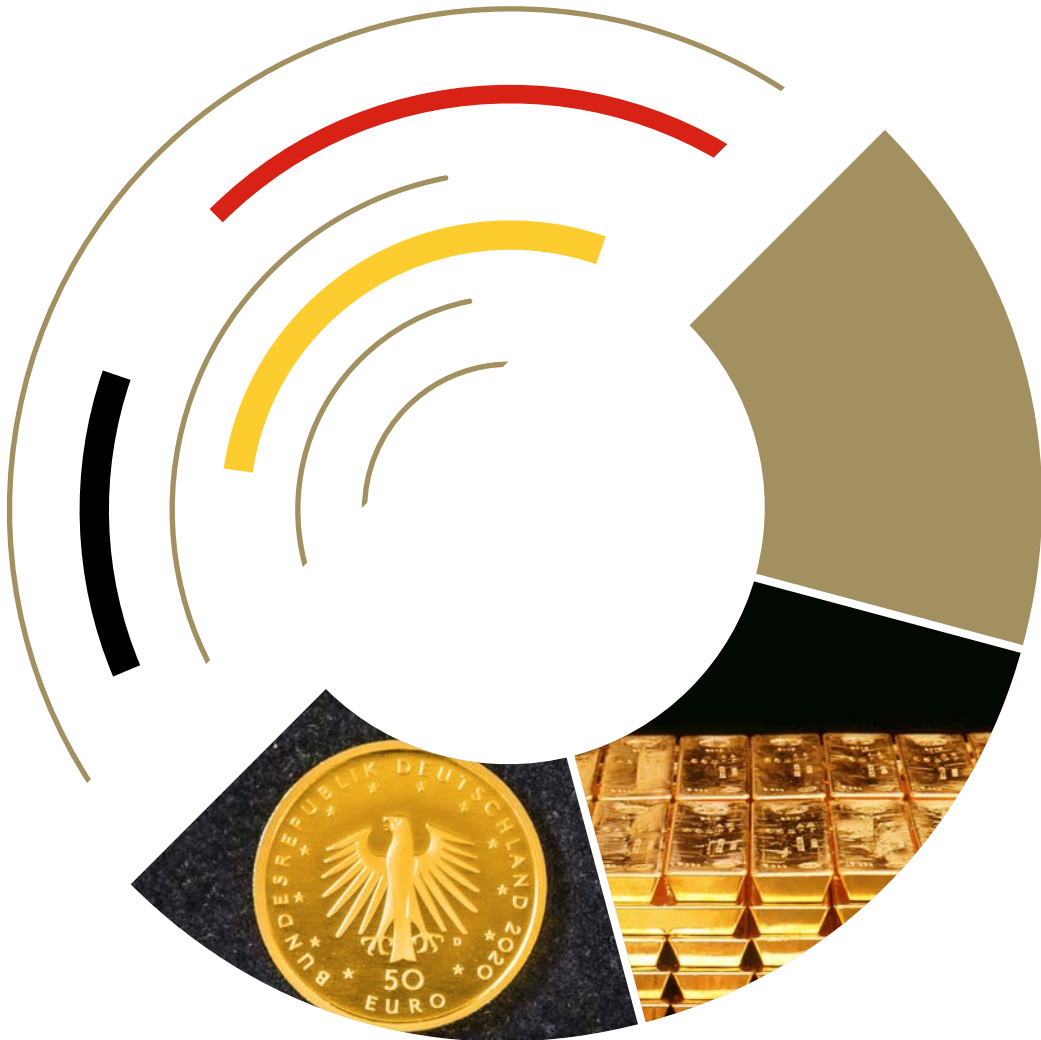


Retail gold insights: Germany Investment



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.

For more information

Louise Street

louise.street@gold.org
+44 20 7826 4765

Juan-Carlos Artigas

juancarlos.artigas@gold.org
+1 212 317 3826

Claire Lincoln

claire.lincoln@gold.org
+44 20 7826 4788

Alistair Hewitt

alistair.hewitt@gold.org
+44 20 7826 4741

Mike Oswin

mike.oswin@gold.org
+44 20 7826 4734

Contents

Foreword – Louise Street	01
Executive summary	02
Snapshot of investment behaviours	04
Understanding the different retail investors	08
Identifying investment demand moments	20
Barriers	30
Conclusion	39
Methodology	40

For more on our global retail insights programme, visit:

www.retailinsights.gold

Foreword

Germany plays a significant role in the global gold investment market. Each year, it generates around 10% of global demand for gold bars and coins. Meanwhile, gold-backed Exchange Traded Commodities (ETCs) have become a favoured vehicle for some to invest in gold, with Germany establishing itself as the third-largest market for these products in recent years.¹

We designed this consumer research programme to deepen our insights into retail investors in key markets across the globe; to delve into their attitudes towards gold and, importantly, to uncover the challenges they see with investing in it. And while the research pre-dates this year's unforeseen pandemic, the results are relevant and applicable even in today's altered environment.

The economic powerhouse of Europe, Germany is battling the effects not only of the global pandemic but also the impact of global trade wars on its vital export sector. The ravaging effect of periods of high inflation live long in the German memory. Our research tells us that investors widely associate gold with protection against inflation and currency fluctuations, and trust gold as a provider of long-term security. This has been particularly evident during 2020, when the conditions of ultra-low interest rates – with the potential they harbour for

fuelling inflation in the long run – has helped to propel German investment in gold bars and coins to record levels.²

Investors who own gold focus firmly on its potential to protect wealth and generate long-term returns. But investors who have yet to buy gold cite a few key factors that have prevented them from doing so, central among which is insufficient trust in gold and the businesses that sell it.

And it could be argued that now more than ever, trust is vital for investors adjusting to a new way of life that brings continued uncertainty. The World Gold Council has already taken steps to address this issue. The recent launch of our Retail Gold Investment Principles (RGIPs) is designed to foster trust in the industry and raise confidence among retail investors warm to the prospect of investing in gold.³

This report provides businesses selling gold investment products in Germany with an extraordinary opportunity: to immerse themselves in the insights; to deepen their understanding of their customers; and, crucially, to address the obstacles that cause some investors to stumble when navigating the gold investment landscape. We are excited by the potential for progress.



A handwritten signature in black ink, appearing to read 'Louise Street'.

Louise Street
Senior Market Analyst
World Gold Council

1 While our survey referred to Exchange Traded Funds (ETFs), German retail investors commonly recognise these gold-specific investment vehicles to be Exchange-Traded Commodities (ETCs), which are the customary form of exchange-traded gold investment in Germany.

2 www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q3-2020

3 www.retailinvestment.gold/en

Executive summary

German investors are eager to acquire gold.

Over one third of investors already include it in their portfolios and more than a third say they would consider it. This readiness to embrace gold is seen across age groups but is notable with 18-24-year-olds, of whom 38% say they will definitely invest in gold in the future. Germans invest almost 18% of their income but select a limited range of products – on average, their portfolios contain just 2.9. Ranking third in product choice, gold is already popular but there is still plenty of headroom for growth.

COVID-19 has impacted German confidence.

The impact of the pandemic has affected Germany as elsewhere and, despite the country's economic resilience, investors realise that they are not immune to the fallout. Germany GDP growth is at an all-time low and expected to rebound only slowly. In these circumstances, gold has a real opportunity. Investors see it as low risk. They understand its durability and wealth protection attributes, and believe that it can protect against inflation and currency fluctuations.

Gold-backed ETCs have been a growth market in Germany.

Although physical gold remains the most popular type of investment, ETCs are popular, made more attractive by their ease of purchase – usually online. Our research showed

that investors consider gold-backed ETCs as a reliable way of producing a good return from their investment over the long-term whilst benefiting from their liquidity in a dynamic market. We found that the investment occasion ('demand moment') most frequently experienced by German investors is one that presents an intellectual challenge and tends to involve more dynamic product choices. ETCs – which have the ability to be bought and sold quickly, incurring only low fees – could fit well here.

