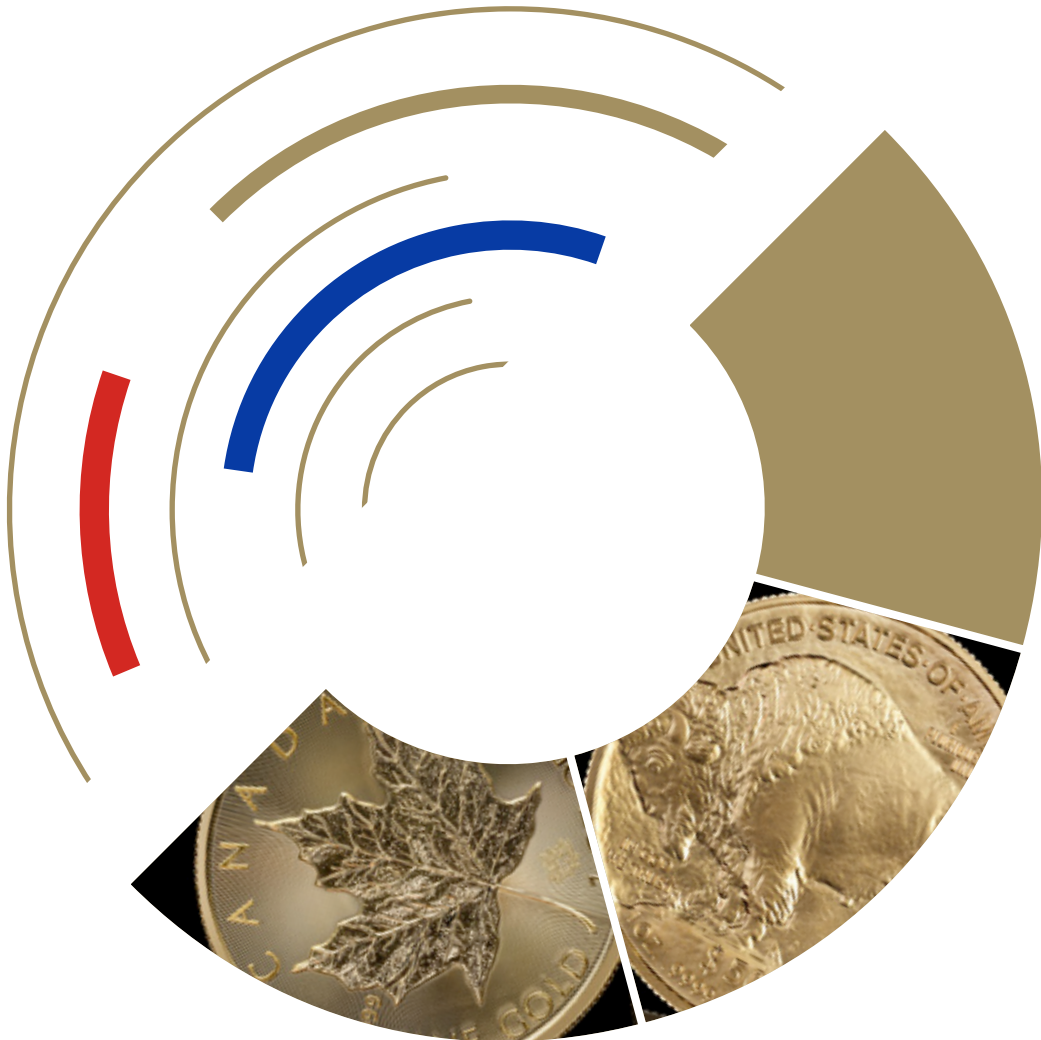


Retail gold insights: US & Canada Investment



About the World Gold Council

The World Gold Council is the market development organisation for the gold industry. Our purpose is to stimulate and sustain demand for gold, provide industry leadership, and be the global authority on the gold market.

We develop gold-backed solutions, services and products, based on authoritative market insight, and we work with a range of partners to put our ideas into action. As a result, we create structural shifts in demand for gold across key market sectors. We provide insights into the international gold markets, helping people to understand the wealth preservation qualities of gold and its role in meeting the social and environmental needs of society.

Based in the UK, with operations in India, China, Singapore and the USA, the World Gold Council is an association whose members comprise the world's leading gold mining companies.

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For more on our global retail insights programme, visit:

www.retailinsights.gold

Foreword

Retail investment in gold in North America has fluctuated over the last 25-30 years, responding to various influences including the economic environment, a rapidly evolving digital landscape and increasing globalisation. However, there's a constant pattern of upticks in demand during times of stress or crisis – from the Global Financial Crisis to the current global pandemic – as US investors seek refuge in gold as a source of stability and security in uncertain times.

We commissioned this market research programme in 2019 to gain deeper insights from the people buying gold investment products. We wanted to know what fuelled their investment decisions, and to better understand their attitudes towards and awareness of gold as an investment. And we wanted to identify the challenges people face when investing in gold.

The timing of the research turned out to be quite prescient. Investors the world over are experiencing conditions they have likely never encountered before. And this unprecedented situation has thrown gold's investment qualities into stark relief. Demand for gold ETFs has jumped to levels never seen in their 17-year history.¹ Gold bars and coins are equally in demand in Western nations. Despite the availability of a wider range of investment products than ever before, investors have turned in droves to the reassurance of one of the longest-standing assets.

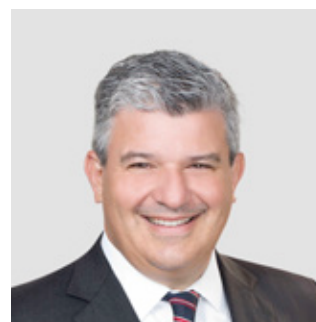
The respondents in our survey identified gold's physicality as being one of its most important features.

We find it very interesting to see that, aside from some regional nuances, investors in the US and Canada share broadly similar attitudes and share the same concerns around investing in gold.

What is particularly noteworthy is the knowledge gap around both access to gold and its affordability among both US and Canadian investors. This clearly suggests that there is a need for the industry to communicate more widely the simple, straightforward steps to making an investment in gold, the reasons why gold can help meet financial objectives.

Our research also identified trust as a major barrier to investment in gold. This is something that, as the World Gold Council, we are already taking steps to address. We recently launched the Retail Gold Investment Principles – a comprehensive framework developed with considerable input from, and discussion with, industry stakeholders, designed to raise the bar for product providers, build trust in the industry and encourage retail investors to feel confident when buying gold.

The insights contained in this report should provide useful context at a time when gold has an increasingly captive audience. We look forward to seeing the results of this research put into action.



Joseph Cavatoni
Managing Director, USA
World Gold Council

¹ www.gold.org/goldhub/data/global-gold-backed-etf-holdings-and-flows

Executive summary

Investors need to think widely.

In the face of global uncertainties with regional implications, the choice of where and how to invest – in which assets and via which channels – has seldom been more imperative. Ingenuity is required for US and Canadian investors to protect and grow their investments, particularly against the current unprecedented political and economic backdrop.

Our research has found notable differences between the two markets.

There is broad commonality across the two markets. Both US and Canadian investors say simplicity is a strong driver of investment decisions. There is a keen desire for products that are easily understood. But there are also notable differences. And the COVID-19 pandemic has, perhaps, brought these differences to the fore. In general, our survey found that American retail investors tend to be more confident investors, focussed on long-term objectives, with more diversified portfolios. And gold falls in their top five most commonly-owned portfolio investments. In Canada, despite the country's huge mineral wealth, confidence was lower among the respondents: our survey showed that Canadians are more nervous about what the future may bring.

They tend to be more risk averse; holding fewer portfolio products on average, they do not regard gold as mainstream. But for both, simplicity is everything. There is an overriding desire for products that are easily understood.

Gold has a strong opportunity for growth.

Our research showed that – based on those surveyed – gold is already well received in the US: three in ten investors currently own gold and four in ten have never bought before but are warm to it. The opportunity for gold is also strong in Canada, where 42% of investors say they would consider making their first ever investment in gold.

American and Canadian women are especially receptive to gold.

In general, women appear more open to advice and influence from peers and advisers, but they tell us that they can find little information about investing in gold. They like the idea but they don't know how to put it into action. Protection of wealth is a priority for them; rather than aiming for exponential growth, they prefer low risk investments, so reassurance – for example, highlighting gold's inflation-protection properties – is a key message for this audience.

We conducted online interviews with investors from cities across:

US

2,029

Canada

2,012

Mature investors – those aged 55-65 – in both markets know little about gold.

And they do not feel confident enough to invest. They seldom see gold in the media, their peers do not talk about it and they do not know anyone who invests in it. Although they are open to gold, without a reference point and the necessary information to support their decision making, they can see no route forward. They know little about the purchase journey or about gold products, and they fear that it is unaffordable, unobtainable or simply too difficult.

Education is needed if gold is to reach its target market.

Investors who would consider buying gold but have not yet done so – we name this group ‘considerers’ – want to know about product types, how they can buy gold, where it fits within their portfolios and how gold is valued. In both the US and Canada we have identified a need for readily accessible and affordable entry points, and an assurance that once an investment has been made there will be a clear exit route. Such information about gold could be shared through online and offline media, tailoring messages to address the foremost concerns within each country.

Online investment in the US is set to increase.

Over one third of US investment is made exclusively online and cryptocurrencies are leading the way. For gold, Exchange Traded Funds (ETFs) are regularly bought in this manner, but there are further untapped opportunities to deliver gold through digital platforms.

Canadians are concerned about gold and the environment.

More than any other market we have looked at, Canadians believe that gold mining damages the environment. The gold mining industry must convince investors that it takes seriously its responsibilities regarding environment, social and governance standards, with a focus on the communities that surround a mine site. Educating the public through the media will be an important tool. Key to this will be sharing gold’s credentials – not only through what’s happening at a mine site, but clearly communicating gold’s role as a climate risk mitigating asset: once mined, greenhouse gas emissions associated with gold are virtually zero.

Snapshot of investment behaviours

The US: a developed market but with scope to grow.

The investment market in the US is already well established, yet our research has found that 41% of investors are willing to consider investing in gold although they have not done so in the past. If conversion opportunities can be seized the market offers plenty of headroom for gold.

The US faces a time of change. Increasingly partisan politics and the unknown lasting effects of the COVID-19 pandemic will undoubtedly impact the country's 328 million population, regardless of circumstance or personal wealth. Research suggests that consumer confidence has been tarnished by trade tensions with China, Canada, Mexico and the EU, which have left investors confused about how and where they can protect and increase their wealth. In this landscape, gold will need to keep itself in the minds of investors and present itself as advantageous to portfolio performance.

Our research found that the Midwest is the region with the most headroom for growth; fewer Midwestern investors have invested in gold

in the past and 46% are open to considering a first-time investment in gold. Investors here are somewhat risk averse; they rely on advice when making their decisions and need transparency on entry and exit points as well as pricing.

Looking to the future, gold's ESG credentials are likely to come into increasing focus, particularly among the country's growing number of young people.

Canada: clear headroom for growth.

Canada may not have escaped the pandemic but its approach to dealing with the fallout has been somewhat different. A population of just 37.5 million occupying one of the world's largest countries by area has allowed greater containment of the virus. Canada remains one of the richest trading nations, buoyed up by its strong service sector and huge reserves of minerals, oil and gas. Nevertheless, it has not been immune to the economic effects of COVID-19 and consumer confidence has taken a hit. As GDP is slowing to near zero, Canadians are becoming increasingly concerned about their future job prospects.

