6 June 2025

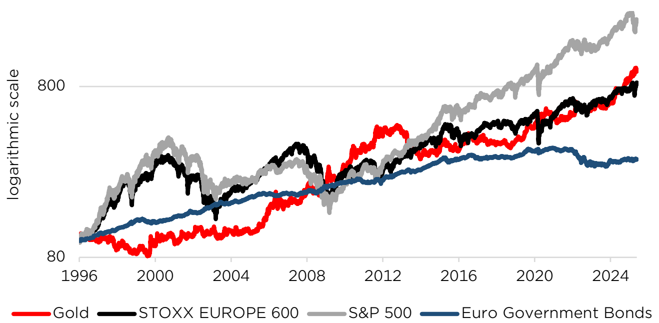
Gold: More Glitter than Substance, or Essential for Every Portfolio?

Hardly any asset class evokes such strong emotions as gold and divides the investment community into two camps. For some, the precious metal is a symbol of wealth and security. For others, gold is merely an overrated metal with no ongoing returns. However, since emotions and "perceived truths" are rarely good advisors on the stock market, we take a data-driven look at the question of whether gold belongs in a portfolio or not. To do this, we examine five myths surrounding gold as an asset class:

Myth 1: Gold generates no returns and is therefore useless.

Indeed, unlike stocks or bonds, gold does not pay dividends or interest. But are investors compensated by an attractive appreciation in the value of the precious metal? To answer this question, we compare the historical performance of gold with broadly diversified equity and bond indices.

Performance of various asset classes (in EUR)

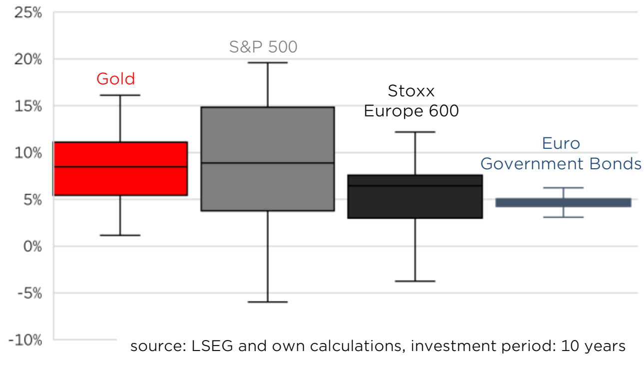


source: LSEG

In our comparison since 1996, the S&P 500 Index takes first place with an annual return of 10.1 percent. Gold (7.8 percent p.a.) already ranks ahead of the European stock market index Stoxx Europe 600 (7.2 percent p.a.). As expected, government bonds from the Eurozone achieve a lower annual return (3.6 percent p.a.). This comparison includes dividend and interest income and is based on the perspective of a euro-based investor.

Of course, the entry point has a significant impact on performance. For example, if we had chosen the global financial crisis as the starting point, gold would have achieved a better return than the US stock market index. The situation is exactly the opposite if we had started around the year 2012. To take this effect into account, we calculated all possible returns for an investor with a ten-year investment horizon and illustrated them in a box plot. Looking at the average annual returns, the gap between the S&P 500 Index (8.9 percent) and gold (8.5 percent) narrows. The Stoxx Europe 600 (6.4 percent) and government bonds from the Eurozone (4.7 percent) appear less attractive in terms of returns (period: 1996 to 2025).

Boxplots: annual returns of various asset classes

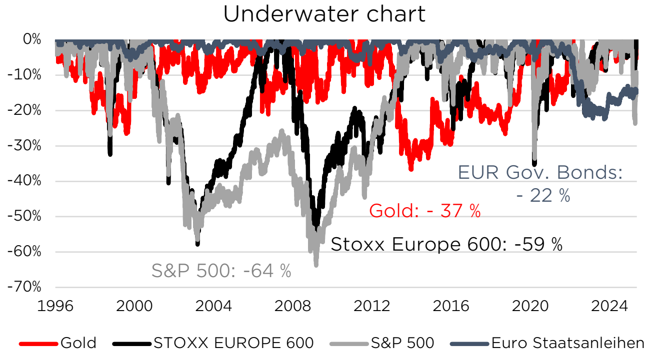


source: LSEG and own calculations, investment period: 10 years

Conclusion: Although gold does not pay ongoing returns such as dividends or interest, it has historically achieved attractive capital appreciation.