Environmental concerns are prominent.

Germans take seriously their responsibility towards the planet and like to make ecologically sound choices. This concern for the environment filters through into their investment behaviour. They need to know that gold is ethically and environmentally sound. We use the term 'considerers' for those who are open to gold but who have not yet invested in it – and, at present, a significant proportion of considerers are not convinced. The World Gold Council Responsible Gold Mining Principles™, launched last year, comprises 51 individual principles that address key environmental, social and governance (ESG) concerns. World Gold Council members, the world's leading gold miners have committed to adhere to, and get external assurance, on these Principles. The World Gold Council encourages practices that enhance the ESG credentials of gold mining and carry these through to the entire supply chain, but this information will

need to be made clearer to those who currently disregard gold as an investment choice.

Investors need greater awareness of affordable entry points.

Our research found that some considerers are deterred from gold because they believe it to be financially out of reach; this is especially true within the 18-24 and 55-65 age groups. This lack of clarity about how they might own gold is further impacted by the fact that they see little in the media to inform them. German investors feel that physical gold is not commonly endorsed by financial advisers and there is little peer-to-peer conversation about gold investment products. And as investors commonly research their choices online, gold has to be visible here too: educating and offering easy and secure transaction possibilities. Along with low priced entry points and targeted media campaigns, gold could do much to engage this audience.

The customer journey must be transparent.

It is clear from our research that considerers seek out the most accessible ways to invest. The most popular portfolio products are savings accounts and life insurance – both readily accessible and easy to understand. Encouragingly, gold is often front of mind, but access to its products is less apparent to considerers. If this gap can be bridged the German market offers great potential.



Snapshot of investment behaviours

Penetration and purchase intent

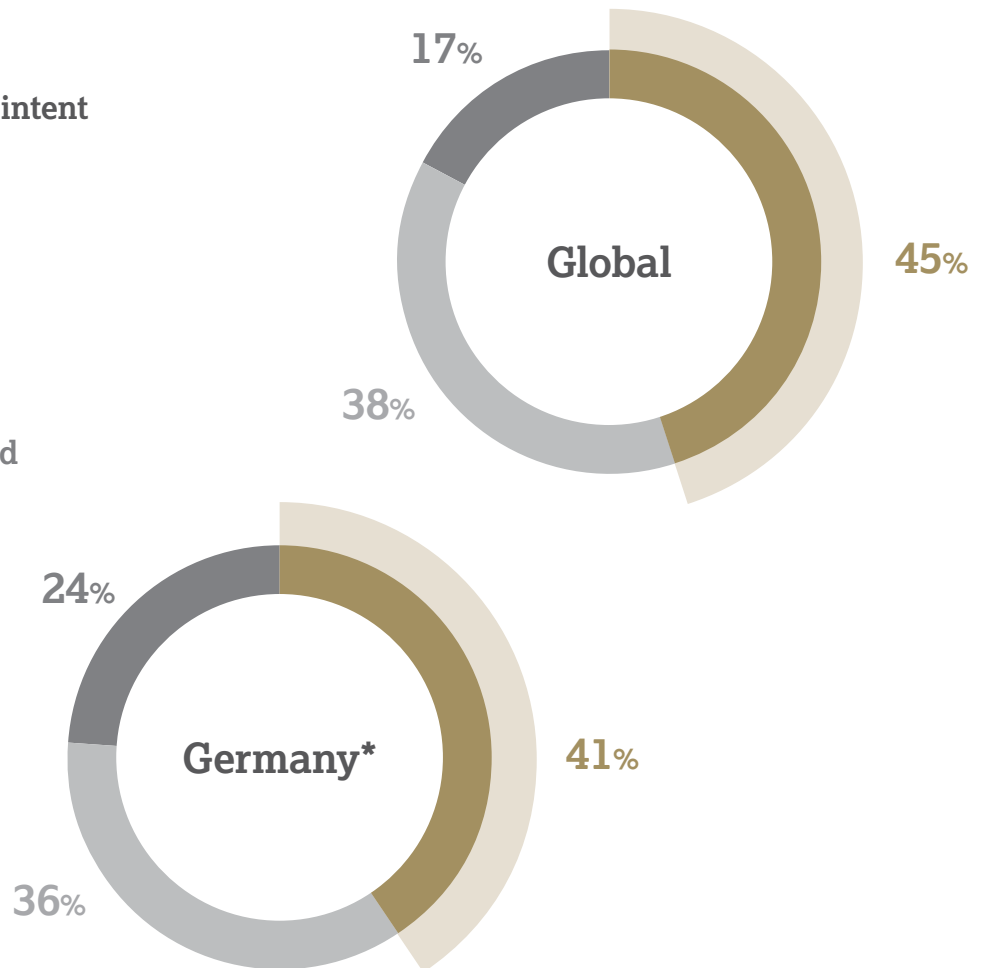
Considering buying gold

Has bought in the past

Considering buying gold

Never bought in the past

Won't consider buying gold



Average number of investment products owned

2.9

Proportion of income saved or invested

18%

Top 5 investments

1. Savings account
2. Life insurance
3. Gold
4. Stocks and shares
5. Investment fund

* Numbers do not add to 100 due to rounding

Germany the economic powerhouse.

The largest economy in Europe, Germany has traditionally been a powerhouse of economic growth. Measured by GDP it is the fifth largest economy in the world and its 83 million people enjoy a good standard of living; the country ranks above average in terms of income and wealth, work/life balance, the provision of education and subjective wellbeing.

COVID-19, however, is no respecter of wealth or rank; in the second quarter of 2020 the German economy shrank at its fastest rate since growth figures began in 1970. Hit hard by the disruption in exports, the people of Germany have not escaped the effects of the pandemic. Although some economic commentators expect the rebound to be sharper and more sustained than elsewhere in the EU, there is uncertainty about

Germany's ability to bounce back and as a result it is anticipated that the country's GDP will remain below pre-COVID levels for some time to come.

Confidence and gold's opportunity.

COVID-19 has dented confidence too. As time goes on, fewer people believe the effects of the pandemic will be short-lived; most Germans now feel that it will be at least one to two years before life gets back to anything like 'normal'.⁴

This uncertainty represents an opportunity for gold. In a nation where wealth protection is a priority, gold is viewed as a safeguard in times of economic uncertainty. Almost one in three German investors already own gold but, importantly, more than a third (36%) say they are willing to consider it despite never having invested in it before.

Within Germany, we conducted:

2,020

online interviews with investors from cities across the country

⁴ Source: Hall & Partners 'Coronavirus Now': w/c 3rd Sept, 41% of Germans believed it would be 1-2 years before life returned to normal, and 20% thought 2 years or more

A nation that invests in gold.

Germans like gold and have faith in it. They believe that gold will not lose its value and will protect against the vagaries of currency fluctuations and inflation. The opportunity to invest via gold-backed ETCs has helped to increase access to gold.

In 2019, active German investors saved, on average, 18% of their income in some form of investment products or savings. Average portfolios are limited in range, with only 26% of investors owning more than three types of products and just 9% owning six or more. The average portfolio contains 2.9 products, the most popular of which are savings accounts and life insurance. Stocks

and shares also feature highly but gold ranks in third place with the most popular forms of gold being coins and bars.

Of those who buy coins, 47% do so for wealth protection reasons, as do 45% of those who invest in bars. However, around one third of investors buy bars (34%) and coins (31%) as a way to increase their wealth.