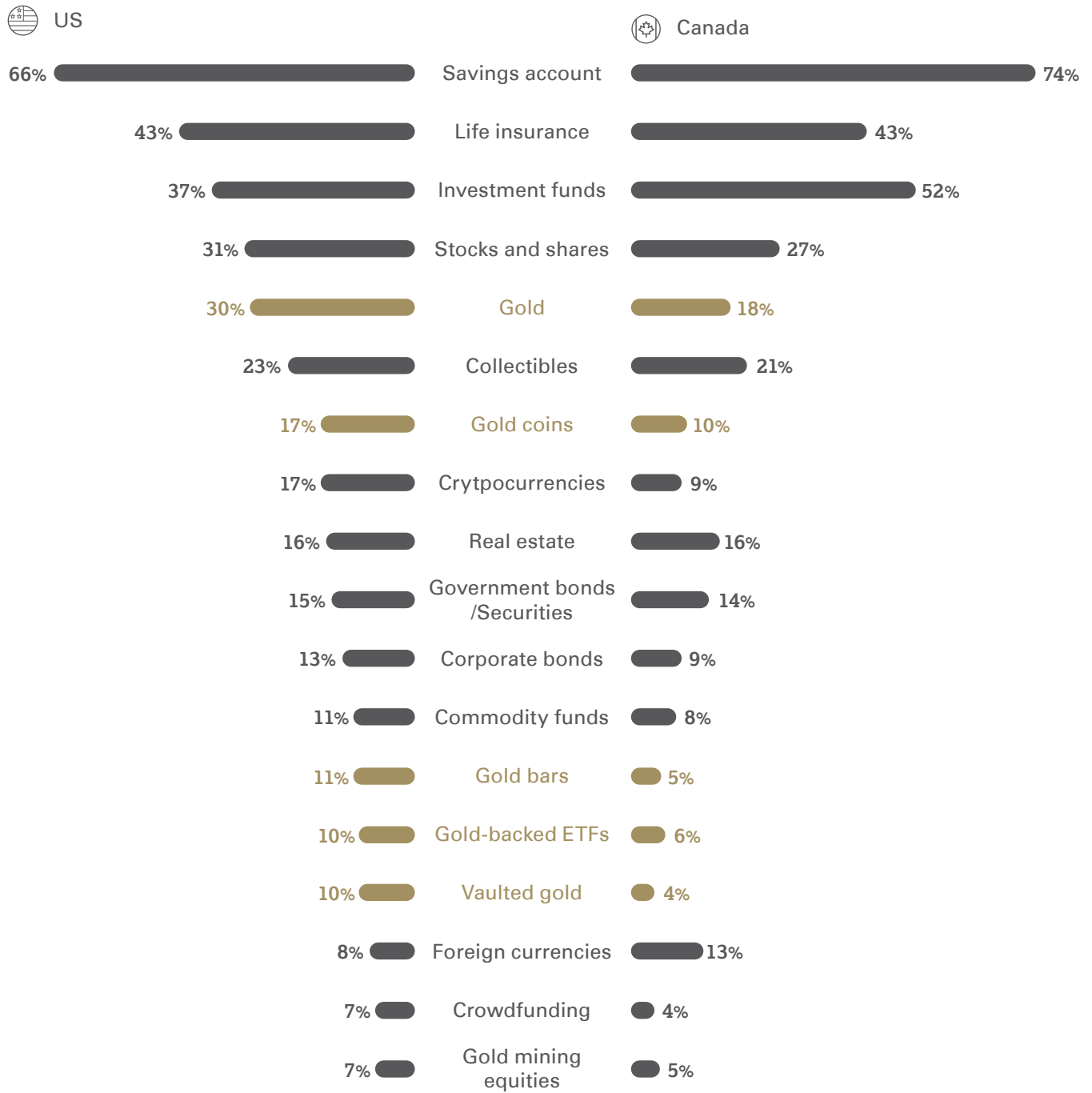
In this less developed investment market, there is clear headroom for growth, with 42% of Canadian investors saying that they would consider investing in gold, having not done so previously. Recognising the importance of simplicity and reassurance as key drivers of the decision to buy it, gold will need to be seen as an accessible and straightforward investment if this untapped audience is to be attracted.

Investment choices in the US.

The American investors we spoke to save on average 24% of their income but diversity within portfolios is limited: on average investors own 3.5 product types and 64% of them own two or less. Products of choice are savings accounts and life insurance, with gold the fifth most popular investment. US investors are likely to think long term and seek out investments that they feel will protect their wealth against macroeconomic factors. They are interested in stocks and shares, and show greater willingness to 'play the markets' than those in other countries. And increasingly, they want to know about the ethics behind their investment choices.

Savings accounts dominate both markets but gold is more popular among American investors.

Type of investments currently owned



Investment choices in Canada.

Based on our survey, Canadian investors save a lower percentage of their income than their US counterparts: 17% goes into their portfolios, which on average contain 3.3 investment products. Like their US counterparts, they too are fond of savings accounts and life insurance, but government-backed investment funds feature highly while gold ranks in sixth place. They share the desire to protect their wealth through investing for the long term and guarding against macroeconomic influences, and they are prepared to look to others for guidance in their investment decisions.

Attitudes to investing.

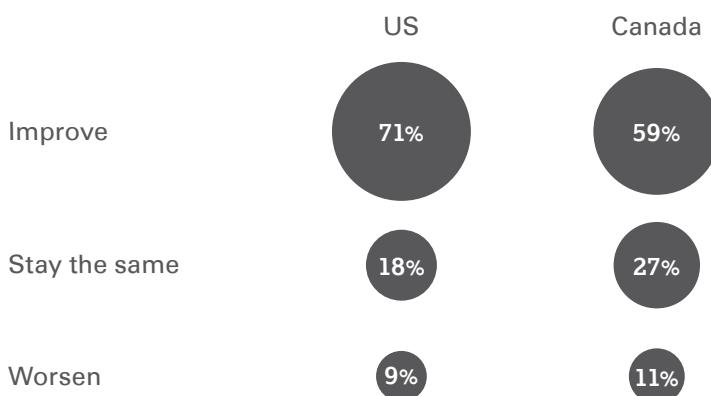
At the time we conducted the survey, US investors were generally more confident and optimistic than their Canadian neighbours: 71% said they expected their finances to improve over the next five years. And they are rather more engaged in their financial choices, taking advantage of market fluctuations and regarding investment as a hobby. American men in particular are open to risk and save a higher proportion of their income than women (26.5% against 19.5%).

Canadians appear more risk averse and are less confident about investing, especially for the short-term. Their lower level of optimism

is evidenced by our research – at the time of the survey, only 59% felt that their finances would improve over the next five years and 11% felt they would worsen. Men in Canada appear more involved in, and confident about, their investment choices than women, often regarding portfolio management as a hobby.

In examining the key drivers behind investment decisions, our analysis showed that the top drivers were the same across both markets: simplicity, reassurance and long-term finance. At the top of the list is simplicity, whether looking to invest in gold or another product. This finding is supported by the popularity of savings accounts, which were by far

Future expectations for personal finances*



* Expectations for the five years following the survey

the most common investment over the 12-months preceding the survey.

Reassurance was identified as the second most important driver for gold investments (19% in the US and 17% in Canada), and there is work to do if considerers in the US are to be convinced that they can be better protected from counterfeit gold. Potential investors in both markets would benefit from more information about the purity of gold and how it is valued.

Prior even to the current global challenges facing investors, our research found that long-term finance considerations were a key driver of investment decisions. The need to grow their money and to achieve long-term returns were cited by investors as key factors behind investment decisions. Considering the macro-economic environment that has since evolved, this may have become an increasingly important driver of investment decisions.

Attitudes towards gold.

Four in ten American investors have already bought gold. But it is not particularly habitual. Often bought following advice from a financial expert or another influencer, gold is regarded rather more as 'experimental' than other forms of investment. However, our survey showed that investors view gold as safe and they believe it likely to produce above inflation returns in

the long run. And although both American and Canadian investors trust gold as a reliable protector of wealth, Americans are more likely to hold it in their portfolios: 30% of active American investors currently own some gold compared to just 18% of Canadian investors.

Canadians are less warm to the idea of owning gold: 34% of investors say they will not consider gold, whereas in the US only 20% ruled it out.

Currently, just under one-fifth of Canadian investors own gold and for them, coins are the most popular choice (10%). American investors prefer to buy gold bars (24%) and gold coins (23%). Gold-backed ETFs are also popular in the US (19%) and they are seen as an innovative and prestigious type of investment that is talked about in the media.

The nature of gold as an investment is not well understood. US (59%) and Canadian (54%) investors believe it to be just like any other commodity. There is an opportunity here to educate around the uniqueness of gold and its distinct profile when correlated with other assets. Americans place greater trust in gold than their Canadian counterparts and 58% of American investors say that owning gold gives them a feeling of long-term security. Among investors in both nations, gold is seen as a good safeguard against inflation, although we discovered this attitude to be more dominant in the US (63%) than in Canada (50%).



.....

There is an opportunity to educate around the uniqueness of gold and its distinct profile when correlated with other assets.

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Gold considerers among investors: globally, the US and Canada

Penetration and purchase intent

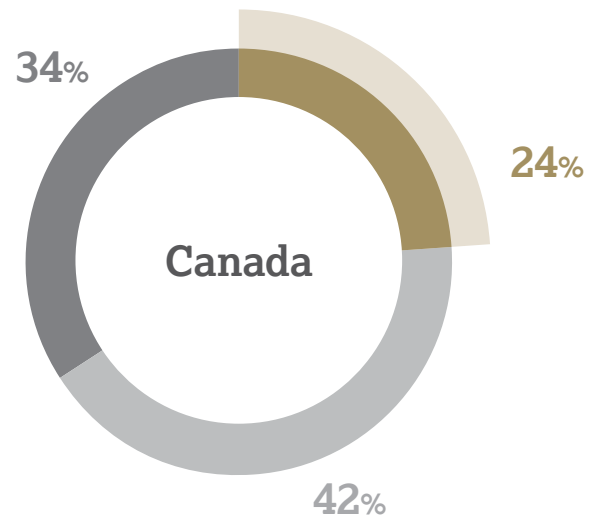
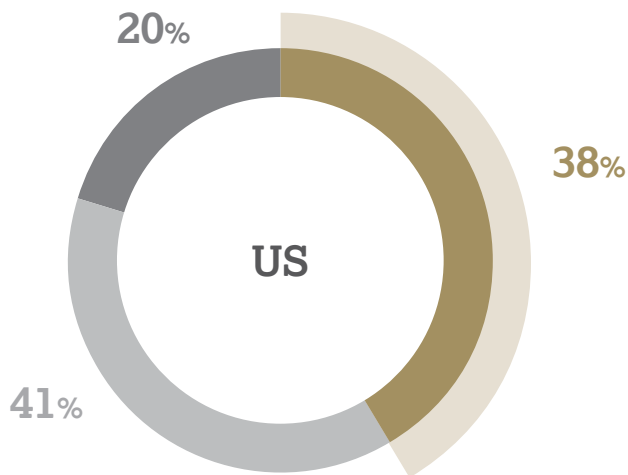
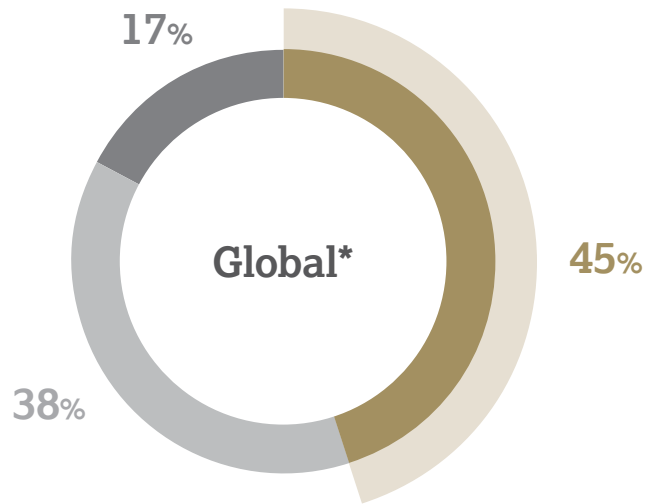
Considering buying gold

