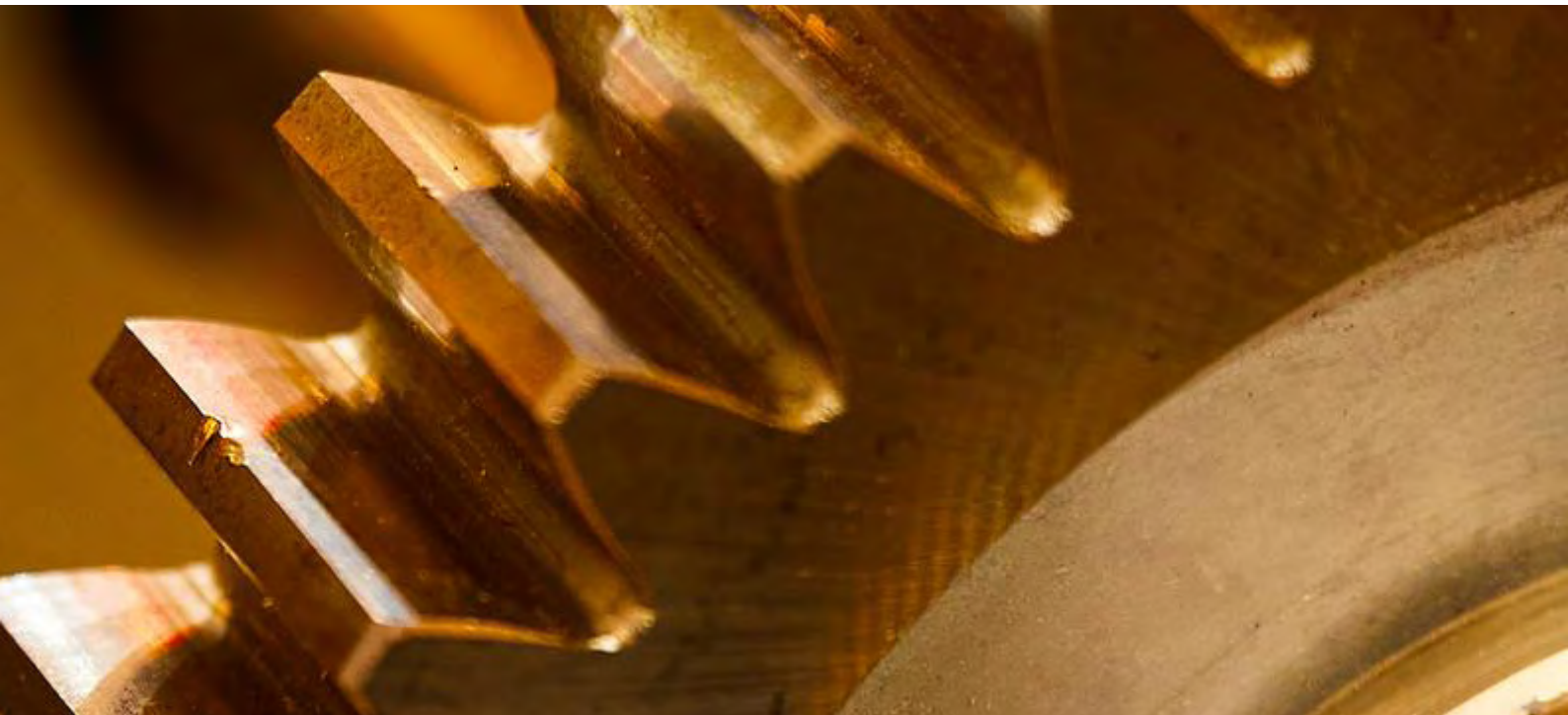


Gold: the portfolio differentiator



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In the first in a series on the new key components of a diversified multi asset portfolio, we explore how global uncertainty is breathing new life into one of the oldest financial assets: gold. Why is gold becoming an essential element of multi asset portfolios and a powerful tool for diversification?

Key takeaways

- Gold is roaring back into relevance after decades of a more marginal role in portfolios amid market stability and low inflation.
- The metal's recent rise has been defined by structural shifts we identified at the start of 2025: central bank demand, fiscal concerns, and de-dollarisation. But more traditional drivers have also provided a tailwind.
- Gold's qualities of low correlation with equities and US Treasuries, as well as its value as a "real asset" in protecting purchasing power, have been enhanced in a more fragmented geoeconomic environment.
- Looking ahead, we expect gold's strategic value to continue into 2026 and beyond; short-term market corrections may offer buying opportunities.