Myth 2: Gold is a safe investment.

As can be clearly seen in the previous two charts – and as is hardly surprising – the price of gold fluctuates. Therefore, unlike a savings account, gold as an asset class is not "safe." However, the question arises whether gold might be "safer" than equity indices or even bond indices. To answer this, it is worth taking another look at the box plots above. These not only show the average annual returns over a 10-year investment horizon, but also the range of returns. In this context, one advantage of gold over the S&P 500 becomes apparent. The gap between the best and worst annual return is smaller for gold, at 15 percentage points, compared to nearly 26 percentage points for the S&P 500. While a particularly fortunate S&P 500 investor could enjoy an annual return of 19.6 percent, in the worst case, the annual return would have been minus six percent. A gold investor, on the other hand, would have achieved a maximum annual return of 16.1 percent, which is somewhat lower, but even in the worst-case scenario, would still have seen an annual increase of 1.1 percent. Although government bonds did not stand out in terms of returns, their comparatively small gap between maximum and minimum annual returns highlights their lower risk, making them particularly attractive for risk-averse investors.



source: LSEG and own calculations

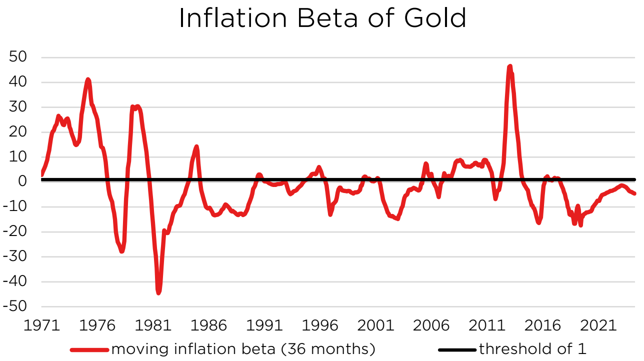
Another tool we use to assess risk is the underwater chart and the maximum drawdown. The latter measures the maximum hypothetical loss an investor would have experienced with the worst possible timing. Here, investors in the US stock market index (-64 percent) and its European counterpart (-59 percent) suffered the largest hypothetical losses during the global financial crisis. The gold price came under pressure starting in 2012, but its maximum drawdown was lower at 37 percent. The main reasons for the correction in the gold price were, on the one hand, decreasing crisis anxiety (as uncertainty due to the euro crisis subsided), and on the other hand, rising real interest rates, which made gold as a non-yielding asset class relatively less attractive.

Conclusion: Gold, like stocks or bonds, is subject to price fluctuations. The main influencing factors include real interest rates and the degree of economic as well as (geo)political uncertainty.

Myth 3: Gold protects against inflation.

For investors, it is not just the isolated return and risk characteristics of individual asset classes that matter, but rather how they interact within a portfolio. For example, the historic declines in bond markets in 2022 put significant pressure on bond portfolios. At that time, a stabilizing element in the portfolio would have been desirable. Did gold fulfill this role?

To make a reliable statement about gold's inflation protection, we calculated gold's inflation beta[1]. This widely used metric measures the sensitivity of the gold price to changes in inflation. For example, an inflation beta of two means that if inflation rises by one percent, the gold price increases on average by two percent.



source: LSEG and own calculations

Ideally, gold's inflation beta is above one. In other words, the gold price moves more strongly than inflation and thus provides protection against real losses in value in an environment of rising prices. However, a look at the past shows that gold's rolling inflation beta has fluctuated significantly, meaning the precious metal has not always provided inflation protection in every phase.

Another approach to estimating inflation protection is to look at inflation-adjusted returns – the difference between the return of an asset class and the inflation rate. The higher the excess return, the greater the degree of inflation protection. An example illustrates the idea: if the price level rises by two percent within a year, a return of

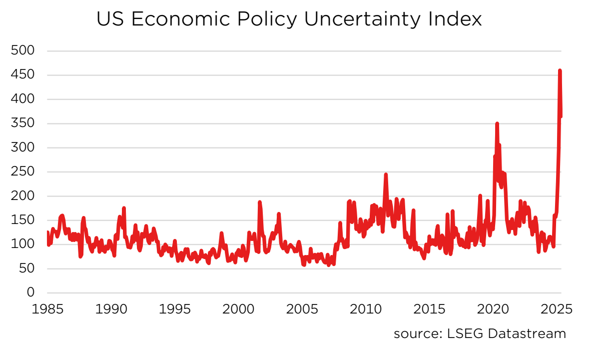
[1] The inflation beta is the slope coefficient of the linear regression equation in which gold returns are regressed on the inflation rate. To account for seasonal effects, we use year-over-year percentage changes.