Has bought in the past

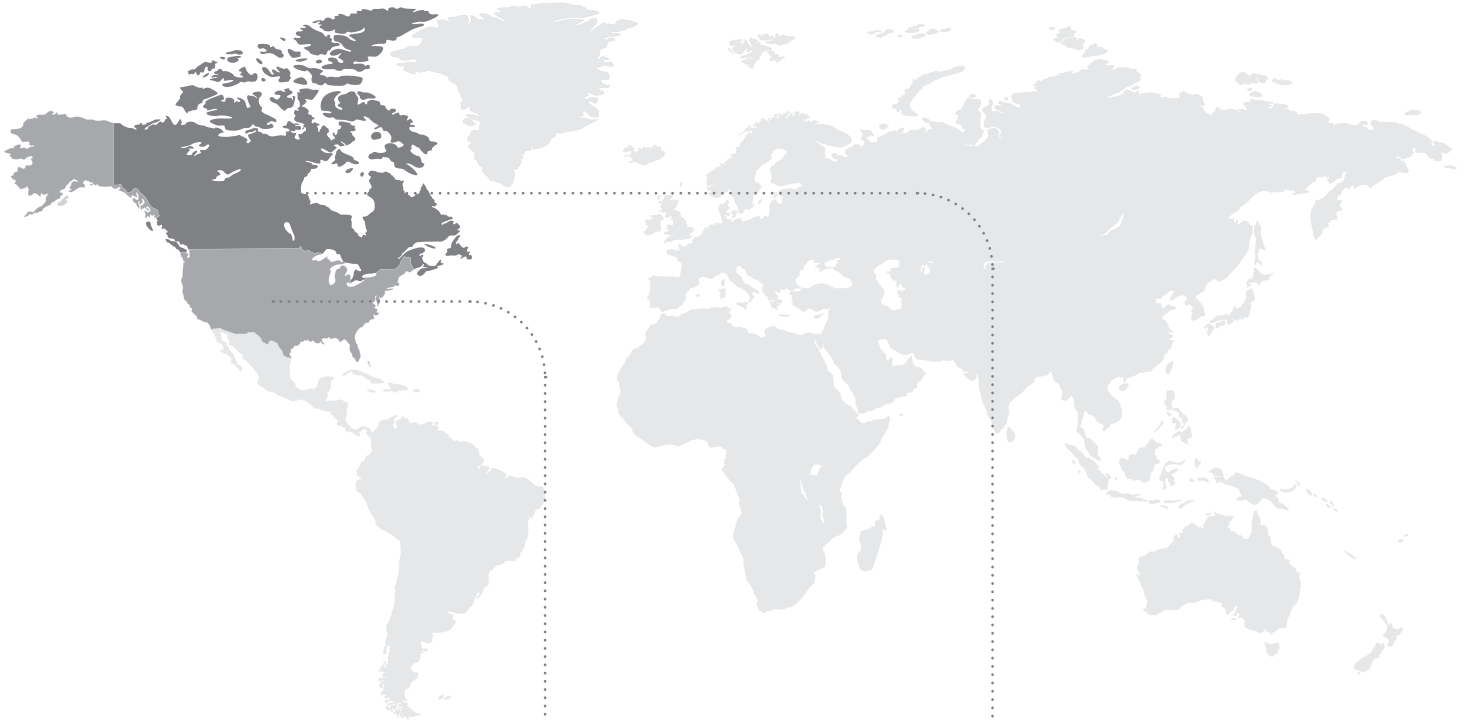
Considering buying gold

Never bought in the past

Won't consider buying gold



* Numbers do not add to 100 due to rounding



Top five attitudes to gold

US

Canada

Gold is a good safeguard against inflation/currency fluctuations



I trust gold more than the currencies of countries



Gold is just like any other commodity like oil or steel



Owning gold makes me feel secure for the long-term (US). Gold will never lose its value over the long-term (CA)



I never really hear about gold in the media (TV, online, magazines)



Understanding the different retail investors

Four distinct retail investor segments were identified from our global research. Investors are grouped into these segments according to their similar characteristics, the segments differ from each other in terms of their broad profiles of investment attitudes, behaviours and needs.



Segmentation of retail investors

While there are specific market differences in terms of size and behaviour, as well as cultural nuances, these segments are globally relevant and thus help to establish a common language for engaging with investors.



Adventurous Traders



These investors want to live for today; they take a more short-term view on investment, seeking more immediate returns, and are happy to take advantage of fluctuations in the market to get them. Less risk averse and more experimental, they are often the ones that peers turn to for investment advice.



Agile Strategists



These are the most engaged investors who see investing as a hobby. They are confident investors who take a long-term view, so while they may take advantage of fluctuations in the market, they are focused on creating a diverse portfolio to protect and grow their wealth. They tend to be the first amongst their peers to consider new investment options.



Cautious Savers



These highly risk averse investors are the least engaged. They seek to protect their money from external impact. They believe in investing for the long term and look for reliable investments that minimise risk as well as give steady returns.



Guided Risk Takers



These investors are looking for high returns in the short term rather than looking to invest for the long term. While they are open to taking risks to get exponential growth, they rely on others to help them make their investment decisions.

Profiling the investor segments in the US

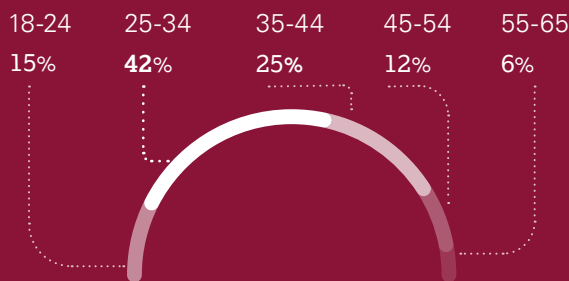


Adventurous Traders

Gender



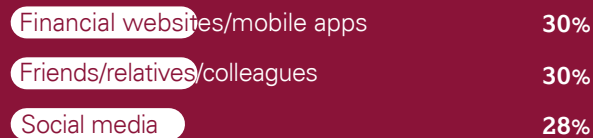
Age



Top investments



Sources of information



Average number of investments owned **3.6**

Attitudes to gold

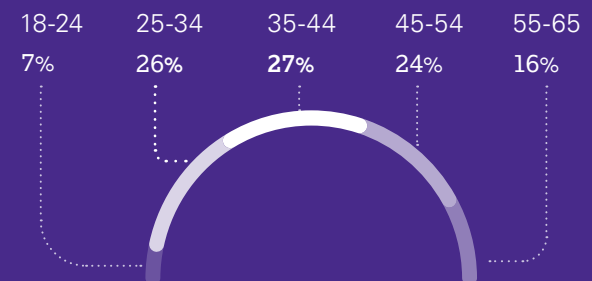


Agile Strategists

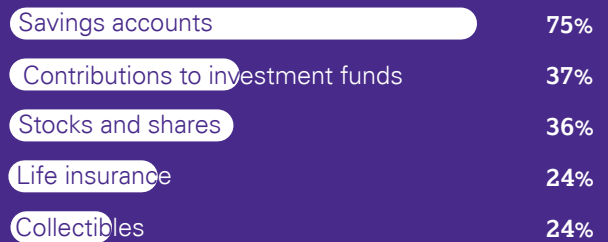
Gender



Age



Top investments



Sources of information



Average number of investments owned **3.8**

Attitudes to gold



Profiling the investor segments in Canada

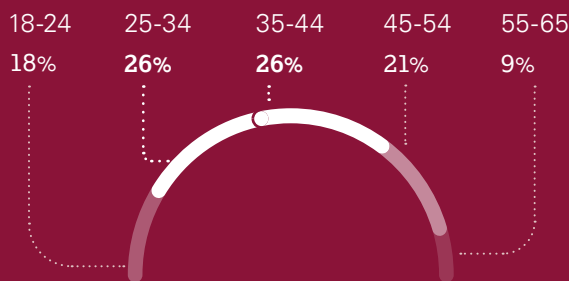


Adventurous Traders

Gender



Age



Top investments

Savings accounts	60%
Life insurance	28%
Contributions to investment funds	25%
Stocks and shares	23%
Collectibles	21%

Sources of information

Financial websites/mobile apps	31%
Friends/relatives/colleagues	31%
Financial advisors/brokers/investment specialists	30%

Average number of investments owned **3.1**

Attitudes to gold

57%	57%
Agree gold is a good safeguard against inflation/currency fluctuations	Agree gold is just like any other commodity like oil or steel

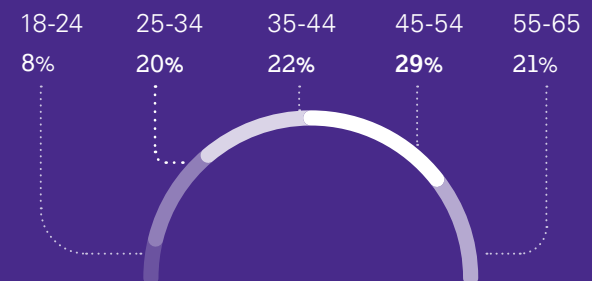


Agile Strategists

Gender



Age



Top investments

Savings accounts	79%
Contributions to investment funds	47%
Stocks and shares	37%
Life insurance	22%
Collectibles	20%

Sources of information

Financial advisors/brokers/investment specialists	48%
Financial websites/mobile apps	47%
Friends/relatives/colleagues	33%

Average number of investments owned **3.9**

Attitudes to gold

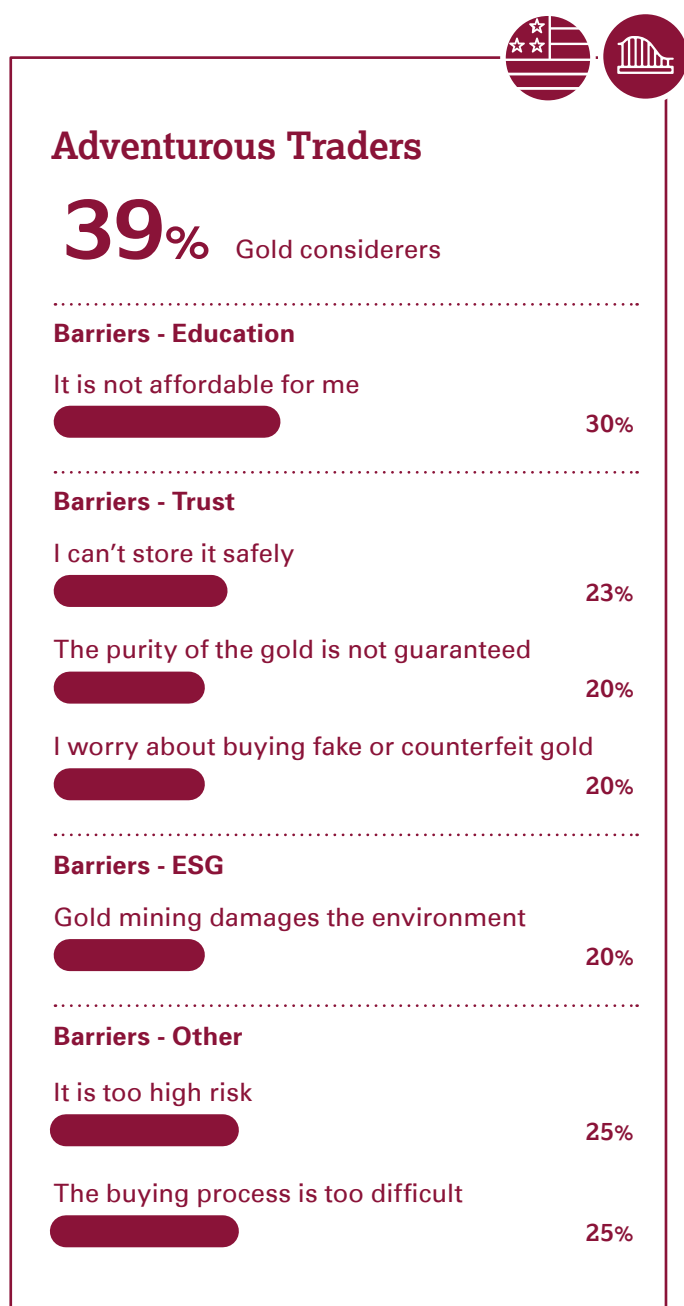
57%	53%
Agree gold is just like any other commodity like oil or steel	Agree gold is a good safeguard against inflation/currency fluctuations

Within each of these key segments there is untapped gold demand. A significant proportion of each investor segment are 'considerers' – i.e. investors who would be open to buying gold in the future, despite never having done so in the past. In both the US and Canada, between two fifths and one half of these segments fall into this category.

