




Symbol: Au

Atomic Number: 79

Interviews on gold

May 2021





The most malleable of all metals, one of earth's least reactive chemical elements and used in monetary systems across history, gold means many things to many people.

In the following article, we interviewed the [Director of The Rothschild Archive](#), [Melanie Aspey](#), our [Global Investment Strategist](#), [Kevin Gardiner](#) and [Head of Investment Solutions](#), [Joerg Kopp](#) to bring you our perspective on gold.



Interviewed by:
William Haggard
Head of Investment Insights



Melanie Aspey
Director of The Rothschild Archive

At Rothschild & Co our history and affinity with gold as a store of wealth has come from an intimate knowledge of the metal gained over two centuries. Building on layers of learning, it is only natural that gold forms part of our investment strategy. In today's investment views we find out how we gained a long-term perspective on gold, what is our view of gold as an asset class and why we believe choosing the right gold fund matters to our clients today.

Melanie, you've described the story of Rothschild and gold as a continuum spanning over two centuries, why so?

Thank you William, the Rothschilds' understanding of gold stretches across borders, cultures and time.

At its most intimate, it involves protecting gold for private individuals such as the Elector of Hesse, whose lands were invaded by Napoleon in 1806. At its most seismic, it involves supplying the British Government with gold during the Duke of Wellington's 1814 campaigns, averting the collapse of the Bank of England in 1825 or running the lease on the Royal Mint Refinery for over a hundred years. At its most strategic for the world of finance, it involved establishing the globally recognised price for gold amongst market participants every day at the firm's New Court London offices from 1919 to 2004.

Finally, at its most symbolic, it involved the financing of the salvage operation for HMS Edinburgh found 200 miles from Murmansk in the depths of the Barents Sea. The cargo of £5 million in gold bullion, weighing 40 tons was lost when HMS Edinburgh was torpedoed on 30th April 1942. In 1981 attempts were made to salvage the gold, which was then worth £45 million. The operation was partially paid for by the first gold bar salvaged from the ship which contained the Rothschild hallmark. Such is the quality conveyed by this hallmark, that the bar was sold at a premium and has come to be known as the Edinburgh bar which is now one of the treasures in The Rothschild Archive (Figure 1).

I use these examples to illustrate the Rothschilds' rich and varied history with gold over the last two centuries. You can review some of these key dates in the timeline on the following page.

Gold bars of various weights



Cover image: Stamp of authenticity on a gold bar produced at the Royal Mint Refinery, operated by N M Rothschild & Sons, London

Across time: The Rothschilds & Gold

1760s

Mayer Amschel Rothschild, the founder of the Rothschild family, begins dealing in antique coins

1809

Nathan Mayer Rothschild conducts his first recorded deal in gold bullion and soon establishes a leading position as a bullion broker in the City of London

1810s

The Rothschilds supply gold to the Duke of Wellington's troops, earning the trust of the British government

1819

Nathan opposes Britain's return to the gold standard, on the grounds that it would lead to a scarcity of money

1824

Nathan conducts his first bullion dealing with the Bank of England, making a private arrangement for a loan of gold

1825

Rothschild saves the Bank of England from a suspension of payment crisis with a large injection of gold

1827

James de Rothschild begins operating a gold refinery in Paris, moving it to a new building in Qual de Valmy

1840

Rothschild appointed as one of the Bank of England's bullion brokers

1848

Gold discovered in California, sparking the first of the gold rushes. In the following years Rothschild became the major London importer of American gold

1851

Gold discovered in New South Wales, Australia. Rothschild employs a number of agents in Melbourne to supervise the purchase and shipment of gold to London

1852

Rothschild secures the lease on the Royal Mint Refinery, making the Rothschilds one of London's major bullion refiners

1919

Rothschild appointed Chair of establishing the daily price of gold, setting the formal benchmark in the new free market in gold

1967

Rothschild sells the Royal Mint Refinery to Engelhard Industries but remains active in the area of gold trading, as a leading market-maker on the international bullion markets

2004

Establishing the daily price of gold takes place at Rothschild's New Court for the final time

Today

The Rothschild & Co group remains one of the world's leading advisors on gold investments



From finding and refining to marking and trading gold bars, the Rothschild family gained first-hand experience of gold's full lifecycle.

Above: Workers at the Royal Mint Refinery, preparing newly minted bars for transportation, 1933

Melanie, what are some of the defining features of the Rothschilds' knowledge on gold?

To know your subject well you should study it from all angles. That is exactly what the Rothschild family did with gold. From finding and refining to marking and trading gold bars, the Rothschild family gained first-hand experience of gold's full lifecycle. This need to specialise is in keeping with the expertise the family built up over many years in the long-term preservation of wealth - a view which was reflected in the comments attributed to Nathan Rothschild at a social gathering in 1834:

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If I were to listen to all the projects proposed to me, I should ruin myself very soon. "Stick to one business, young man," said he to Edward; "stick to your brewery, and you may be the great brewer of London. Be a brewer, and a banker, and a merchant, and a manufacturer, and you will soon be in the Gazette.