at least two percent is necessary to avoid a real loss in value. Gold does not fully convince in this analysis either. While gold's average inflation-adjusted return over a one-year investment horizon is four percent – suggesting some inflation protection – the average excess returns of the two equity indices, S&P 500 (10.3 percent) and Stoxx Europe 600 (7.8 percent), are higher. Furthermore, looking at the distribution of gold's excess returns over inflation shows that the historical risk of a real loss in value for gold is higher compared to the S&P 500, Stoxx Europe 600, and Eurozone government bonds.

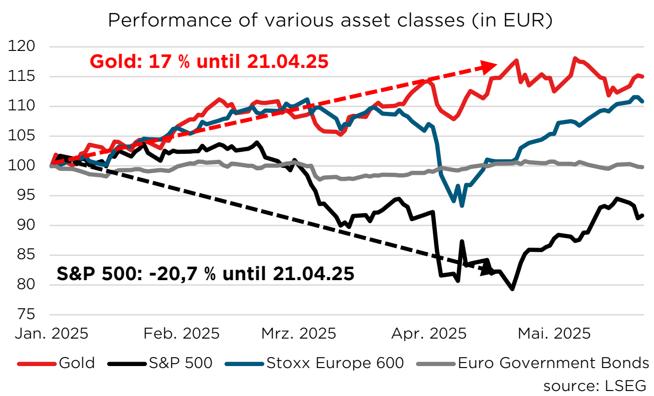
Conclusion: There have been periods in which the gold price has risen more than the price level. However, historically, this relationship has not always held or has only been weak at times.

Myth 4: Gold is a crisis currency.

When bond prices come under pressure during periods of rising inflation and increasing interest rates, it is typically equities that lose value in times of high uncertainty. This raises the question of whether gold is suitable as a stabilizer for a portfolio in such an environment.



Indeed, the precious metal has experienced increased demand and price appreciation during times of economic or (geo)political crises. This crisis protection can be clearly observed in the current year. While stock market indices such as the S&P 500 lost significant value following Donald Trump's announcement of reciprocal tariffs, gold gained considerably in value.



Conclusion: Gold has fulfilled its function as a "safe haven." In this context, gold has a stabilizing effect on the portfolio and improves the return/risk profile.

Myth 5: Gold is only accessible to wealthy investors.

When people think of gold, they often imagine gold bullions stored in vaults. This comes with storage and insurance costs, which reduce the return potential for small investment amounts and make gold seem interesting only for wealthier investors. Nowadays, however, investors can participate directly in the price development of the shiny metal through gold ETCs. Indirectly, gold's performance can also be reflected through gold mining stocks. Of course, their price development depends on the price of gold, but they are also subject to general stock market fluctuations. Those who prefer to invest in physical gold but only have a small budget and want to benefit from the cost-average effect can purchase fractions of physical gold via savings plans offered by specialized providers. The clever part: as soon as a full ounce of gold has been "saved up," it can be picked up or continue to be stored by the provider.

Conclusion: Access to gold is possible not only through physical purchases, but also through financial instruments. Buying fractions is also an option.

What is our conclusion?

Compared to other asset classes such as equities or bonds, gold has not only offered an attractive risk-return profile historically, but has also proven its strengths as a stabilizer in a portfolio, especially during times of high uncertainty. Including gold in a portfolio therefore makes sense. However, the proportion of gold in a portfolio is highly individual and depends particularly on one's risk appetite.