There is a clear opportunity to convert these considerers into gold investors through understanding and addressing their respective barriers in a meaningful way.

Perceived affordability is a major barrier for all segments, alongside trust issues related to buying fake or counterfeit gold and safe storage. Adventurous Trader considerers in the US feel the buying process is too

difficult whereas for Agile Strategist considerers in both countries and Adventurous Trader considerers in Canada, not knowing how to buy is a bigger issue. Agile Strategist considerers in both countries need a better understanding of what drives the gold price to be encouraged to buy. Importantly, around a fifth of considerers in each segment have ESG concerns, believing that gold mining damages the environment.



To help drive incremental growth, businesses should target those segments that are most closely aligned with their individual strategy and product offerings.

At the overall segment level, Adventurous Traders and Agile Strategists represent the biggest value opportunities today – so it will be important to ensure that current and future product and service

offerings effectively meet their needs. In both countries, these two segments represent an opportunity to increase penetration given the high proportion of considerers that exist in each. Addressing their affordability perceptions and their trust concerns will be critical to making gold more attractive to them.



Adventurous Traders

45% Gold considerers

Barriers - Trust

I worry about buying fake or counterfeit gold **31%**

I can't store it safely **23%**

Barriers - Education

It is not affordable for me **29%**

I don't know enough about how to buy it **29%**

It's difficult to re-sell/cash in **23%**

Barriers - ESG

Gold mining damages the environment **19%**

Barriers - Other

It is too long term **20%**



Agile Strategists

43% Gold considerers

Barriers - Education

I don't know enough about how to buy it **38%**

It is not affordable for me **34%**

I don't understand what drives the price **24%**

Barriers - Trust

I can't store it safely **31%**

I worry about buying fake or counterfeit gold **26%**

Barriers - ESG

Gold mining damages the environment **22%**

Barriers - Other

It doesn't generate an income **29%**



FOCUS

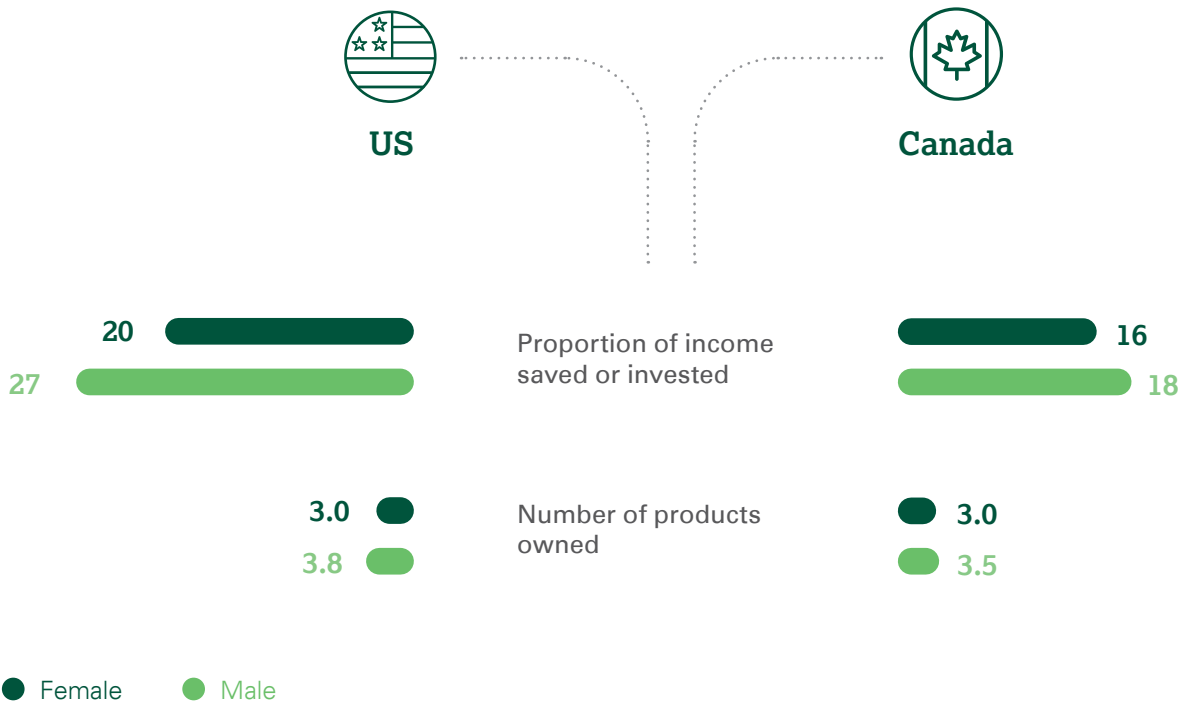
Female investors

In both the US and Canada, there are distinct gender differences in saving and investment behaviours among active investors; overall, women save or invest less of their income and have less diversified portfolios compared to men.

Men and women have different attitudes towards investment and some of the biggest differences are risk related. Men take a more short-term view and are more prepared to take risks to get exponential growth

– investing is much more likely to be seen as a hobby. Women are more risk averse; they are much less likely to actively ‘play the market’ by taking advantage of market fluctuations and they are much less likely to be the first to consider new investment options. This risk averse attitude is reflected in the reality that over 60% of Cautious Savers are women and they tend to look for products that they feel are low risk and provide a guaranteed return.

Savings rate and portfolio size



Attitudes to investment



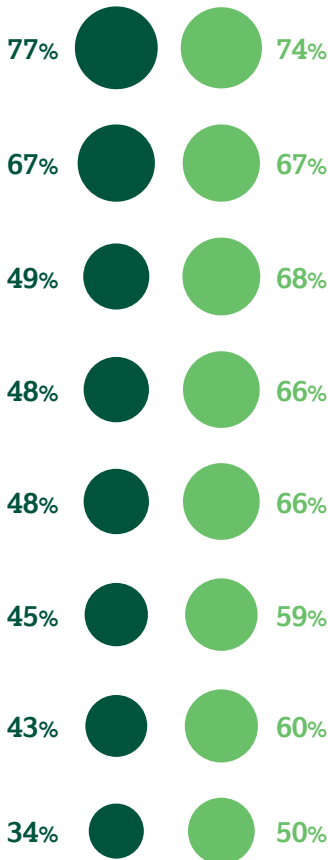
US



Female



Male



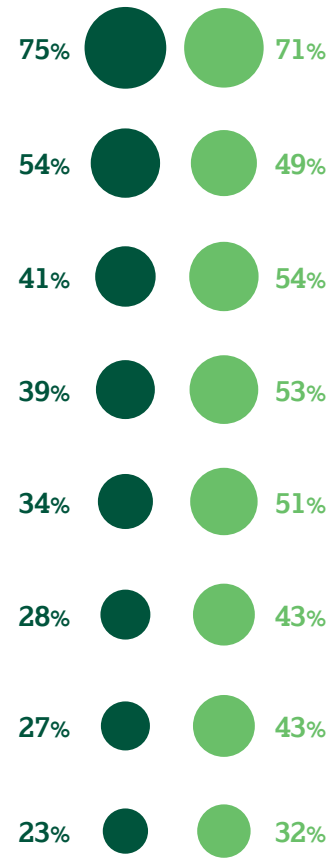
Canada



Female



Male





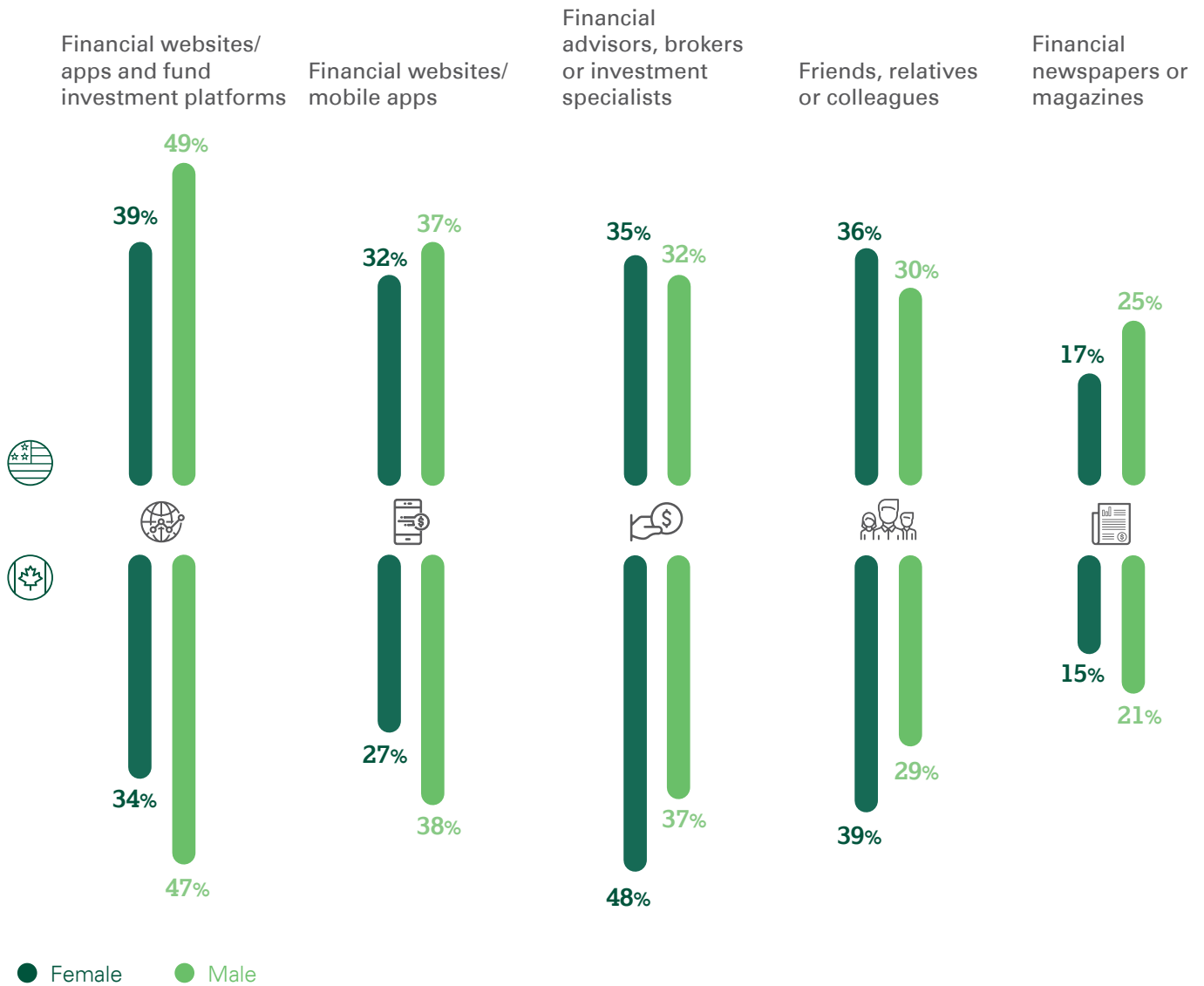
FOCUS

Female investors

Women, like men, use a variety of information sources to help them make investment decisions. However, women like the more personal touch, so they tend to seek advice from other people whereas men use more independent, less personal sources which are mainly online.