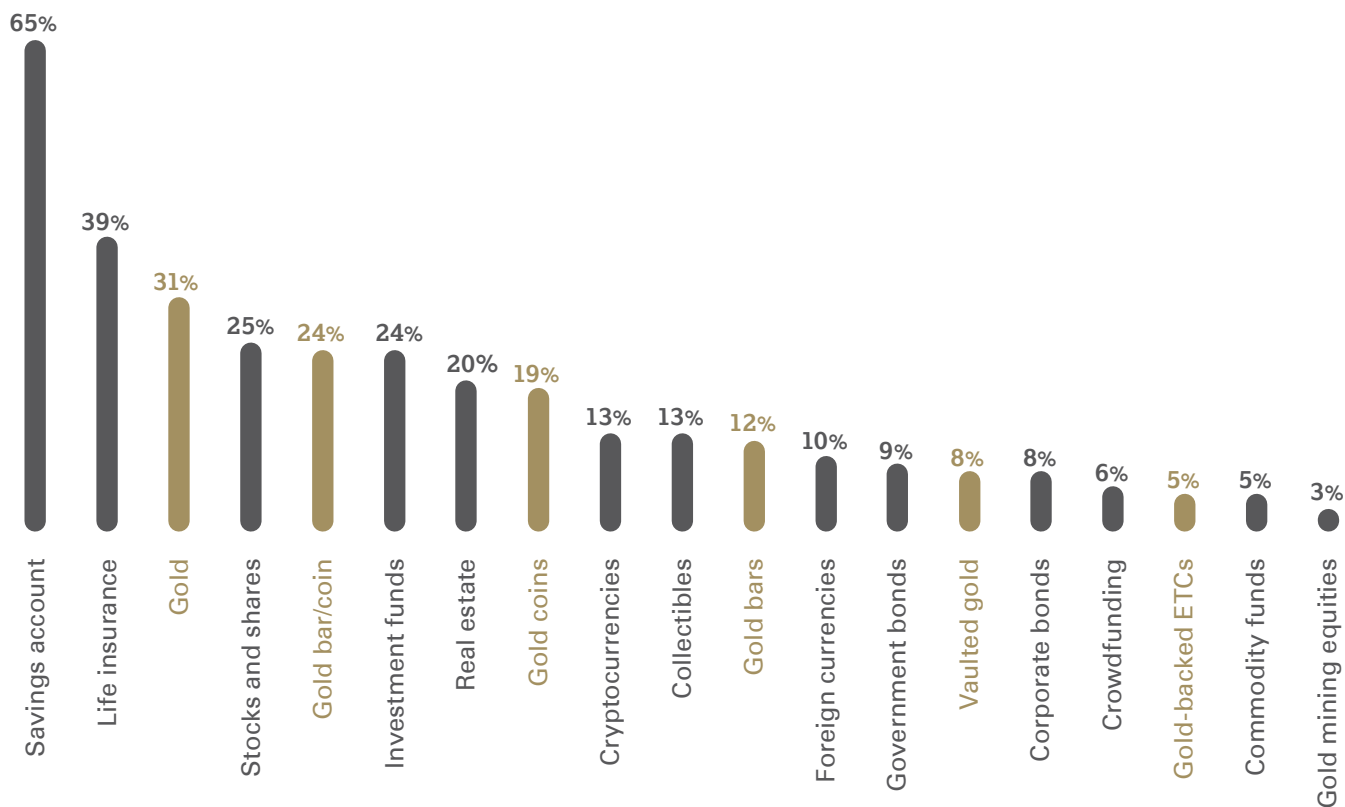
Gold-backed ETCs are perceived as making good returns in the long run (51% of respondents agreed) although only 17% of respondents told us that wealth protection is a priority when they choose this particular product. The role of vaulted gold is considered similar to that of bars and coins, although 15% of

investors who buy this type of gold also see its role being to generate short-term returns in excess of inflation.

The potential of the younger market.

The younger investor is more open to a variety of portfolio products. Of respondents in the 18-24 age group, 38% said they would definitely invest in it in the future. And 42% were classed as 'considerers' – i.e. they are open to gold, although they have not bought it before. They invest a higher proportion of their income than other age groups and 21% of our young respondents told us they had already invested in gold over the preceding 12 months. Online will be a key channel if gold is to reach this age group.

Types of investment owned



Top 5 attitudes towards gold

64%

Gold is a good safeguard against inflation/currency fluctuations

61%

Gold will never lose its value over the long-term

57%

I trust gold more than the currencies of countries

53%

Owning gold makes me feel secure for the long-term

50%

I never really hear about gold in the media

Attitudes towards gold.

Germans are warm towards gold and value it for wealth protection. And it is front of mind, with 64% of our respondents saying that should they receive unexpected money they would invest some of it in gold; for this group gold bars and gold coins are popular choices.

Gold is seen as low risk. Germans like its physicality – it is a tangible and easy to understand product. It can be bought in small amounts and is regarded by investors as a means of protecting their wealth regardless of inflation or government policy.

Our research has uncovered some interesting parallels between gold investors and those who buy cryptocurrencies, stocks and shares or real estate. Investors in cryptocurrencies are open to gold and are twice as likely as the general population to have bought gold-backed ETCs. And investors in real estate or stocks and shares are warm to gold too – particularly ETCs, although some prefer vaulted gold – valuing it as a good safeguard against inflation or currency fluctuations. There may be indicators here that would be useful to the creation of product specific marketing messages. But investors have some misgivings.

In general, gold is not seen as an intellectually challenging investment – although gold ETCs buck this trend – and investors see little media buzz around it. Even though gold bars and coins are popular, their image could also be improved. German investors look positively on gold in terms of its long-term value and wealth protection, but those who seek more innovative investments tend to overlook it. Most significant however, were the concerns we heard expressed around gold and the environment, and these are explained further in the 'Barriers' section.

Ease of purchase and long-term returns.

Investors the world over look for ease in their investment choices. Our German respondents were driven primarily by simplicity and reassurance when buying gold investment products. German investors said that 'ease of purchase' would be the number one factor when thinking about buying gold coins (48%), gold bars (44%) and gold-backed ETCs (39%). But the message that gold can deliver long term returns appears less well understood. When asked about future investment, just 11% of respondents said that long term finance would be a deciding factor

should they decide to invest in gold. And 30% of considerers in the 55-65 age bracket who have never bought gold agreed with the statement that 'it doesn't give high enough long-term returns'.