Gold's recent rally has drawn broader market attention – but it hasn't, in our view, detracted from the metal's qualities as a diversifier.

We see gold as an increasingly important part of multi asset portfolios, backed by long-term drivers. Short-term market corrections may occur, but they can create opportunities to buy.

In our January 2025 publication, **Gold: a glittering future?**, we highlighted how gold was entering a new era – defined by enduring structural forces: central bank demand, fiscal concerns and a shift away from the US dollar.

We argued that these factors would elevate gold's role as an alternative to US Treasuries and as a strategic portfolio asset. Almost a year later, those factors have not only materialised – they have defined the narrative of 2025.

Our thesis confirmed: structural shifts drive gold's run

Gold's surge has accelerated since Donald Trump's announcement in April 2025 of a raft of new import tariffs. "Liberation Day" jolted markets and shifted Wall Street's focus towards "debasement trades" – investments designed to hedge against the erosion of the US's credibility and tariff risks.

Gold has emerged as perhaps the strongest expression of this trade. Some market participants responded to the uncertainty by moving away from the dollar and US assets. Gold and other hard assets have become a potential hedge for those anticipating further weakness in the currency.

The shift since April marked an important evolution in the gold story. Between 2022 and 2024, gold's ascendancy was primarily driven by central banks scrambling to diversify their currency holdings in response to SWIFT sanctions on Russia and broader geopolitical fragmentation. In 2025, de-dollarisation migrated

into broader markets as a wide array of investors increasingly interpret US fiscal strain and rising debt as a signal of long-term uncertainty about the currency. Rising inflows into gold exchange-traded funds (ETFs) illustrate broader investor appetite for gold, alongside continued central bank buying.

The result was a more than 50% surge in gold prices in the period up to mid-October 2025, before a more recent short-term technical correction.

Traditional forces return alongside structural trends

While these structural factors remain the dominant story, traditional drivers have re-emerged to support gold's momentum.

In our January 2025 analysis, we highlighted how the conventional factors supporting gold – a softening US dollar, a decline in real yields, and retail investor buying – played no part in the metal's rally of over 70% between October 2022 and October 2024. Yet in 2025 these tailwinds strengthened once again to support



the structural shifts of central bank accumulation, fiscal concerns, and de-dollarisation.

The confluence of these drivers reinforced the idea of gold as a strategic reserve asset in an increasingly fragmented monetary landscape. The convergence has also made gold again one of the best-performing global assets this year, extending its outperformance streak for a third consecutive year (see Exhibit 1).

We think this backdrop strengthens the argument for giving gold a prominent position within portfolios.

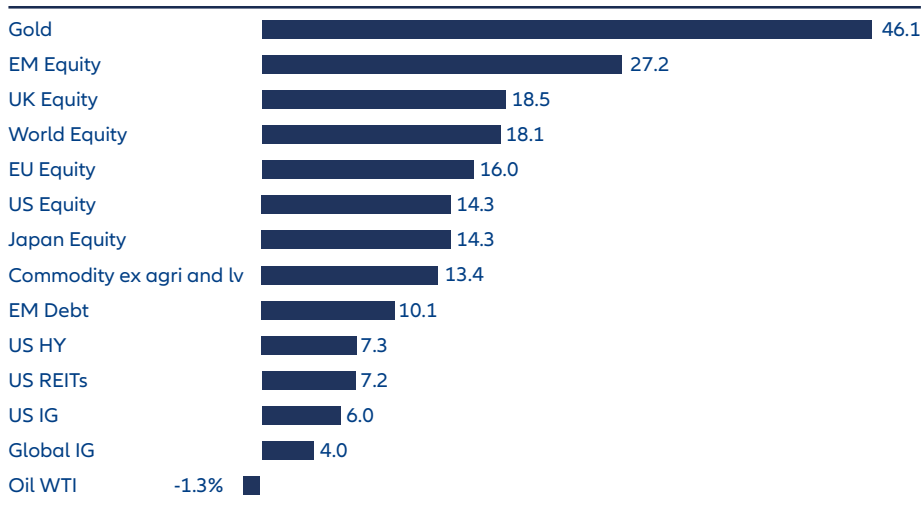
Gold’s growing strategic role

In our view, gold’s evolving role within a portfolio has become even clearer. Once regarded primarily as a safe-haven hedge, gold now functions as a strategic asset – an anchor in a world of mounting fiscal and geopolitical risk:

