of economic measures, including temporarily floating the currency, which became known as the Nixon Shock.

Within a few years a number of other countries, including Japan, had floated their currencies. The end of the Bretton Wood system was ratified by the Jamaica Accords in 1976.

By the early 1980s, all industrialised nations had floated their currencies.

Today gold is one of the most traded asset classes in the world. According to the World Gold Council[2], "Gold ranks higher than all European sovereign debt markets and trails only US Treasuries and Japanese government bonds." For investors, gold has been seen as a safe haven for portfolios.

1. Katz, J and Holmes, F (2008). The Goldwatcher: Demystifying Gold Investing Wiley, New York.
2. World Gold Council (2022). Liquidity in the global gold market.

A golden opportunity

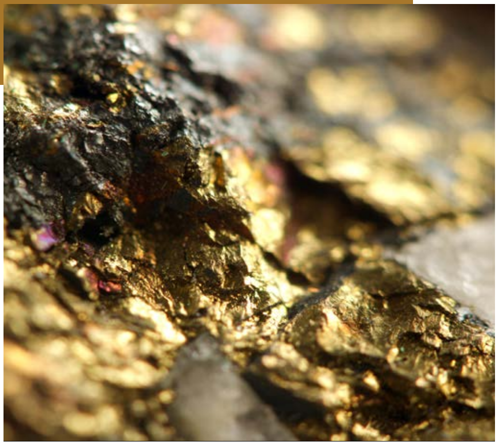
As an asset class, gold is unique. The economic forces that determine the price of gold are different from the economic forces that determine the price of many other asset classes such as equities, bonds or property. For example, the supply and demand of gold is impacted by the global supply and demand for both gold jewellery and certain electronics and medical equipment that are manufactured using gold.

Similarly, because gold is a currency, its price does not behave like other commodities and the performance of gold mining companies (known as gold equities) do not behave like other mining companies.

This means an investment in gold bullion or gold equities offers important portfolio diversification. In addition, because gold is a currency and holds intrinsic value, it can provide protection during periods of inflation.

The gold experts

VanEck has a long-standing and deep heritage of investing in gold and is recognised as a global leader in gold investing, having provided access to this opportunity for more than 50 years. VanEck launched the first gold equities fund and the first gold miners ETF, **VanEck Gold Miners ETF** (GDX), in the US. GDX is now the largest gold equities ETF in the world.



Investing in gold bullion versus gold miners

Offering different characteristics and benefits, there is room for both physical gold and listed gold mining companies in your portfolio.

Gold miners tend to outperform gold bullion when the price rises, and underperform if the gold price falls. Gold mining companies are also generally well-positioned to deliver profits and tend to be the preferred way to gain exposure to gold by income-seeking investors. Gold bullion tends to have a lower volatility profile compared to gold mining companies in both bull and bear markets, offering return potential and defensive characteristics. Below we outline the risks of each type of exposure to gold, owning gold bullion and owning gold miners.

Differences between gold bullion and gold miners

	Gold bullion	Gold miners
Insurance costs	Gold must be insured, as it can be stolen.	None
Storage costs	Gold bullion has to be vaulted in a safe location.	None
Currency risks	The value of gold is priced in relation to the US dollar, therefore monetary and fiscal policies are a major contributor to the fluctuation in currencies and therefore gold.	Miners are able to hedge their cash flows, thus mitigating the risks of currency movements.
Supply constrained / exploration	Mine output is dropping and ore grades are getting lower and lower.	Some miners are mining existing deposits. Some also explore and they may find gold, or there may be no gold. It might also be uneconomical to mine the discovered deposit. This is a risk of owning miners. It is worth noting that the rate of finding new gold deposits has been falling, therefore supply of new gold is finite supporting the share price of miners currently mining high grade gold.
Artificial ownership risks	High – There is more 'paper' gold than physical gold and these artificial securities, owned by banks and hedge funds, can distort the price of physical gold.	Low
Income	None	Miners generally pay dividends to investors.
Management risks	Not applicable	Like owning any publicly traded company, the quality of management is a risk of owning gold miners.
Correlation to equity markets	Low	Higher than bullion, especially during an equity market downturn.
Regulatory risks	None	Miners are subject to the rules and regulations of the country of the location of their mines and of the country they are listed in.
Geopolitical risks	The price of gold may rise if investors are uncertain about geopolitical issues affecting global markets.	The price of gold miners may rise if investors are uncertain, however, they may also fall, especially if the geopolitical risk directly affects the gold miner or its mines.

Gold: the portfolio standard

Gold has a history of holding its value in times of financial or political uncertainty when the values of other assets fall.

Gold mining companies hold vast resources of gold locked in the ground that only they have the technology and skills to extract and bring to market.

VanEck offers two exposures to gold:

Gold bullion, via the VanEck Gold Bullion ETF (NUGG)
Gold miners, via the VanEck Gold Miners ETF (GDX)

NUGG offers

Australia's premium gold bullion ETF
Backed by physical Australian origin gold bullion bars. Bought and sold on the ASX. Redeemable at an Australian vault.

The lustre of the yellow metal
Gold is used as a store of value throughout the world and NUGG's gold is only sourced from Australian gold producers whose operations adheres to the LBMA Responsible Gold Guidance.

Portfolio risk management
When confidence erodes in the world's reserve currencies or when there is extreme volatility in markets, investors turn to gold and the convenience of gold ETFs.

ASX code	NUGG
ASX commencement	7 December 2022
Management fees	0.25% p.a.*
Objective	NUGG gives investors an investment in Australian sourced gold.
Gold storage	Gold bullion will be held by The Perth Mint with a registered gold bar list published daily.

GDX offers

Access the power of gold miners
Gold mining companies' fortunes are inextricably linked to the price of gold bullion.

Portfolio risk management
The gold mining sector has historically benefited during periods of extreme volatility in financial markets and has been used to provide a hedge to inflation.

Global diversification
Access a portfolio of global large to mid-sized gold mining companies with one trade on ASX.

ASX code	GDX
ASX commencement	26 June 2015
Management fees	0.53% p.a.*
Objective	GDX gives investors exposure to a diversified portfolio of companies involved in the gold mining industry.
Approximate stock number	50

Key risks An investment in NUGG or GDX carries investment risk. These risks vary depending on the fund and may include gold pricing risk, currency risk, custody risk, Australian origin gold bullion risk, ASX trading time differences, financial markets generally, individual company management, industry sectors, country or sector concentration, political, regulatory and tax risks, fund operations and tracking an index. See the PDSs for details on risks.

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*Other costs may apply. Please refer to the PDS.