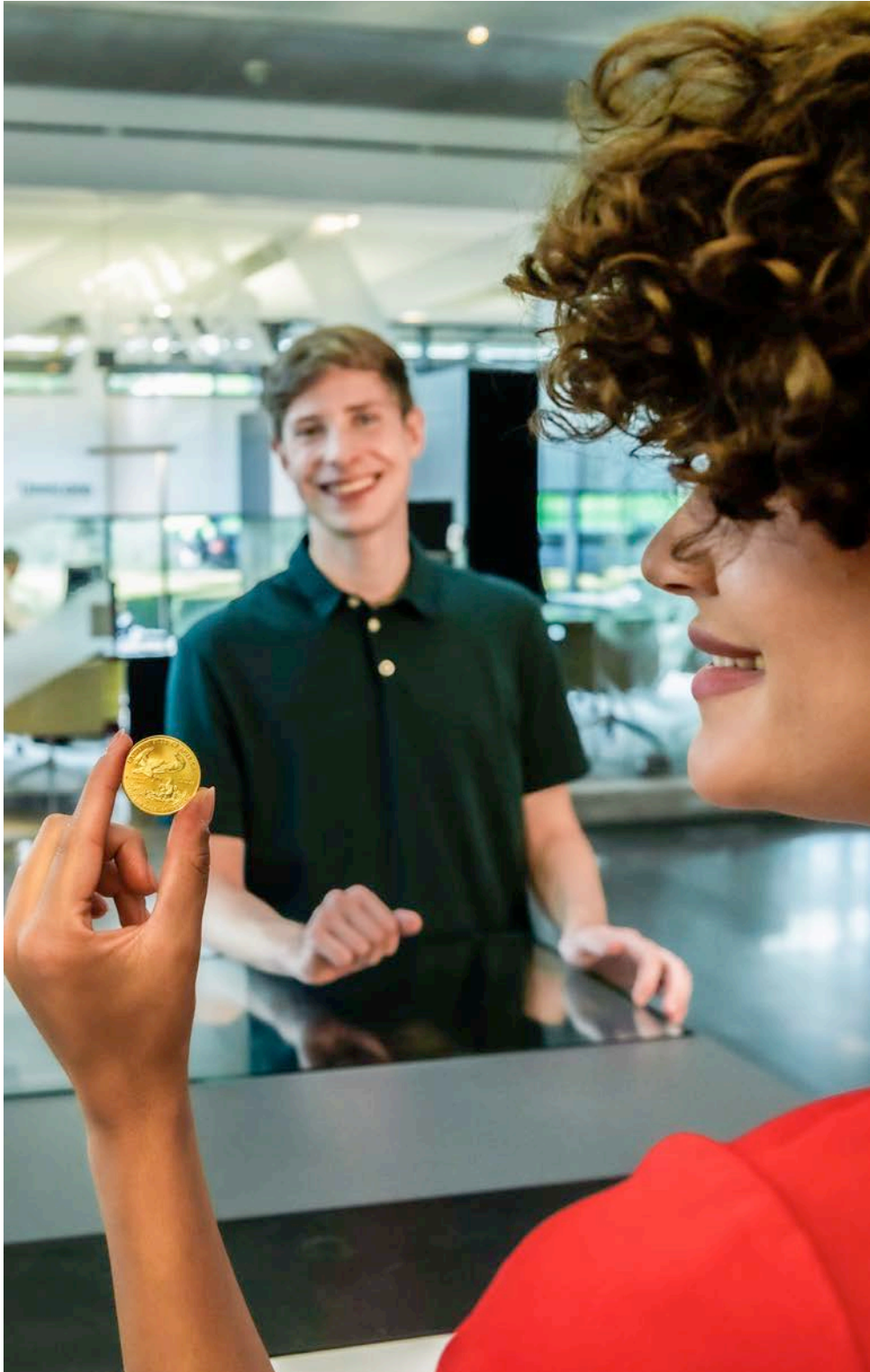
Investors understand the value of direct ownership of physical gold – bars, coins and vaulted gold – more clearly than that of ETCs, although they do recognise their liquidity and potential to deliver against both short and longer-term needs. There is scope here to emphasise the role of gold in a portfolio that aims to protect and grow wealth over the long term.

The popularity of ETCs.

German retail investors - whether or not they already own gold - tell us that two of the key features of gold ETCs are that they can be bought via a frictionless transaction and offer liquidity in their portfolios. The low fees associated with buying and selling are considered important (38% agreed), as is the ability to buy and sell quickly (35%) and the fact that ETC transactions can be made online (34%). But regardless of how the transaction is actually made, investors increasingly seek information online. A greater digital presence, together with simple and secure ways to transact could unlock an opportunity for gold.

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.

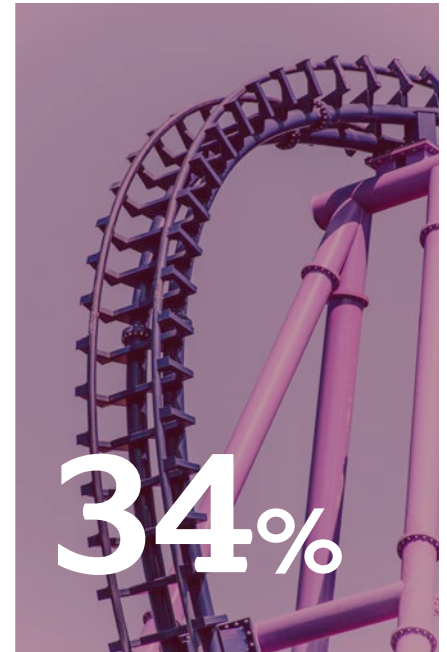


Segmentation of retail investors

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.



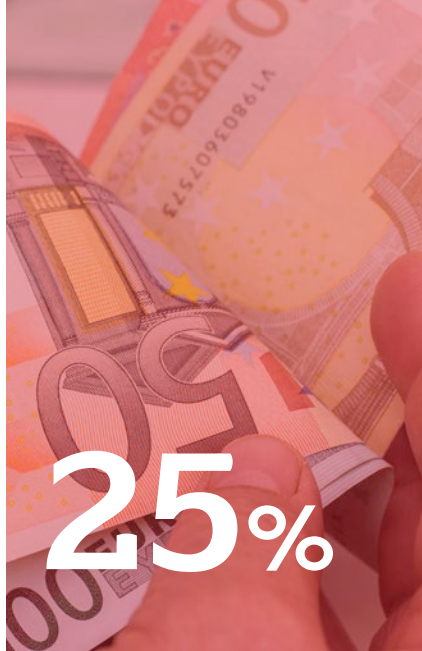
Agile Strategists



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 among 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

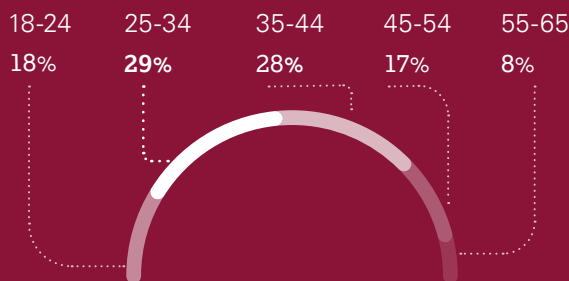


Adventurous Traders

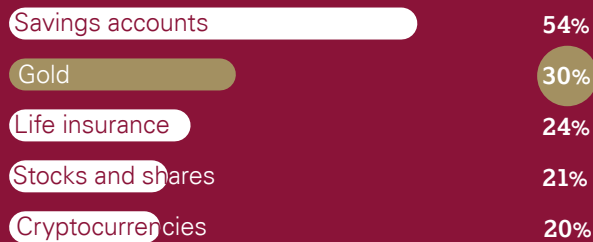
Gender



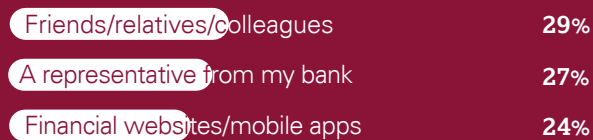
Age



Top investments



Sources of information



Average number of investments owned **2.7**

Attitudes to gold

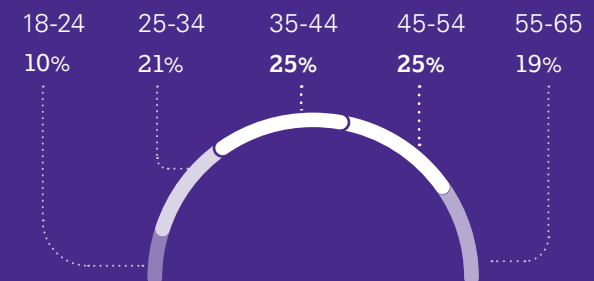


Agile Strategists

Gender



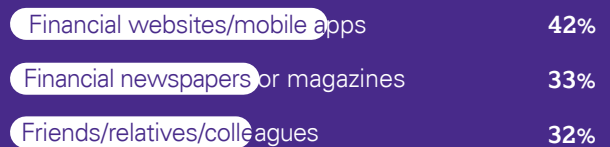
Age



Top investments



Sources of information



Average number of investments owned **3.5**

Attitudes to gold





Cautious Savers

Gender

43%
Male



57%
Female

Age

18-24	25-34	35-44	45-54	55-65
7%	17%	24%	26%	26%



Top investments

Savings accounts	71%
Life insurance	28%
Contributions to investment funds	17%
Gold	12%
Real estate/ property	12%

Sources of information

A representative from my bank	46%
Friends/relatives/colleagues	38%
Financial advisors or investment specialists	25%

Average number of investments owned **2.6**

Attitudes to gold

66%

Agree that gold will never lose its value over the long term

63%

Agree that gold is a good safeguard against inflation/ currency fluctuations



Guided Risk Takers

Gender

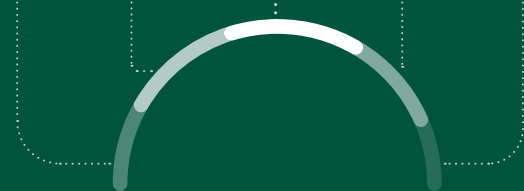
55%
Male



45%
Female

Age

18-24	25-34	35-44	45-54	55-65
17%	24%	26%	20%	13%



Top investments

Savings account	60%
Life insurance	28%
Gold	20%
Stocks and shares	18%
Real estate/property	17%

Sources of information

Representative from bank	32%
Friends/relatives/colleagues	30%
Financial websites/mobile apps	26%

Average number of investments owned **2.7**

Attitudes to gold

66%

Agree that gold is a good safeguard against inflation/ currency fluctuations

57%

Agree that gold will never lose its value over the long term

Untapped gold demand exists in each of these key segments.