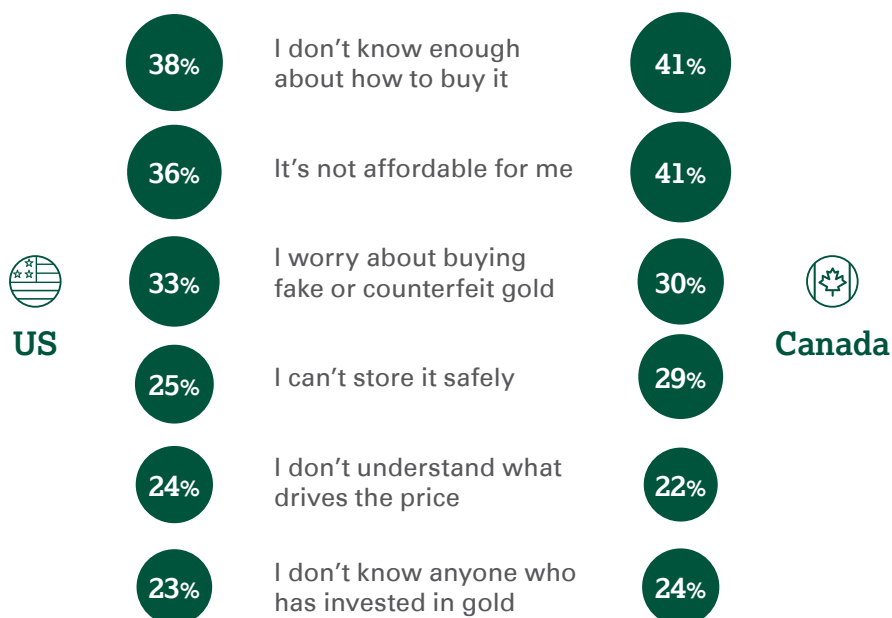
Men are almost twice as likely to have invested in gold. Around 30% of US men and 18% of Canadian men had invested in gold in the 12 months preceding the survey, compared with 17% and 9% of US and Canadian women respectively.

Source of investment information

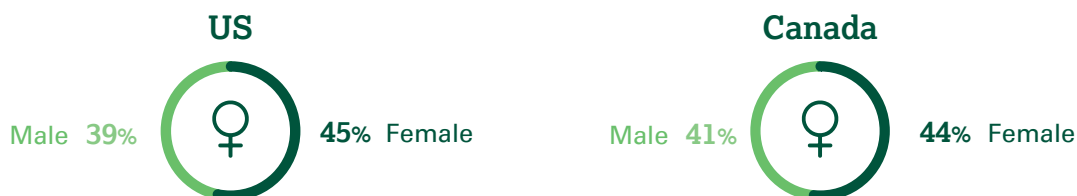


Barriers to gold

Female considers



Future consideration of gold investment



Yet women are warm to investing in gold in the future – nearly one in two women would consider investing in the future despite not having invested in the past.

In both the US and Canada, the biggest barriers for these female considerers revolve around lack of understanding, affordability and trust issues.

Given women's desire for more long-term stable investments, there is a strong opportunity to strengthen gold's role within their portfolio. But the industry needs to focus on addressing trust and affordability issues, as well as educating on gold's benefits including its historical role as a long-term store of value. In addition, any marketing strategy aimed towards female investors

needs to take into account not only women's differing investment objectives but also their influence preferences and the fact that they are more likely to use personal sources of advice, rather than digital channels and investment media, to inform their investment decisions.

Identifying investment demand moments

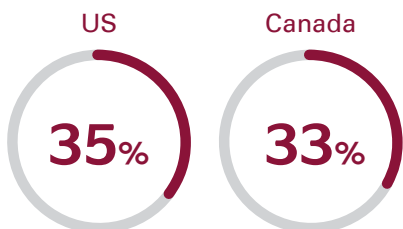
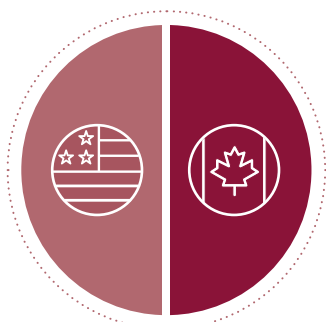
Investor segments help identify who to target and how best to reach them, but people do not necessarily behave consistently from one investment occasion to another; they will have different needs depending on the moment. It is important to understand the occasions – these ‘demand moments’ experienced by retail investors – and the needs underlying each one, in seeking to develop effective products, services and communications to meet those needs.



Our research identified four distinct global demand moments, based on the benefits sought by investors on each particular investment occasion.

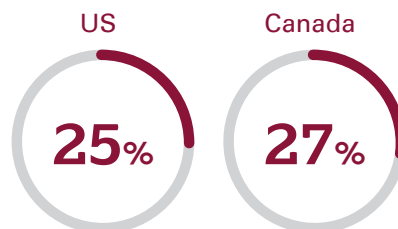
As with the investor segments, the four demand moments are also universal across all the markets we surveyed; but there are differences in terms of size and behaviour, as well as cultural nuances.

Demand Moments in the US and Canada



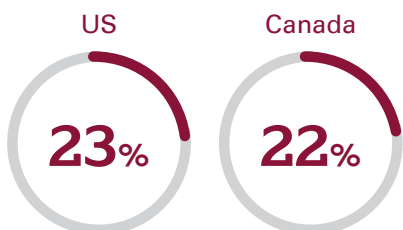
Intellectual Thrill

Is a moment where investors are looking for a challenge and thrill. They seek short-term, innovative speculative investments with media buzz.



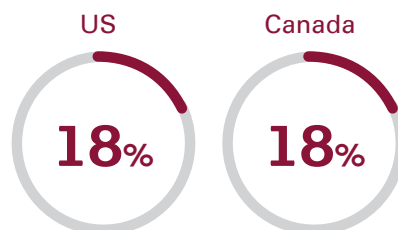
Regular Income

Is a moment where investors are looking for straightforward investments; products which are low-risk, tried and trusted and provide a guaranteed return and ongoing income.



Flexible Liquidity

Is a moment where investors are looking for fun investments that don't need managing; products which are easy to cash-in/sell, are easy to buy and easy to buy in small amounts.



Future Prosperity

Is an occasion where investors are looking for long-term returns which are guaranteed by the government. They also want products which are ethical.

“ [I’m] mostly focused on equities, options and other high return / speculative investment as I’m young and have time to do risky investments. ”

MALE, AGILE STRATEGIST, 33, CANADA

The biggest demand moment in both countries is Intellectual Thrill and it is most commonly experienced by Adventurous Traders.

While investors feel that gold ETFs fit this demand moment, they compete with cryptocurrencies and also with commodity funds in Canada. Gold mining equities also fit this demand moment.

When marketing gold products, there could be value in concentrating messaging on gold’s historical highly liquid profile and the potential that brings to those seeking investments that deliver excitement and greater opportunity for engagement. There is also a need to re-evaluate how existing gold products are positioned and sold.

Regular Income is the second most common demand moment in both countries and this is particularly relevant to Cautious Savers in both markets, as well as US Agile Strategists. Government bonds and saving accounts currently dominate this moment, with corporate bonds and investment funds also appearing in Canada.

With its security heritage, gold should be well-placed to carve out a significant share of this space. But to really own this moment, the challenge will be to offer liquid gold-based products that can be used to deliver a regular income.

In line with their attitudes to risk, Regular Income is one of the biggest demand moments among women and Intellectual Thrill is the biggest demand moment among men.

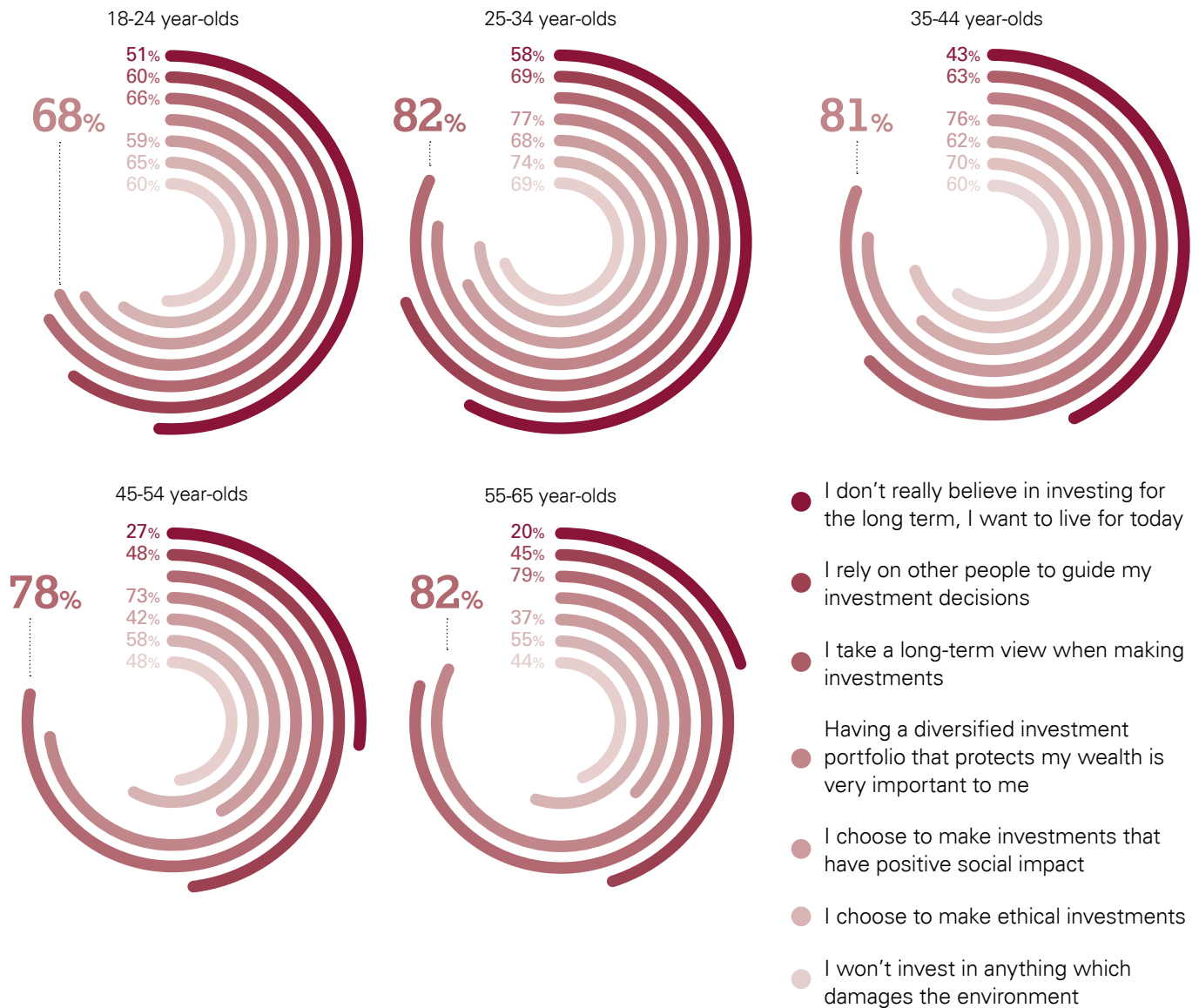


The 18- to 24-year-old age cohort would rather live for today than take a longer-term approach to their investments and are less focused on creating a diverse portfolio to protect their wealth. While they tend

to rely on others to help guide their investment decisions, these are more likely to be peers or family rather than financial advisors.

They also use social media as a source of information to help guide investment decisions.

