Gold vs. Common Stocks

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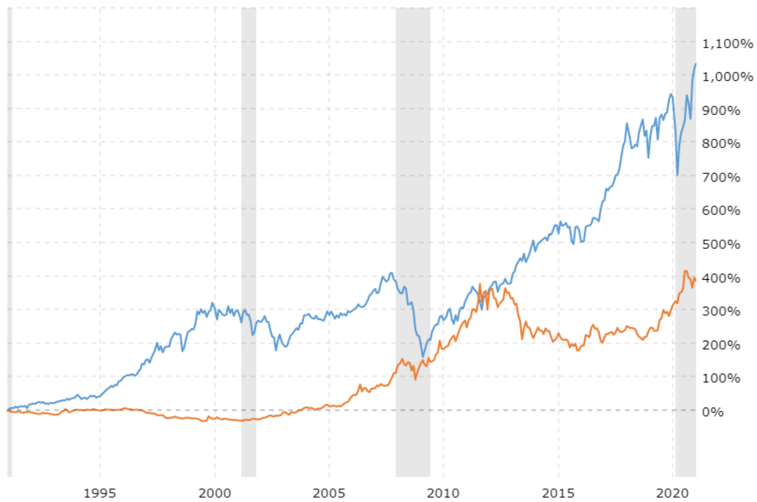
Even though we focus on managing diversified portfolios of growth stocks, clients sometimes ask us whether an investment in gold would complement or detract from their stock portfolio. While the historical comparisons of gold vs. the stock market (DJIA) favor stock investments over the past thirty years, by a wide margin as you can see in the chart below, there are other factors that investors should consider if they are planning to make a major investment in gold.



Source: Macrotrends *DJIA in Blue; Gold in Orange*

The first factor is that gold is a single commodity that lacks an important characteristic of a viable long term investment strategy: diversification. Investors desiring to participate in an expected rally in commodities such as metals, should consider a managed portfolio of metals such as an exchange-traded fund that is diversified among different metals rather than betting on just one commodity.

The second factor is that gold's value is based on supply and demand. A portfolio of stocks can produce dividends that systematically increase an initial investment. Stock portfolios can be designed to achieve a variety of objectives; there is only one objective for gold—appreciation.

The third factor is that advertisements to put gold in your savings and/or retirement accounts are paid for by firms that make a profit from selling gold in the form of bars or coins. Notice that there are few, if any, advertisements to buy individual stocks. The marketing and sales of gold and related products as an investment is not regulated. Acting in the best interests of an investor is a characteristic of a registered investment advisor such as Victoria Capital. There is no such requirement for advertising or selling gold investments.

They say if something sounds too good to be true, it probably is.