A significant proportion of each investor segment is made up of 'considerers' – i.e. investors who would be open to buying gold in the future despite never having done so in the past. In Germany, around one third or more of each segment falls into this category.

There is significant potential to drive growth in the category. Understanding and addressing the

respective barriers facing these considerers could convert them into gold investors.

Trust issues are a major barrier for considerers in all segments and particularly for Cautious Savers. This largely relates to buying fake or counterfeit gold, but a concern over the ability to safely store gold is also an issue for some. While lack of an income is a concern for considerers in all three key segments (Agile Strategists, Cautious Savers and

Guided Risk Takers), Agile Strategist considerers are also concerned about the level of returns, rather than the perceived affordability barrier that is a major hurdle for the other segments. While perhaps unsurprising in light of Germany's level of green consumerism compared to many other countries, it is important to recognise that ESG concerns feature across all segments, with around a quarter or more of considerers in each segment believing that gold mining damages the environment.



Adventurous Traders

39% Gold considerers

Barriers - Education

It is not affordable for me **24%**

I don't know enough about how to buy it **22%**

Barriers - ESG

Gold mining damages the environment **24%**

Barriers - Trust

I worry about buying fake or counterfeit gold **22%**

Barriers - Other

I don't know anyone who has invested in gold **23%**



Agile Strategists

32% Gold considerers

Barriers - Trust

I can't store it safely **34%**

I worry about buying fake or counterfeit gold **23%**

Barriers - ESG

Gold mining damages the environment **31%**

Barriers - Other

It doesn't give high enough returns **32%**

It doesn't generate an income **30%**

To drive incremental growth, gold investment providers should focus on targeting 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 opportunities today given their size and their attitudes to investment, as well as the number of considerers. To attract and retain them, current

and future gold product and service offerings must be set up and positioned to meet their needs. Addressing income considerations for Agile Strategists and affordability perceptions for Adventurous Traders, as well as ESG concerns for both segments, will be critical to making gold more attractive to them.



Cautious Savers

37% Gold considerers

Barriers - Trust

I worry about buying fake or counterfeit gold **38%**

I can't store it safely **34%**

Barriers - Education

It is not affordable for me **37%**

Barriers - ESG

Gold mining damages the environment **32%**

Barriers - Other

It doesn't generate an income **31%**



Guided Risk Takers

38% Gold considerers

Barriers - ESG

Gold mining damages the environment **28%**

Barriers - Education

It is not affordable for me **28%**

Barriers - Trust

I can't store it safely **26%**

Barriers - Other

It doesn't generate an income **23%**

The buying process is too difficult **22%**



FOCUS

Female investors

While women in Germany save or invest a similar proportion of their income, they generally have less diversified portfolios compared to men.

And there are distinct gender differences in terms of their attitudes towards investment. Men tend to be more confident and experimental – they see investing as a hobby and are generally much more open to considering new investment options and risking their money for exponential growth.

By contrast, women are, on average, more risk averse; they are much less likely to play the market by taking advantage of market fluctuations and they do not want to risk their money. This risk adverse attitude is reflected in the reality that over 35% of women are Cautious Savers compared to 18% of men. Women are more likely to invest in savings accounts and life insurance, whereas men are almost twice as likely to invest in stocks and shares and are three times more likely to invest in cryptocurrencies.

On average, German women own:

2.6

investment products compared with 3.1 for men.



Attitudes to investment



Female



Male

35%



50%

I want exponential growth from all my investments and am prepared to risk my money to get it

34%



51%

I am often one of the first among my peers to consider new investment options

33%



49%

I'm really interested in investing, it's a hobby for me

30%



48%

People often ask me for my advice on investment and financial matters

29%

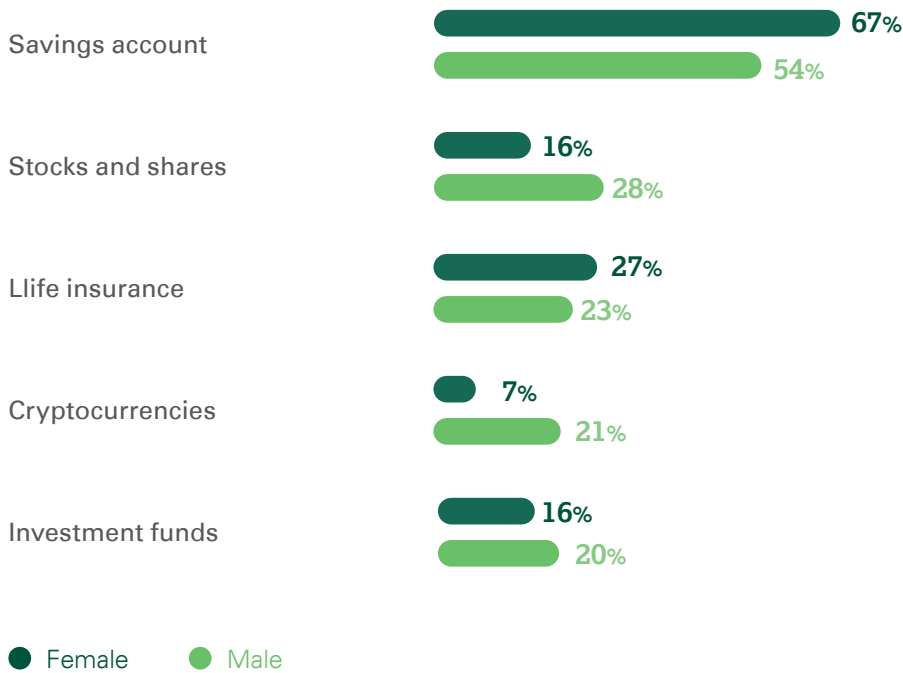


45%

I take advantage of the fluctuations of financial markets

Top 5 products

12 months preceding the survey



“ Gold is an investment I can touch. Furthermore, gold is stable and gives you security, both short and long term. ”