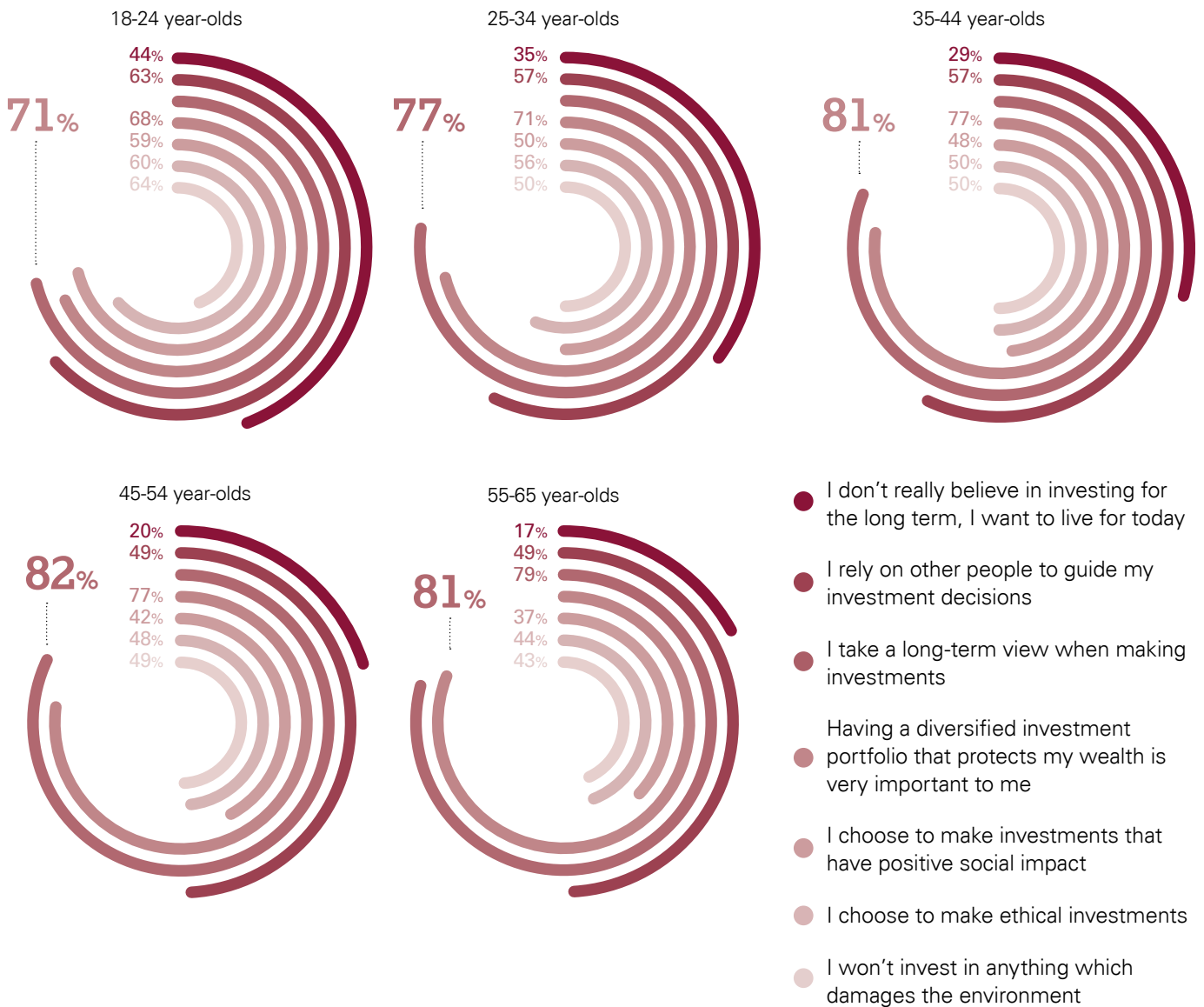
Attitudes to investment – US



- I don't really believe in investing for the long term, I want to live for today
- I rely on other people to guide my investment decisions
- I take a long-term view when making investments
- Having a diversified investment portfolio that protects my wealth is very important to me
- I choose to make investments that have positive social impact
- I choose to make ethical investments
- I won't invest in anything which damages the environment

Canadian young investors are focused on ESG issues, looking to make ethical investment choices that have a positive social impact and do not damage the environment.

Attitudes to investment – Canada



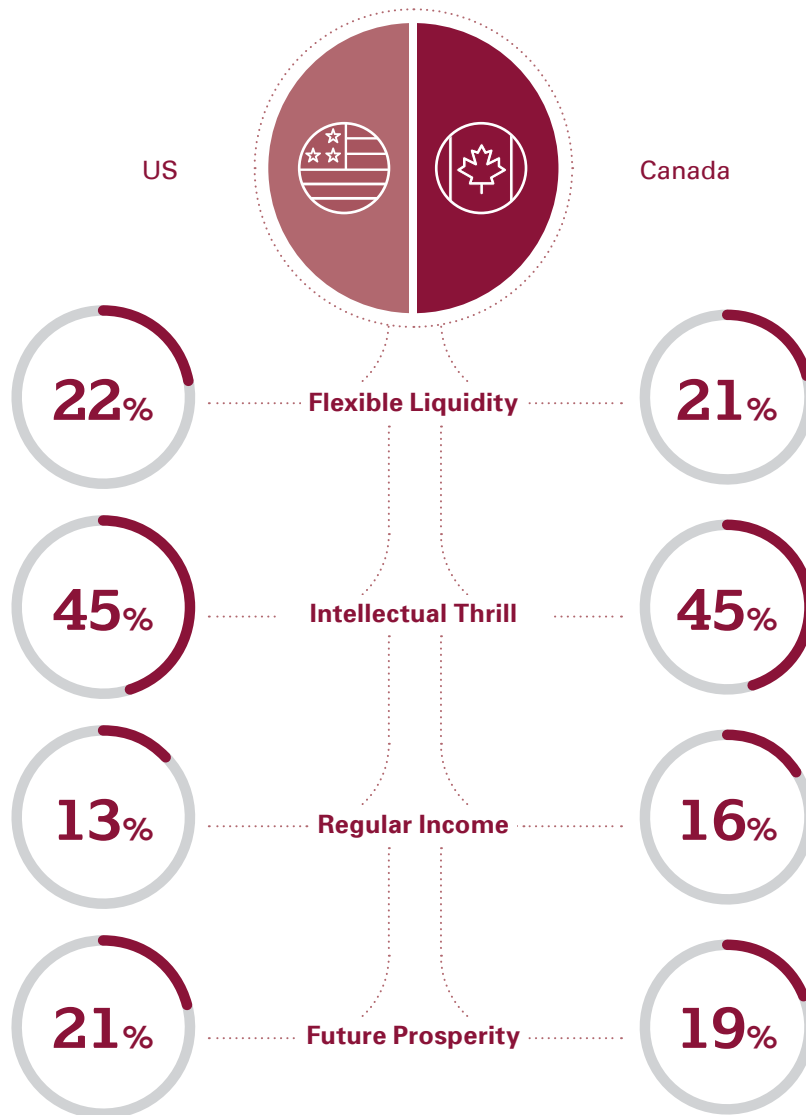


While they save or invest more of their income compared to the other age groups, these young investors have the smallest portfolios, with fewer than three products on average.

Reflecting their 'live for today' mentality, Adventurous Traders is the biggest segment by far among

this age group (50% in the US and 45% in Canada). And in line with their investment attitudes, Intellectual Thrill – the high risk, high reward moment – is the most relevant demand moment for these younger investors who are looking for fun, more speculative investing.

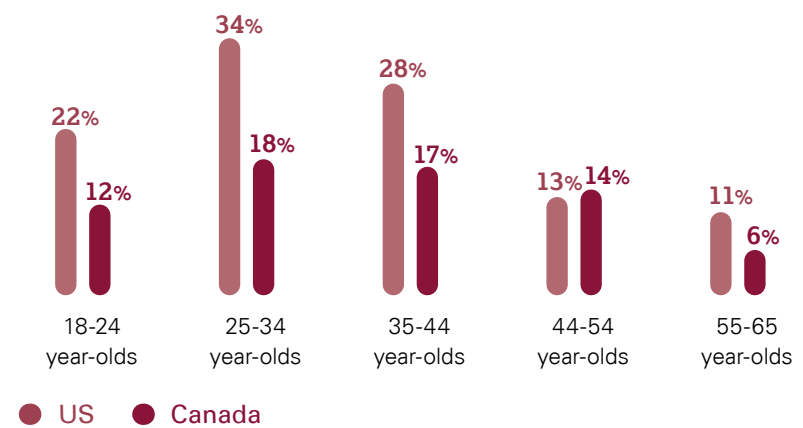
Demand moments among 18- to 24-year-olds



While their engagement with gold is lower than some of the other age cohorts, 18- to 24-year-olds were twice as likely as 55- to 65-year-olds to have invested in gold in the prior 12 months.

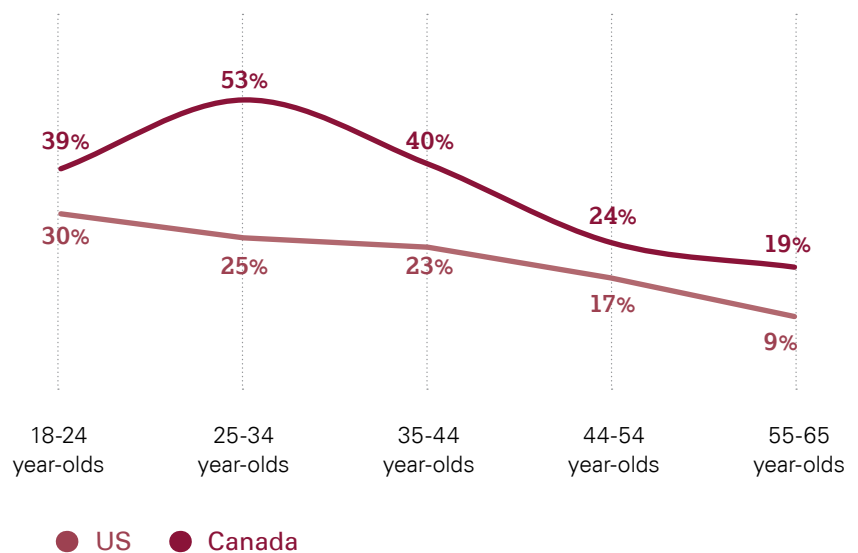
Investment in gold by age

12 months preceding the survey



There is a lot of potential to build on this and convert more young investors into future gold investors: between two to three times as many 18- to 24-year-olds say they will definitely invest in gold in the future compared to the oldest age group. And over 40% in the US and over half in Canada are open to investing in gold even though they have not invested in it yet.

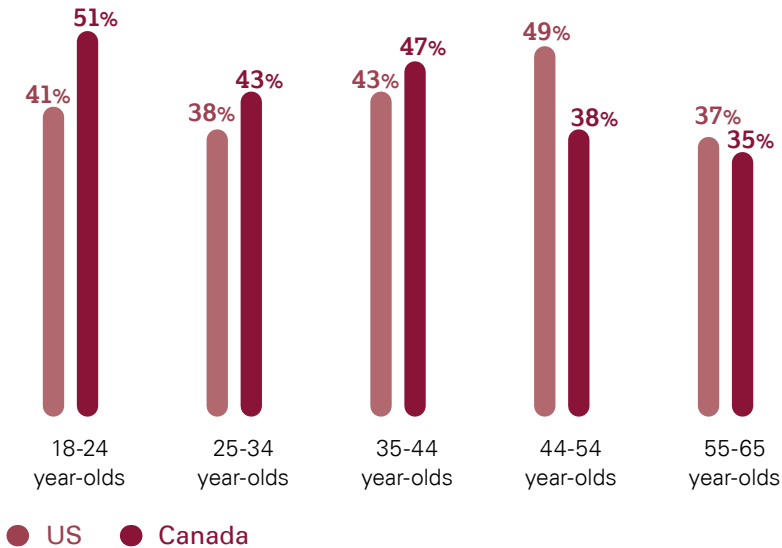
Will definitely invest in gold in the future





Considerers who have never bought

By age



Converting these young considerers means addressing a variety of barriers, the biggest of which (although less significant for these younger investors than it is for other age groups) is the perception that the cost of investing in gold is beyond their means. Other significant hurdles for these potential first-time buyers are a lack of trust in what they might be buying combined with a lack of knowledge on how to buy. Gold communication strategies that

focus both on gold's accessibility and on the ease of investing in small amounts should go a long way to increasing their desire and confidence to purchase gold, particularly if it was followed up with a simple, transparent purchase journey.

