



THE CASE FOR PHYSICAL GOLD

While gold has already been in high demand this year reaching levels not seen since 2012, reports on June 30th that 83 tons of gold have gone missing from the Kingold reserves has fuelled a new wave of speculation as to gold's price trajectory. Beyond this news that could support gold's valuation, solid fundamentals could justify extended gains on the XAU in the months to come. Indeed, COVID-19 triggered a risk-off period, but this upward trend – and main upside performance drivers in 2018 and 2019 – were strengthened at the start of the year by:

- ▶ Ongoing accommodative central bank monetary policies, curve flattening and the low interest rate environment
- ▶ The dynamics of gold reserves
- ▶ A looming slowdown period

Following the massive interventions by central banks during the COVID crisis and its long-term repercussions, we have entered a second cycle of accommodative monetary policy. The effect of these policies on inflation expectations, the flattening of yield curves, and the compression of interest rate differentials are key explanatory factors for the strengthening of gold.

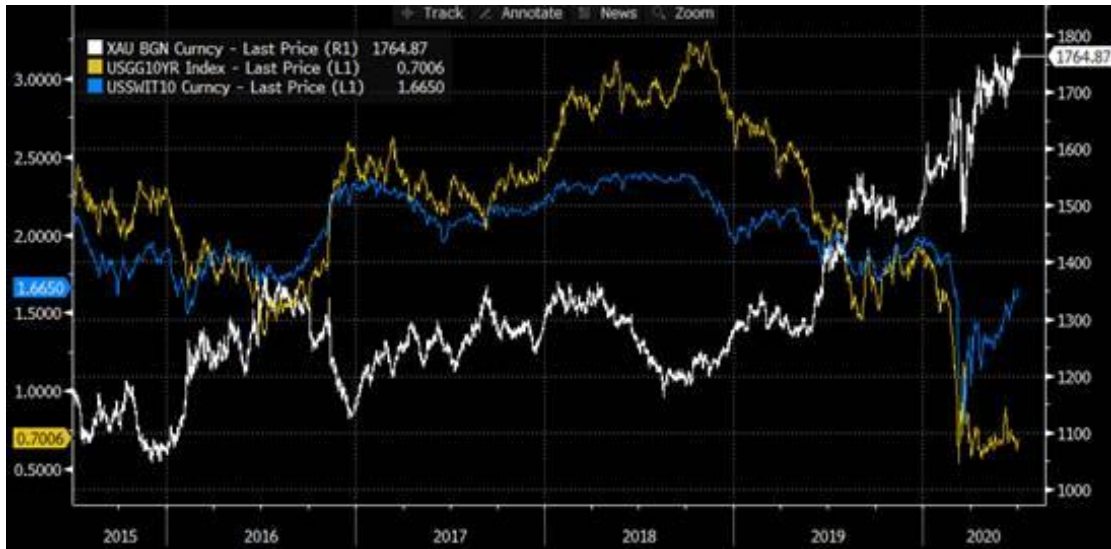
CORRELATION OF GOLD WITH INFLATION RATES AND EXPECTATIONS

In addition, central banks also seem to be changing their attitude towards gold reserves. Only China and Russia have massively increased their reserves in recent years. But a recent study by the World Gold Council shows that gold's ability to withstand crisis periods has increased Central Bank's appetite for the precious metal. Balance sheet expansion still yet to come should strengthen demand and inflows even further.

Finally, in times of market stress, gold maintains its status as a hedge against economic shocks: despite the rapid rebound in equity markets in Q2 2020, the last 10 years of market growth has kept gold prices high. The looming contraction, or at least slowdown, suggests that gold should benefit in such conditions. Looking at the rest of 2020, Brexit and the US elections are among the key events that could rattle market sentiment and revive periods of stress.



GOLD (XAU) VERSUS US 10Y TREASURIES & 10Y INFLATION EXPECTATIONS



Source: Bloomberg, data as at 30.06.2020. Performance data are related to the past. Past performance and volatility is no guarantee of future performance and volatility which may change over time, and can be separately affected by fluctuating exchange rates.

OUR OFFER

Our EDR Physical Gold Fund, a fund registered in Switzerland, offers a physical gold tracker which replicates the performance of gold in USD, CHF and EUR with a low tracking error (via hedged share class). The Gold is held in a bank vault in an Edmond de Rothschild building, formerly the headquarters of the SNB in Geneva. Subscriptions / redemptions can be made in currency (USD, EUR, CHF) or in physical gold directly.

2019 performance* of the USD I share: + 17.87% vs + 18.35% for the XAUUSD

2020 performance* of the USD I share: + 29.54% vs + 29.69% for XAUUSD (at 31/08/2020)

Performance since inception* (15/12/2014) of the USD I share: 58.69%

* Source: Edmond de Rothschild (Suisse) SA. Performance data are related to the past. Past performance and volatility is no guarantee of future performance and volatility which may change over time, and can be separately affected by fluctuating exchange rates. Performance data does not take into account the fees and charges received when issuing and redeeming units.



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The Prospectus, KIIDs, the fund contract, annual and interim reports, can be obtained, free of charge upon request, from Edmond de Rothschild (Suisse) S.A.; rue de Hesse 18 ; 1204 Geneva or from the Management Company, CACEIS (Switzerland) S.A. Route de Signy 35, CH 1260 Nyon, Switzerland.

The subscription forms can be obtained free of charge upon request, from the Custodian, CACEIS Bank, Paris, succursale de Nyon/Suisse. Route de Signy 35, CH 1260 Nyon.

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