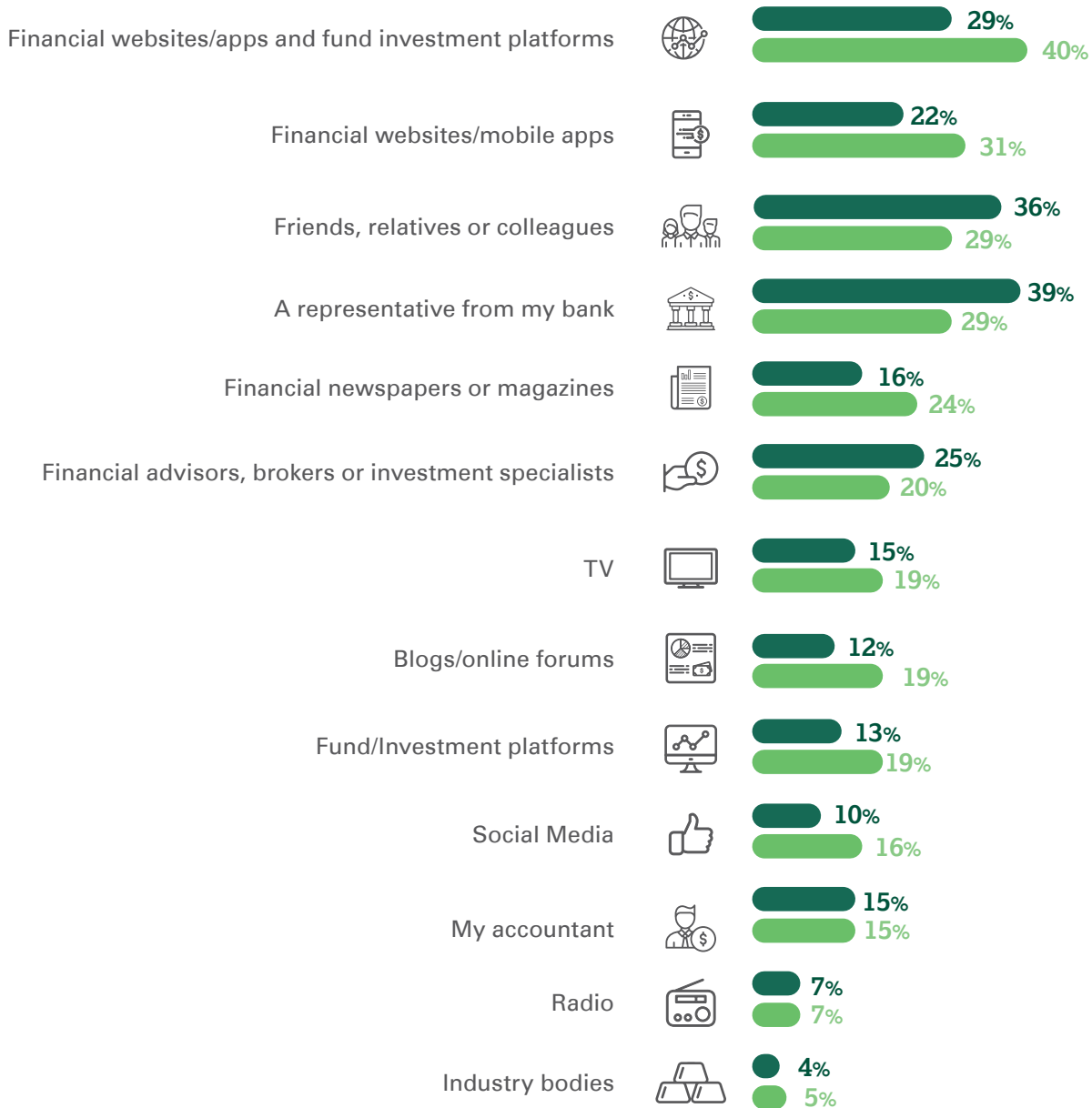
.....
FEMALE, CAUTIOUS SAVERS, 37,
BERLIN



FOCUS

Female investors

Source of investment information



● Female ● Male

Both men and women use a variety of information sources to help them make investment decisions. Women, though, prefer the more personal touch; they tend to seek advice from other people. Men, by contrast, are considerably more likely to use more independent, less personal online sources.

Male investors are much more likely than their female counterparts to have invested in gold – around one third of men had invested in gold during the 12 months preceding the

survey compared to around one fifth of women.

Yet women are warm to investing in gold in the future – 38% say they would consider investing in the future despite not having invested in the past, compared to 34% of men.

The biggest barriers for these female considerers revolve around trust and affordability – barriers that are significantly higher than for men – as well as ESG issues and a lack of understanding around how to purchase. There is significant

opportunity for gold to strengthen its role within women’s investment portfolios given their greater desire for less risky, long-term investments. To do so, businesses should focus on addressing the trust issues that women have, as well as their perception that gold is not affordable. And the importance of addressing ESG concerns should not be underestimated. Any marketing strategy must take into account not only women’s differing investment objectives but also their preferred channels for sourcing investment information.

Barriers to buying gold

Female Considerers who have never bought

I can't store it safely



I worry about buying fake or counterfeit gold



It's not affordable for me



Gold mining damages the environment



I don't know enough about how to buy it



The purity of the gold is not guaranteed



Identifying investment demand moments

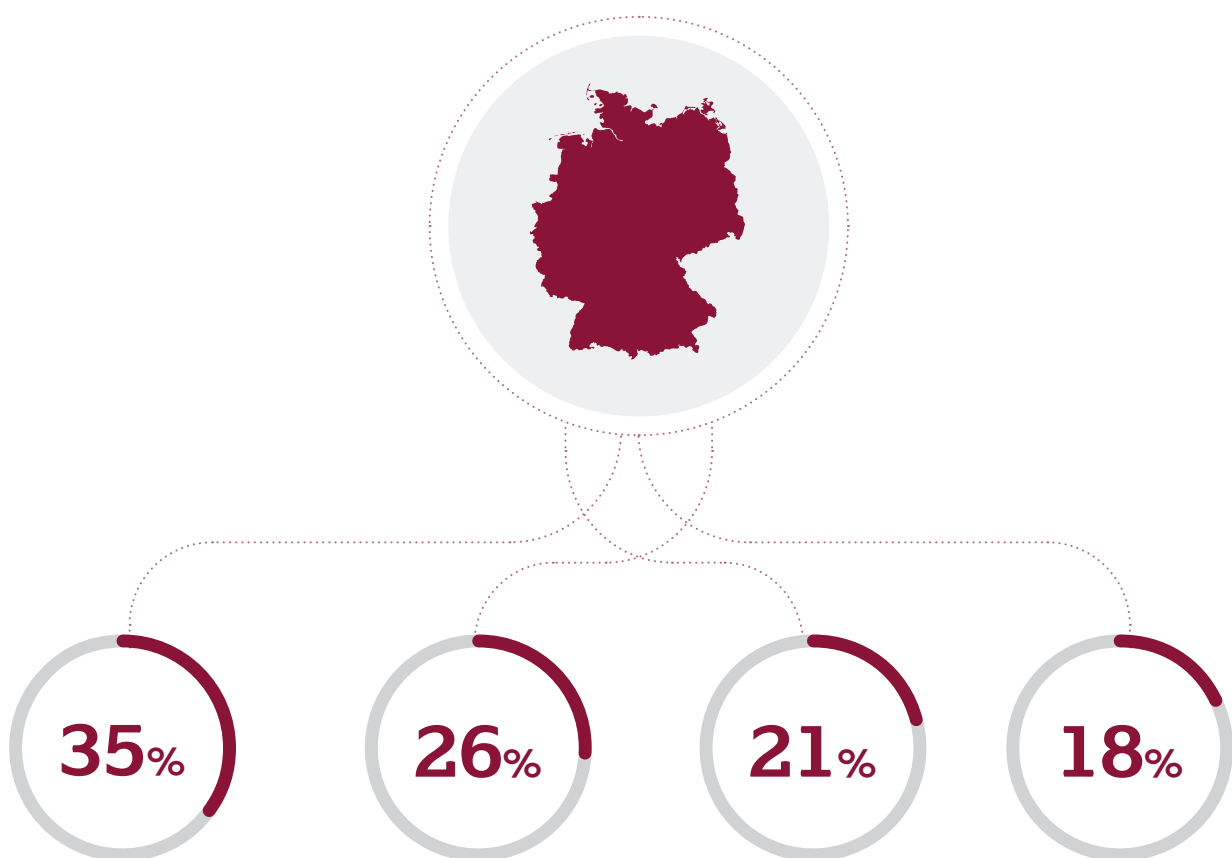
Investor segments help us identify who to target and how best to reach them but people do not necessarily behave consistently from one investment occasion to another; they will have different needs depending on the moment. We must understand the occasions – these ‘demand moments’ experienced by retail investors – and the needs underlying each one in order 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 germany



Intellectual Thrill

is a moment where investors are looking for more short-term speculative investments, that are fun and intellectually challenging with media buzz.