And for Canada in particular, these young investors of the future need to be reassured over their perceptions that gold mining has a negative environmental impact.

Barriers to buying gold

Considerers who have never bought





While a recent study by Ernst and Young showed that fintech adoption in North America has been relatively low (46% in the U.S. and 50% in Canada) compared to emerging markets such as China and India (both at 87%),² the impact of COVID-19 has already accelerated this adoption.

By integrating fintech innovations into all touchpoints of the investor journey, leading financial services firms and fintech firms have created frictionless end-to-end experiences, built around the customer and tailored to their needs. But within the 'new normal' of social distancing and virtual working, companies need to disrupt and re-shape the value propositions of existing products and services, as well as creating new ones that better meet customers' needs and expectations. Particularly crucial is investors' desire for simplicity and reassurance – needs which will likely have become even more important drivers as a result of the pandemic.

However, potential innovations need to recognise and address potential customer barriers. For example, mobile payments have yet to take off in the US as they have done elsewhere, including in Europe and China. Reasons include it simply being easier to swipe a card versus the multiple steps required to use a smartphone.³

The introduction of robo-advisors has disrupted the sector in many markets. Using data provided by the customer, they simplify the decision-making process by delivering personalised investment recommendations

and automatically managing an investment portfolio via easy-to-use dashboards. And their low cost makes them widely accessible. While the use of robo-advisors has been slow to gain popularity in Canada – our research shows that just 10% of Canadian investors used a robo-advisor to make an investment compared to 19% in the US – the number of users is projected to grow by 33% in the US and by 24% in Canada in 2020.^{4,5} Adoption has likely been propelled by the pandemic. Two of Canada's leading robo-advisors – Wealthsimple and WealthBartwo – reported double-digit growth in client numbers (24% and 10% respectively) since the pandemic took hold in North America in mid-March and the majority seem to be first time investors in their late 20s and 30s.⁶

Adoption of online channels for investment is high, with around a third of investments taking place exclusively online. Investments in cryptocurrencies are out in front, with over 60% of transactions in the US and over 70% in Canada being exclusively online. Physical gold and vaulted gold are mostly purchased exclusively offline in Canada – much more so compared to the US. Gold-backed ETFs are the exception, with around a third being bought exclusively online compared to a fifth in the US. While it may seem surprising that not all investments in products such as gold-backed ETFs take place online, it is likely that many such transactions involve an element of telephone or in-person conversations with financial advisors, bank representatives etc.

2 E&Y Global FinTech Adoption Index 2019

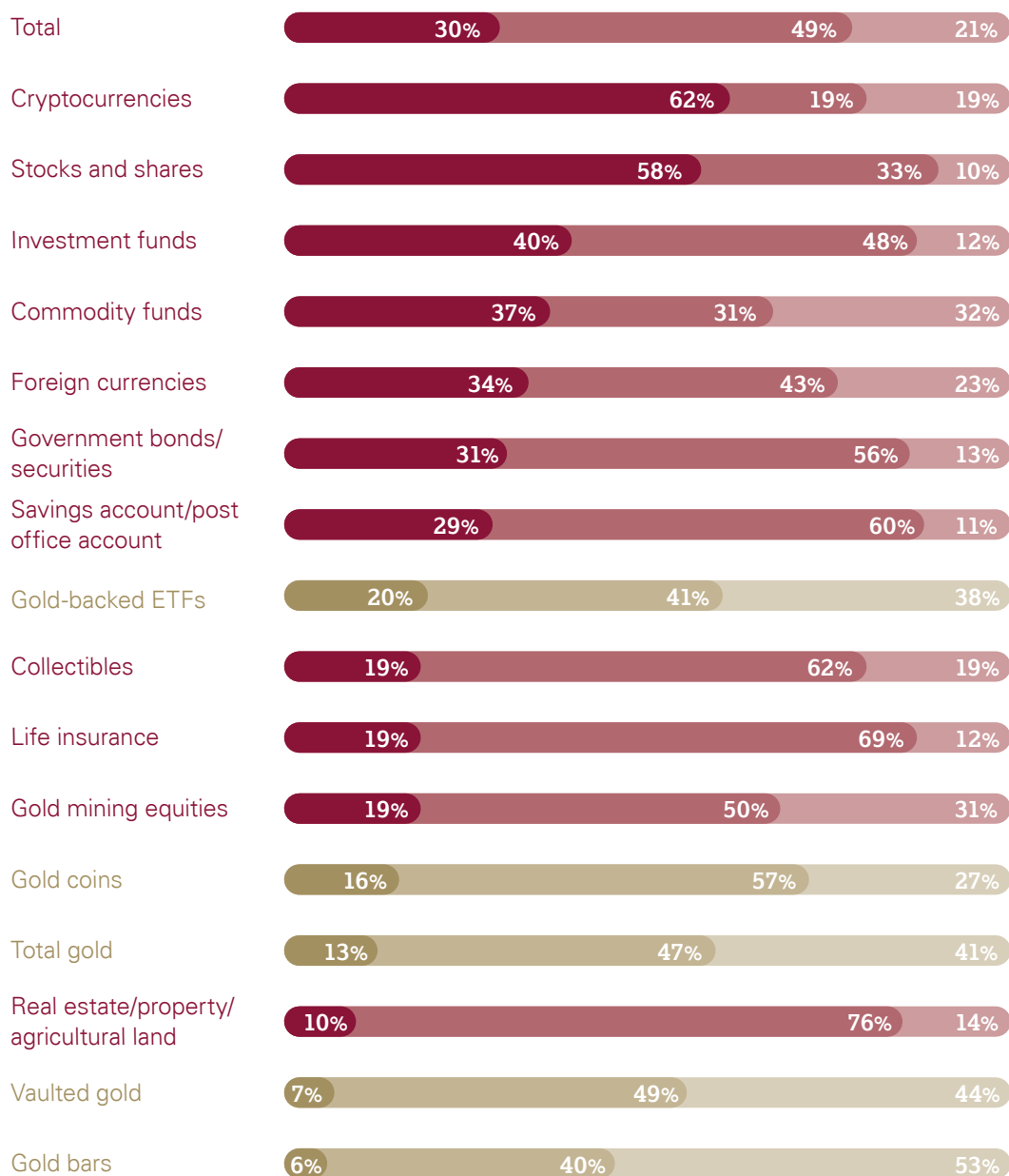
3 www.cnbc.com/2019/08/29/why-mobile-payments-have-barely-caught-on-in-the-us.html

4 www.statista.com/outlook/337/109/robo-advisors/united-states

5 www.statista.com/outlook/337/108/robo-advisors/canada

6 www.globalnews.ca/news/7200337/covid-19-investing-stock-market-canada/

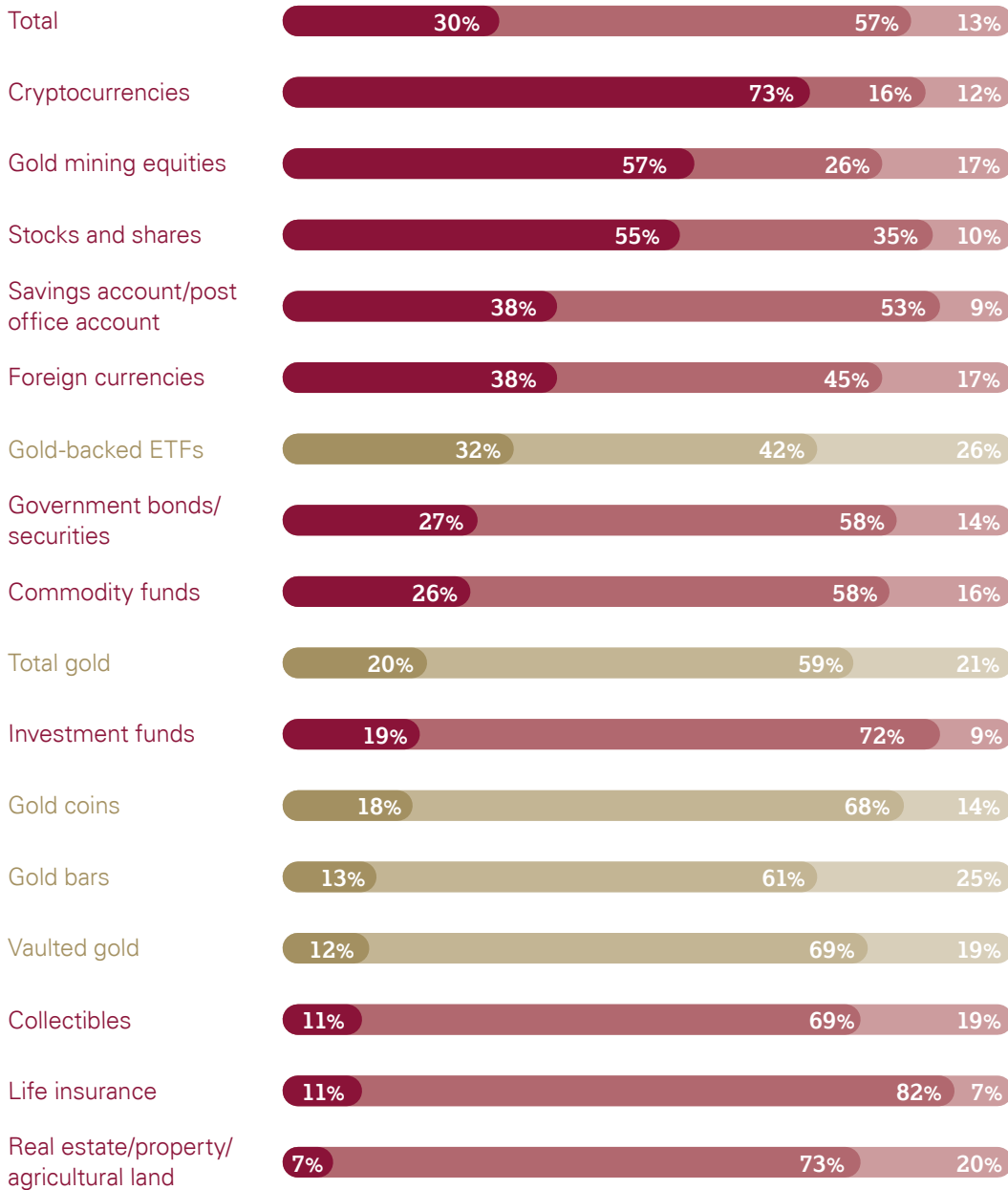
Place of investment by product type – US



● Online only
 ● Offline only
 ● Online and offline



Place of investment by product type – Canada



● Online only
 ● Offline only
 ● Online and offline

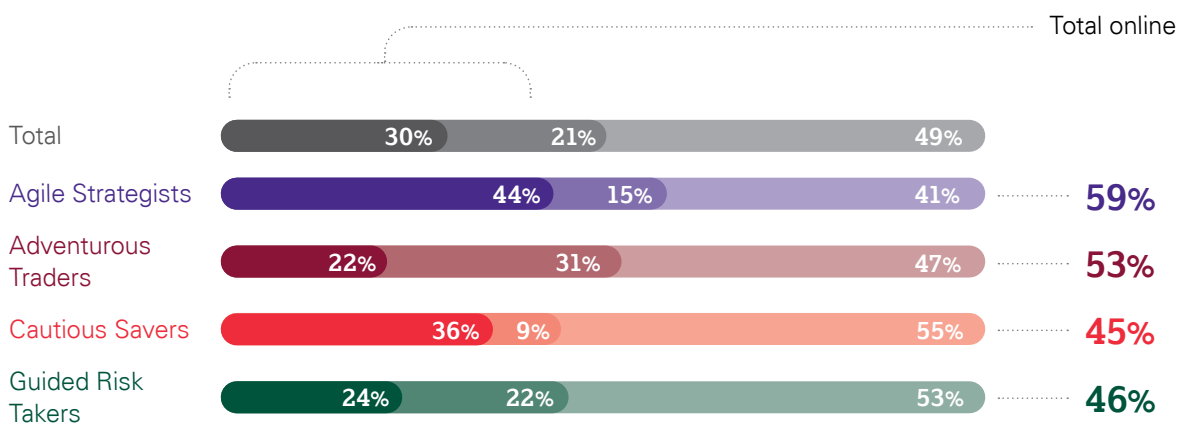
When we look at how channel usage varies by segment, we see that both Agile Strategists and Adventurous Traders, the two biggest segments in each country, are the biggest users of online channels. This provides a solid foundation to build on.

