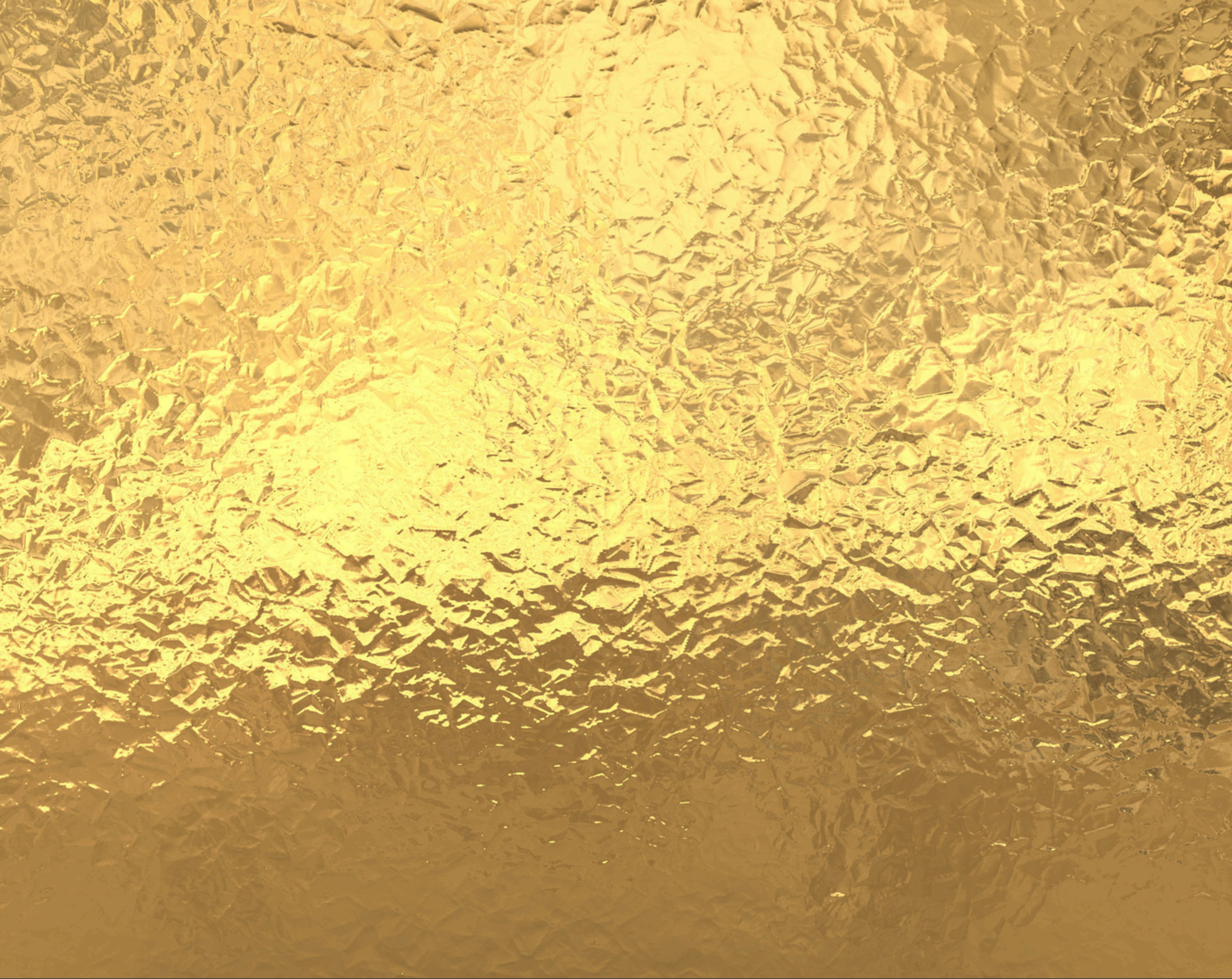

The Gold Narrative

Unio Investments

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The Marmite Metal

There are few assets like gold. The vast majority of investors do not hold it, nor do they have a sense of how its price behaves. However, there are others who are passionate about gold and hold large quantities of it in their portfolios.

Finance theory suggests investors should hold up to 2% of gold in a portfolio, but our experience is that, in practice, either the vast majority of investors hold close to 0%, or a very small number of them have close to 10% in portfolios.

To that end, gold is a 'Marmite' asset class because, like the Marmite spread, you either love it or hate it.

It was once common to challenge graduates in interviews by asking them to explain the drivers of the gold price. Now, that question is more likely to focus on the drivers of Bitcoin. Bitcoin's architects likely wanted it to behave like digital gold, but instead, it seems to trade like digital Nasdaq futures on steroids.

> The gold price has perhaps three drivers: the role of gold as a monetary variable, the effects of commodity or physical demand, and its role as a store of value in times of crisis.

Typically, gold as a 'rival' for paper money is driven by changes in the monetary environment - namely, the value of the dollar and medium-term interest rates.

For example, from the early 2000s onwards, the price of gold has moved inversely with the inflation-adjusted yield on ten-year U.S. bonds (rising bond yields tend to be bad for gold).

Based on the rates market alone, gold's fair value appears to be slightly north of USD 2,500. However, in 2022 an unusual dynamic emerged: inflation-adjusted bond yields rose, yet gold continued to climb and has not stopped since.

The strength of the gold price is curious because, in many quarters, demand for gold has been muted.

According to the Banque de France, demand for gold is made up of jewellery (49%), central banks (23%), financial investors (21%), and the electronics sector (7%).

The Gold Narrative

In the past two years, Chinese and Indian households have been buying more gold, and before that, emerging economy central banks—notably Russia and South Africa—had been buyers, most probably to diversify out of dollars and euros given the risk of sanctions and asset confiscation.

Financial holders of gold, exchange-traded funds (ETFs), have not been heavy buyers. Overall, though, commercial and financial demand for gold has not been dramatically strong in the past eighteen months.

That still leaves a big chunk of gold's outperformance unexplained. There are likely two factors at play.

The first is technical. In the first six months of 2025, there was a short squeeze in the gold market, which meant that a lot of financial actors (bullion banks and speculators) had short positions in gold (hoping that the price would go down) and now have to buy gold to cover loss-making positions.

This short squeeze was exacerbated by a spike in demand for physical gold because of fears of tariffs on gold and silver (from Canada—home to many gold miners).

Gold in a Fractured Global Landscape

The second factor, which is more interesting and harder to calibrate, is geopolitics. Gold is a pure store of value — an asset to run to when the world is turned upside down. In a period where the global security architecture has been dismantled by the Trump administration, the reasons for holding gold are clear.

The disintegration of relations between the U.S. and China, the uncertainty caused by tariffs, and generally weak government finances across the G2 and G7 countries are just a couple of more detailed reasons to own gold. In that sense, it is a barometer of ‘Trump’s world,’ but also highly susceptible to his actions.

The Unio View

We do not have an official view on gold because it is a relatively small asset class, not widely held, and difficult to value. Also, many of the effects that drive gold are already expressed in our portfolios through fixed-income holdings and a partial hedge on our dollar-based equities.

At these levels, we are concerned that a good number of the factors that drove gold higher are petering out. It is increasingly held by retail investors (and through ETFs), and we would urge investors to think carefully about any potential drivers to the upside.

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