Regular Income

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

Flexible Liquidity

in this moment investors are looking for products that are easy to buy, can be bought in small amounts and are easy to cash in/sell.

Future Prosperity

is a moment where investors are looking to reduce their risk. They are looking for long-term returns which are guaranteed by the government and endorsed by professionals.

“ ...gold is expensive and it's only really a way to insure property (inflation) and not really exciting like e.g. shares are. ”

MALE, ADVENTUROUS TRADERS,
25, NORDRHEIN-WESTFALEN

The biggest demand moment is Intellectual Thrill and it is most commonly experienced by Adventurous Traders followed by Guided Risk Takers. Cryptocurrencies and commodity funds dominate this demand moment currently.

There could be significant potential, when marketing gold products, to focus on gold's 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, and this is particularly relevant to Cautious Savers. Stocks and shares and life insurance currently own this moment.

With its strong security heritage, gold should be well placed to carve out a significant share of this space with the right products and positioning. But the challenge for gold will be competing with products that can be used to deliver a regular income.

Close behind Regular Income, Flexible Liquidity is particularly relevant to Agile Strategists followed by Cautious Savers and this is a moment that gold owns completely, with gold coins, bars and vaulted gold currently best placed to meet this need. It will be critical to protect this space.

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

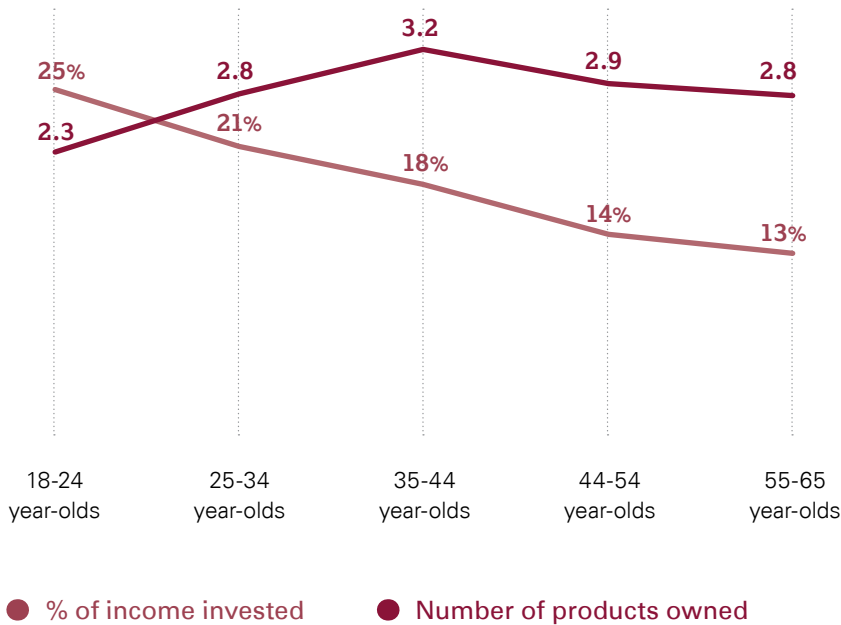


The 18- to 24-year-old cohort would rather live for today than take a longer-term approach to their investments; they are prepared to risk their money to get exponential growth and are more open to considering new investments. At the same time, they are more focused than investors in older age groups on making ethical investment choices that have a positive social impact. They tend to rely on others to help guide their investment decisions, and

these are more likely to be peers or family rather than financial advisors. Where they seek information from online sources, they are more inclined to do so from blogs, social media and financial websites or apps rather than investment platforms.

While they save or invest a greater share of their income than investors in the other age groups, they have the smallest portfolios compared to everyone else, with fewer than three products.

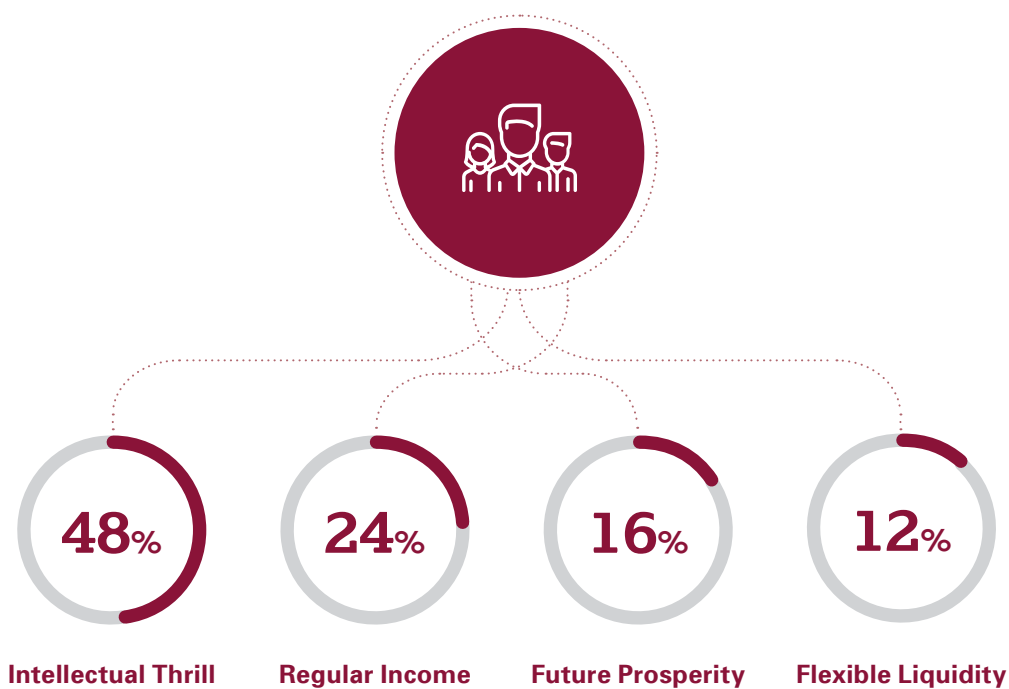
Investment behaviour by age



Reflecting their 'live for today' mentality, Adventurous Traders is the biggest segment by far among this age group (47%). In fact, more 18- to 24-year-olds fall into this segment compared to any other age group. 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