”

For the Rothschild family, specialism is a part of our DNA. When managing gold this has meant searching for the right people with the relevant expertise. An example of this is the recruitment of ex-iron ore workers from Normandy, France to run the Royal Mint Refinery in London. This is one of many pan-European stories where the sharing of expertise and resources made the Rothschild business and its offering to clients stronger.

Finally Melanie, what to your mind best illustrates the value placed on Rothschild's expertise in gold?

It is common to hear of gold bars which sell for a premium given their Rothschild hallmark - for example the Edinburgh Bar. This premium can be as high as 20% vs. the bar's market value and is a sign of trust in the quality and purity of the gold which the Rothschild hallmark conveys. This symbol of quality is not just confined to gold - the independence and integrity of the Rothschild name as a lender to sovereign states during the nineteenth century helped create a commercial benchmark for reasonable contractual terms. If a country was uncomfortable with these terms, it was considered a poor reflection on that nation's financial dependency.

These examples illustrate the trust which investors have placed over centuries in Rothschild as a mark of quality. I would conclude by reminding our readers that gold is one of the least reactive chemical elements found in nature and its relative scarcity, durability and authenticity sit closely to the values of the family.



The stamp used to imprint Rothschild & Co identification marks onto products (primarily gold bars) of the Royal Mint Refinery'



Ledgers from the Bullion Department of N M Rothschild & Sons, part of a series beginning in the earliest years of the business.



Gold's correlation with other assets is not fixed, suggesting that it can offer genuine diversification.

Above: Individually numbered and stamped gold bars produced by the Royal Mint Refinery



Kevin Gardiner
Global Investment Strategist

Kevin, turning to the present, why does gold remain a relevant asset class for our wealth management clients today?

At a time when many investors are wary of the monetary experimentation that has followed the financial crisis and now the pandemic, gold can offer an alternative store of value to conventional safe haven assets. It has been valued highly for three millennia, and is independent of governments, central banks, and the internet. Gold's correlation with other assets is not fixed, suggesting that it can offer genuine diversification. For the nervous investor, the physical presence of even a small holding in gold in a multi-asset portfolio can also be reassuring.

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With this in mind what is gold's role within a multi-asset class portfolio?

The absence of a dividend or coupon not only makes gold difficult to value, but it also makes it difficult to view as a predictable source of investment return. Instead, gold is best viewed as adding a degree of tangible diversification to portfolios – as an asset that can spread some of the risk attached to other assets such as inflation for bonds and cash and even sometimes equities.



Above: Packets of business records awaiting appraisal before transfer to the archives



Keeping in mind the long history of gold in the Rothschild family we wanted to continue to offer a smart and efficient way to invest in this asset class for our clients.

Above: Individually numbered and stamped gold bars produced by the Royal Mint Refinery



Joerg Kopp
Head of Investment Solutions



A set of weights used on the balance machine at the Royal Mint Refinery to give an accurate account of the weight of gold received

If you have any questions please do not hesitate to contact your client adviser or our Head of Investment Solutions, Joerg Kopp
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Joerg, why did we decide to set up a physical gold strategy in 2020?

Keeping in mind the long history of gold in the Rothschild family we wanted to continue to offer a smart and efficient way to invest in this asset class for our clients. There are many investment strategies on the market for gaining exposure to gold. From the beginning we were clear that we wanted to give our clients access to a strategy which sits comfortably alongside our principles of long-term wealth preservation and to be as close as possible to the traditional notion of investing in physical gold.

What are the benefits of investing in gold funds?

As mentioned by Kevin, we believe that physical gold fund strategies can add an additional layer of security. For instance, at Rothschild & Co:

- gold bars are stored in high security vaults in Switzerland and insured;
- investors are protected through an independent auditor and regulator and are not exposed to issuer risk, since the assets in our gold strategy are legally separated from the bank's assets;
- commodity lending is prohibited under the strategy;
- fund units are backed with physical gold in standard bars in compliance with the London Bullion Market Association (LBMA).

Of course, before committing to a strategy you should always check these details with your Bank. It's worth noting that compared to other gold ETFs or indirect gold strategies, the redemption in kind for a physical gold strategy is extremely simple for clients as the gold is held in a vault. At Rothschild & Co, we buy standard bars (12,5 kg bars) which also reduces the transaction cost as the production costs of standard bars are cheaper than those of smaller lots.

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What would your final word for clients be?

Take the time to get to know this asset class and those who know it. As noted by our Global Investment Strategist, gold has been around for millennia, so it is not going anywhere fast, which is part of its appeal - it endures. During the Covid-19 crisis we have seen clients' interest in real assets increase and this has translated into growing inflows into our gold strategies. This is not an investment for a short-term mindset but for the investor looking to diversify their assets as part of a long-term strategy to preserve and grow their wealth for generations to come.