Low correlation with traditional assets – Gold is a useful diversifier within a multi asset portfolio, given its low correlation with both equities and US Treasuries. Historically, gold has tended to decouple from risk assets during periods of stress, providing protection when portfolios need it most. While equities and bonds can both suffer in inflationary or policy-driven downturns, gold’s performance has often moved in the opposite direction, helping to preserve capital and smooth returns across cycles.

Value as a “real asset” – At the same time, gold has increasingly behaved as a “real asset” – one that protects purchasing power and benefits from

Exhibit 1: Gold has outshone other asset classes for a third consecutive year
Year to date return of different asset classes until 30/09/2025



Note: agri and lv = agriculture and livestock; WTI = West Texas Intermediate; REITs = Real Estate Investment Trusts; HY = high yield; IG = investment grade; EM = emerging markets.

Source: Allianz Global Investors, Bloomberg data, YTD return until 30 September 2025. The tickers used are: LEGATRUH Index, TUKXG Index, BCOMCLTR Index, BCOMXALT Index, SX5T Index, DJUSRET Index, JPEIGLBL Index, NKYNTR Index, NDUEEGF Index, NDUEACWF Index, SPXT Index, BCOMGCTR Index, LBUSTRUU Index, LF98TRUU Index.

structural change. Unlike Treasuries, whose value depends on nominal yields and fiscal credibility, gold’s intrinsic worth is not eroded by inflation or rising debt levels. In the current environment – marked by political uncertainty, elevated deficits, and the emergence of an AI-driven economic regime – gold has managed to perform well alongside equities, a rare dynamic that reflects its dual identity as both a store of value and a proxy for real assets.

Gold in a multi asset portfolio context

In a multi asset portfolio context, we think there’s a case for raising gold allocations beyond the low single-digit weighting some fund managers assign it.

In line with our positive view, we have raised the weighting of the

metal in some of our fund’s more strategic asset allocations in recent years. Reflecting our belief that gold may be a more effective long-term hedge to extreme uncertainty than other traditional safe havens in the current environment, we’ve lowered our allocation to US Treasuries in the same portfolios.

Tactical preferences: miners and silver

We also see potential to invest in gold tactically. While our strategic stance on gold remains constructive, we have tactically preferred precious-metal miners and silver since the summer of 2025.

Mining equities, in particular, offer greater leverage to metal prices, and valuations remain attractive relative to their historical averages.

GOLD: THE PORTFOLIO DIFFERENTIATOR

Healthier cash flows have also allowed producers to increase shareholder returns through buybacks and dividends.

Silver has similarly benefited from strong industrial and investment demand, rising more than 60% in the first three quarters of 2025. In our view, both gold and silver miners provide higher upside potential in the current phase of the metals cycle, especially given relatively lower valuations of miners and silvers.

Outlook: a structural bull market with tactical nuances

Looking ahead, we anticipate that gold's strategic relevance will continue to increase into 2026 and beyond. Fiscal imbalances, de-dollarisation, and geopolitical fragmentation are long-term forces unlikely to be reversed quickly. According to the World Gold Council, third-quarter 2025 central bank gold purchases remained strong (28% higher than in the second quarter and 6% above the five-year quarterly average). Short-term technical corrections may occur



as speculative positions adjust, especially given the recent rapid increase in investor demand. But we see these as opportunities rather than turning points.

Gold has once again proven its ability to perform in environments where both equities and fixed income face pressure. With traditional safe havens losing some of their protective qualities, gold's low correlation, real-asset characteristics, liquidity,

and intrinsic value make it an increasingly indispensable component of diversified portfolios.

In short, the structural shifts we identified at the start of the year have become the new fundamentals of the gold market. The metal's recent rally has confirmed our thesis: gold's rise is not a surprise, but a logical consequence of the changing global financial order and reinforced by a world searching for stability.

Discover more about the changing market dynamics of gold:

 **Gold: a glittering future?**

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