Integrating fintech is essential for the gold industry to adapt and thrive in the new market environment. It offers opportunities to address key barriers and add meaningful value. It adds value to the customer by better meeting their needs throughout their investment journey and offering new, innovative product offerings. And it adds value to the

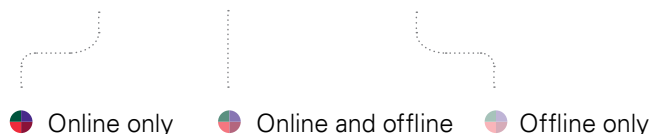
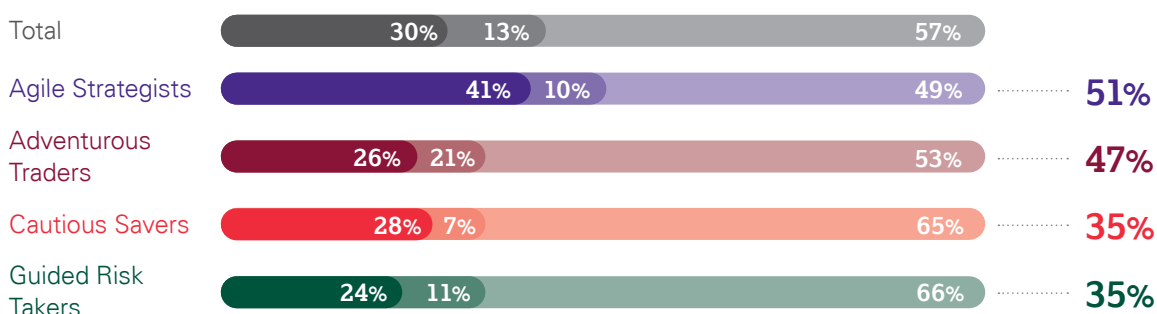
business by increasing operational efficiencies. Putting fintech at the heart of any strategy is key to being truly customer-centric. And it is a route to drive greater penetration and frequency of gold investment in a dynamic marketplace where advances in technology and communications continue to empower customers.

Place of investment by investor segment

Across all products – US



Across all products – Canada



Barriers

Gold investment in the US and Canada has the potential to grow if investors can improve their knowledge and awareness around the investment process and affordable entry points. Sharing gold's ESG credentials and improving online access should also help to broaden gold's appeal.





The knowledge gap.

Our research suggests a significant growth opportunity for the retail gold investment market in the US and Canada. Investors are interested in how gold might work within their portfolios to help them achieve their aims of wealth protection and long-term finance.

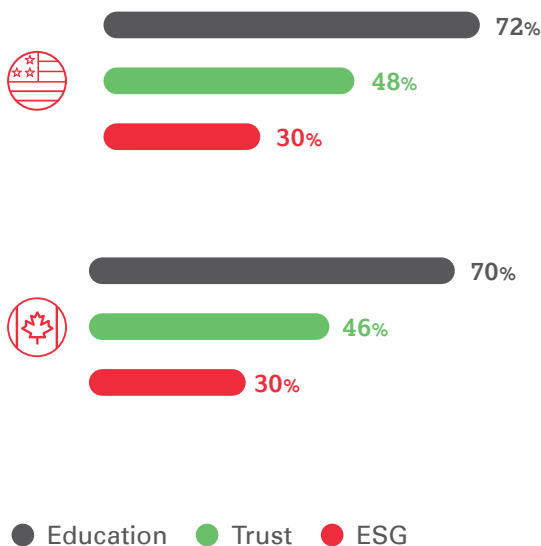
But they do need more information and clarity. Some see gold as too complicated or confusing, while others believe it to be out of reach. The gold industry could do more to provide useful and clear information about products and about the paths to owning gold. In both Canada and the US, 7 in 10 considerers (investors who have never bought gold but are

now open to it) said they didn't know enough about gold.

These knowledge barriers peak with the mature investor. Those aged 55-65 appear to be the most in need of education about gold. Within this age bracket, 41% of American considerers and 43% of those in Canada believe gold is not affordable. They also don't know how to buy it: in the same age group, this was stated by 44% of American considerers and 45% of Canadian considerers. In addition, they are unclear about what drives the gold price and because they don't know anyone who has invested in it, they lack precedent to bolster their confidence.

Barriers to buying gold

Considerers who have never bought





Gold is not perceived as straightforward.

Across our four segments and across both countries, considerers tell us that concerns around affordability are key as to why their portfolios do not contain gold. In both markets, almost half of considerers in the Cautious Saver segment cited this as a reason. Furthermore, investors are unclear about the purchase journey. What should they buy, how should they buy it, and from whom? 'I don't know enough about how to buy gold' was stated by 32% of considerers who have never invested in the US and 36% of those in Canada. These important questions are at the forefront of investors' minds and, taking into account the overriding desire for products that are straightforward, it is unsurprising that gold is sometimes overlooked in favour of more habitual choices.

For many, the foremost driver is simplicity. They want products that they understand, that are accessible, and that are easy to buy and sell. When asked which features were important when considering an investment in gold products, American considerers identified being easy to buy and sell as the top features of gold ETFs. This opinion was similarly popular in Canada, where considerers also like the low fees associated with trading.



Trust in gold.

When buying physical gold, it is natural for investors to seek assurance of its purity. Over one quarter of considerers in both the US and Canada believe they run the risk of buying counterfeit gold, to the extent that it has prevented them from buying it. Among US Agile Strategists, this proportion rises to 37%. Throughout our segments, this is a dominant theme – more so in the US than Canada, although even here, Adventurous Traders tell us it has been the greatest impediment to them investing (31%).

Fewer Canadian investors cite concerns about buying counterfeit gold or gold that is not pure. But overall, 48% of US considerers who have never bought gold say that trust is an issue, and 46% of their Canadian neighbours say the same.

If greater assurance could be built around the value of gold and more information provided about its supply chain, new avenues could be opened into this warm market.

“ I feel intimidated with the process. I have thought some, about it. I tend to stay safe. ”

FEMALE, ADVENTUROUS TRADER,
52, CANADA



Competition from cryptocurrencies.

There is a clear overlap between investors in cryptocurrencies and investors in gold. While gold is more popular, cryptos and foreign currencies continue to be attractive, especially to investors within the Adventurous Trader segment. In 2019, over one third of American investors who owned gold also owned cryptocurrencies. The highest crossover was in non-physical gold: ETFs and vaulted gold.

This crossover suggests an implicit recognition of the diverse, and perhaps complementary, benefits offered by these different investment products. Dialling up the emphasis on the diversification benefits of an investment in gold – and particularly highlighting how gold ETFs can add balance and wealth protection to a portfolio – could resonate well among this audience.



Environmental concerns are growing.

This is a dominant issue in Canada, where ESG concerns among non-considerers of gold are the highest of all markets. In the US too, we found a significant proportion of investors who rule out gold due to their perception of its ESG credentials. Even among those who would consider gold, 30% say that they have some unease around ESG. Gold is missing a potential and sizeable group of investors if it cannot allay such concerns.

The World Gold Council and its members, the world's leading gold mining companies, have long supported a position that responsible gold mining can support sustained socio-economic development of the communities and countries that host gold mining operations.⁷ The Responsible Gold Mining Principles

(RGMPs), launched in 2019, set out an overarching framework as to what constitutes responsible gold mining. The adoption of the 51 individual principles is mandatory for our members and helps investors understand what constitutes responsible gold mining. Whilst our research has shown that there is a feeling that mining gold does more harm than good, we have recently published a report setting out how the gold mining industry is supporting progress towards the UN's Sustainable Development Goals.⁸ Greater awareness of these efforts to transition to more sustainable and inclusive business practices may help to assuage ESG concerns among investors.

⁷ www.gold.org/about-gold/gold-supply/responsible-gold/responsible-gold-mining-principles

⁸ www.gold.org/about-gold/gold-supply/responsible-gold/gold-minings-contributions-sdgs

Top barriers to gold

Among considerers who have never bought



● Canada ● US



Conclusion

This research presents a detailed view of the retail investment market across the US and Canada, and of the retail gold market in particular. The data gives us insights not only into current perceptions of gold, but – crucially – it reveals opportunities to promote greater engagement with gold in the future among the sizable group of investors who are open to making a first-time investment.

Gold is an established investment vehicle but is more commonly held by investors in the US than those in Canada, where it is far from being considered a ‘mainstream’ asset. Notably, there is untapped demand in both markets as investors indicate they would consider investing in gold for the first time. However, to reach this potential pool of new gold investors, there are key barriers that need to be overcome.

Many of gold’s key investment attributes are inherently understood. It is recognised as a store of value and a good safeguard against inflation. Investors commonly see its purpose in their portfolio as being one of wealth protection.

But there are distinct knowledge gaps across both markets, which put gold at a disadvantage. Educating investors with clear, targeted messaging around the features and potential benefits of an investment in gold – giving prominence to the availability of affordable products – will be a vital component of a successful market-growth strategy.

Simplicity is key. Investors need to feel that buying gold is an easy, straightforward process. We know that simplicity is a key driver behind the decision to invest in gold. But those who have never invested tell us that they don’t know enough about how to do it. Raising awareness of gold’s straightforward purchase journey should help these investors to feel more confident about doing so.

Trust issues are a barrier to gold investment. A common apprehension shared by investors across the region concerns the purity of the gold available. The possibility of buying fake or counterfeit gold is a deterrent to more than 45% of considerers. This suggests an advantage exists for gold providers who can clearly demonstrate that they operate with transparency and integrity and confirm the provenance and quality of their products. Adherence to the Retail Gold Investment Principles provides an opportunity to do just that.

The opportunities highlighted by this research for gold investment product providers and retailers to cater more directly to their customers’ needs – and extend their reach to new investors – are many and varied. Acting on these opportunities will open the door to significant potential market growth.

Methodology

To deepen our understanding of the gold market we commissioned global research agency, Hall & Partners, to conduct a large-scale programme of market research into the global gold retail investment market. This research programme builds upon the survey we conducted in 2016, expanding the markets we surveyed to include Russia and Canada.

The study captured the opinions of more than 12,000 active retail investors across six countries. We gathered insight into retail investment via a quantitative survey of at least 2,000 men and women (aged 18 to 65) in each of the following markets: China, India, Germany, the US, Canada and Russia.

The research achieved national coverage in both the US and Canada. We conducted online interviews with active retail investors across both countries, surveying 2,029 and 2,012 investors in the US and Canada, respectively.

To understand the full range of threats and opportunities facing the gold market, we deliberately spoke to people who had bought gold in the past and those who had not. The respondents were 'active investors' – defined as people who had made at least one investment in the 12 months preceding the survey, *excluding* those who had only added money to a savings account and had only ever invested in a defined list of non-core investment products.

Fieldwork surveys took place in Q2 and Q3 2019.

The logo for Hall & Partners is a green speech bubble shape with the text "Hall & Partners" inside in white. The bubble has a tail pointing downwards and to the right.

Hall & Partners

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