Simon Landt

Market data

Stock marktes	As of 06.06.2025 09:54	Change versus 30.05.2025 -1 week	05.05.2025 -1 month	05.03.2025 -3 months	05.06.2024 -1 year	31.12.2024 YTD
Dow Jones	42320	0,1%	2,7%	-1,6%	9,1%	-0,5%
S&P 500	5971	1,0%	5,7%	2,2%	11,5%	1,5%
Nasdaq	19298	1,0%	8,1%	4,0%	12,3%	-0,1%
DAX	24236	1,0%	3,8%	5,0%	30,5%	21,7%
MDAX	31044	1,5%	4,8%	4,3%	15,1%	21,3%
TecDAX	3938	2,4%	5,2%	2,7%	15,3%	15,2%
EuroStoxx 50	5398	0,6%	2,2%	-1,7%	7,2%	10,3%
Stoxx 50	4566	0,8%	1,9%	-3,6%	0,8%	6,0%
SMI (Swiss Market Index)	12339	0,9%	0,9%	-5,9%	1,6%	6,4%
Nikkei 225	37742	-0,6%	2,5%	0,9%	-1,9%	-5,4%
Brasilien BOVESPA	136236	-0,6%	2,1%	10,7%	12,2%	13,3%
Indien BSE 30	82113	0,8%	1,6%	11,4%	10,4%	5,1%
China CSI 300	3874	0,9%	2,7%	-0,7%	7,8%	-1,5%
MSCI Welt	3890	0,7%	4,9%	3,0%	11,7%	4,9%
MSCI Emerging Markets	1183	2,2%	3,8%	6,0%	11,3%	10,0%
Bond markets						
Bund-Future	130,34	-87	-72	129	-36	-310
Bobl-Future	118,61	-53	-63	240	200	75
Schatz-Future	107,20	-15	-25	69	207	21
3 Monats Euribor	1,96	-4	-19	-54	-179	-75
3M Euribor Future, Dec 2025	1,81	6	11	-33	-93	-9
3 Monats $ Libor	4,44	8	11	9	-107	7
Fed Funds Future, Dec 2025	3,84	5		19	-25	-7
10 year US Treasuries	4,38	0	4	9	9	-19
10 year Bunds	2,54	3	2	-22	6	18
10 year JGB	1,46	-4	22	2	46	37
10 year Swiss Government	0,29	3	-11	-36	-54	1
US Treas 10Y Performance	611,79	0,0%	0,0%	0,3%	3,4%	3,4%
Bund 10Y Performance	560,28	-0,6%	-0,4%	2,3%	1,8%	-0,8%
REX Performance Index	460,12	0,1%	0,3%	2,1%	4,5%	1,6%
IBOXX AA, €	3,12	11	4	-10	-32	8
IBOXX BBB, €	3,50	7	-4	-11	-50	4
ML US High Yield	7,69	-1	-26	26	-35	4
Commodities						
MG Base Metal Index	422,32	1,8%	3,2%	-1,1%	-4,4%	4,1%
Crude oil Brent	64,94	1,6%	5,8%	-6,8%	-16,1%	-13,1%
Gold	3354,98	2,1%	1,3%	14,8%	42,6%	27,8%
Silver	32,54	0,0%	0,8%	0,0%	8,8%	9,6%
Aluminium	2470,29	1,3%	2,6%	-7,3%	-3,9%	-2,2%
Copper	9832,65	3,0%	4,8%	2,6%	0,3%	13,6%
Iron ore	95,70	-3,5%	-1,8%	-5,0%	-10,6%	-7,6%
Freight rates Baltic Dry Index	1626	14,7%	14,4%	32,4%	-12,2%	63,1%
Currencies						
EUR/ USD	1,1428	0,8%	0,7%	6,9%	5,1%	10,0%
EUR/ GBP	0,8435	0,2%	-1,0%	0,8%	-1,0%	2,0%
EUR/ JPY	164,37	0,9%	0,7%	2,7%	-3,2%	0,8%
EUR/ CHF	0,9376	0,4%	0,4%	-1,5%	-3,4%	-0,4%
USD/ CNY	7,1847	-0,2%	-1,1%	-0,7%	-0,9%	-1,7%
USD/ JPY	143,55	-0,4%	-0,1%	-3,6%	-8,1%	-8,7%
USD/ GBP	0,74	-0,4%	-1,8%	-5,0%	-5,8%	-7,5%

Source: LSEG Datastream

Carsten Klude
+49 40 3282-2572
cklude@mmwarburg.com

Dr. Rebekka Haller
+49 40 3282-2452
rhaller@mmwarburg.com

Martin Hasse
+49 40 3282-2411
mhasse@mmwarburg.com

Dr. Christian Jasperneite
+49 40 3282-2439
cjasperneite@mmwarburg.com

Simon Landt
+49 40 3282-2401
mlandt@mmwarburg.com

Jan Mooren
+49 40 3282-2132
jmooren@mmwarburg.com