Insche publishes in-depth analysis of Gold Investment

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Insch Capital Management, the London and Lugano-based alternative investment manager has published a detailed report on the pitfalls of attempting to predict the gold price.

“Analyzing the Analysts” points out that over the past 5 years (Nov 2010 through end-Sept 2015), a conventional investment portfolio of 40% equities, 40% bonds and 20% cash would have outperformed by more than 8% a portfolio as above, but including 20% gold – a conventional structure built in response to financial crisis or uncertainty.

Reflecting on these numbers, Insch CEO Christopher Cruden, points out that while the investment parameters of many institutions require or encourage them to maintain an ‘exposure to gold’, that word ‘exposure’ should these days not be understood to mean a long-only holding either of physical metal or ETFs. “Insch Capital’s analysis and our trading experience, where we treat gold as a ‘currency’ trading it long and short against major currencies, amply demonstrates the importance of a flexible managed approach,” he said. (Over the 64months since inception to end-October 2015, the Insch Kintore Gold program has returned 165.76% as gold declined by 8.06%).

“Analyzing the Analysts” goes on to question how informed buy-and-hold gold investors are by professional gold analysts. “In September 2011 – at the gold price top – … The forecasts were in a range of 38% away from the realized gold price in Q2 2012,” notes the Report, which goes on to list a series of major disparities between fact and forecast in successive quarters.

The Report analyzes a series of problems besetting the investor looking to get a read on the future gold price. These include the fact that forecasters, whose numbers have been individually listed in the Addendum tend to maintain an upward bias; that a higher frequency of forecasts does not improve accuracy and that the consensus between analysts has been variable over time.

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