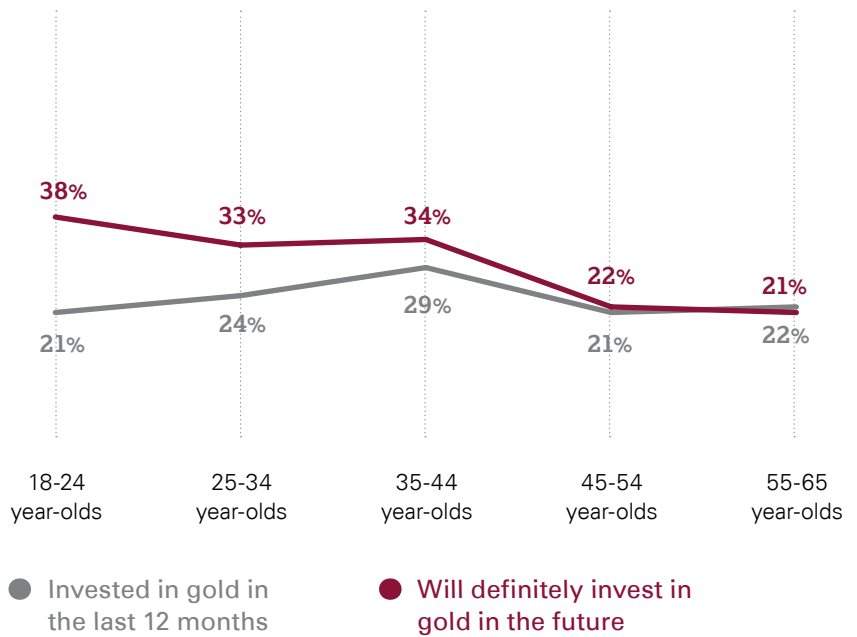




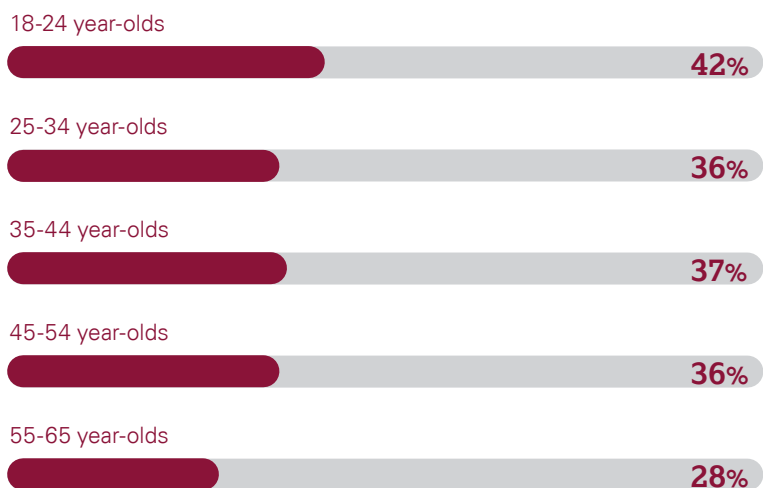
18-24 year-olds, along with the 45- to 55-year-olds, were the least likely to have invested in gold in the 12 months prior to the survey.

However, looking at future purchase intent shows there is a lot of potential to build on this and convert more young investors into future gold investors: nearly twice 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% are open to making a first-time investment in gold in the future.

Investment in gold by age



Considerers who have never bought by age

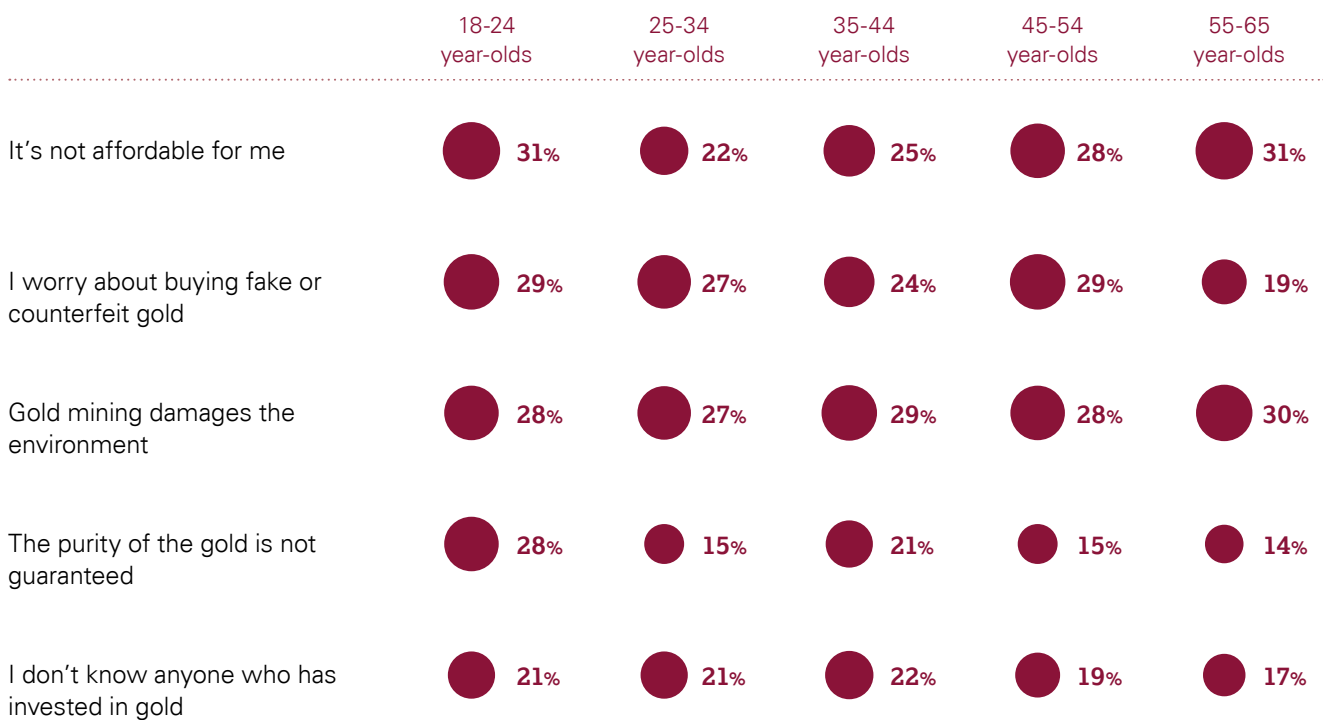


Converting these young considerers means addressing a variety of barriers, the biggest of which is the perception that the cost of investing in gold is beyond their means. Other major hurdles for these potential first-time gold investors are a lack of trust in the purity and veracity of the gold products they may buy and concerns

over the environmental effect of gold. Simplifying the purchase journey and making it transparent, as well as reassuring them over their perceptions that gold mining has a negative environmental impact should go a long way to increasing their desire for gold and their confidence to buy it.

Barriers to buying gold

Considerers who have never bought, 18 to 24 year-olds





A recent study by Ernst and Young showed that fintech adoption in Germany is relatively low (64%) compared to emerging markets such as China and India (both at 87%) and is in fact behind the Netherlands and the UK (73% and 71% respectively).⁵ However, the COVID-19 pandemic has clearly accelerated this adoption. While Germany has typically been a cash prevalent country, recent research has shown that use of cashless payment systems has increased by 57% and mobile payments, which typically had a relatively low adoption rate (12.5% among mobile users, compared to the UK at 19.1% and Italy at 21.1%) is also showing growth.⁶ Furthermore, a recent McKinsey report highlighted that their use of online channels had increased by 28 percentage points.⁷

Advances in fintech – which range from innovative technology platforms to data analytics, Artificial Intelligence and alternative business models – offer a myriad of possibilities. Fully integrating fintech innovations into all touchpoints of the investor journey – providing customers with a frictionless end-to-end experience built around their needs – will be critical to the evolution and growth of financial service companies. Products, services and business models that might have worked for decades need to be re-invented to adapt to the changed global

environment. In this new normal world of social distancing and virtual working, companies need to disrupt and re-define the value propositions of existing products and services, as well as create new ones that can be tailored to better meet their customers' needs and expectations.

The introduction of roboadvisors has disrupted the sector in many markets. But this innovation has yet to take off in Germany despite the fact that they can be a low-cost way to simplify the decision-making process, delivering personalised investment recommendations and automatically managing portfolios. Our research shows that just 10% of German investors used a roboadvisor to make an investment compared to, for example, 19% in the US. But according to Statista, the number of users is projected to grow by 50% in 2020, having very likely been influenced by the pandemic.⁸

Looking into how Germans invest shows a relatively high adoption of online vehicles, with around a quarter of investments having been made exclusively online. Cryptocurrencies are out in front with over 60% being bought exclusively online, followed by stocks and shares at nearly 50%. Gold ETC transactions usually involve an online element, whereas in contrast physical gold and vaulted gold were most frequently bought offline.

When we look at how channel usage varies by segment we see that the two largest segments in Germany – Agile Strategists and Adventurous Traders – are the biggest users of online channels. And in fact, a significant proportion of Agile Strategists invested exclusively online. This means there is already a solid foundation on which to build. Understanding Agile Strategists attitudes towards to investing online as well as their motivations and the perceived benefits could help inform strategy.

Looking forward, there is a clear imperative for the gold industry to accelerate its integration of fintech in order to evolve and thrive in the new market environment. Otherwise, there is a very real risk it will be left behind as other financial institutions pursue fintech to drive growth. Placing fintech at the heart of any growth strategy is the key to delivering truly customer-centric solutions and competing more effectively. It will help to drive greater penetration and frequency of gold investment in a dynamic marketplace where advances in technology, social media and communications platforms continue to empower customers.

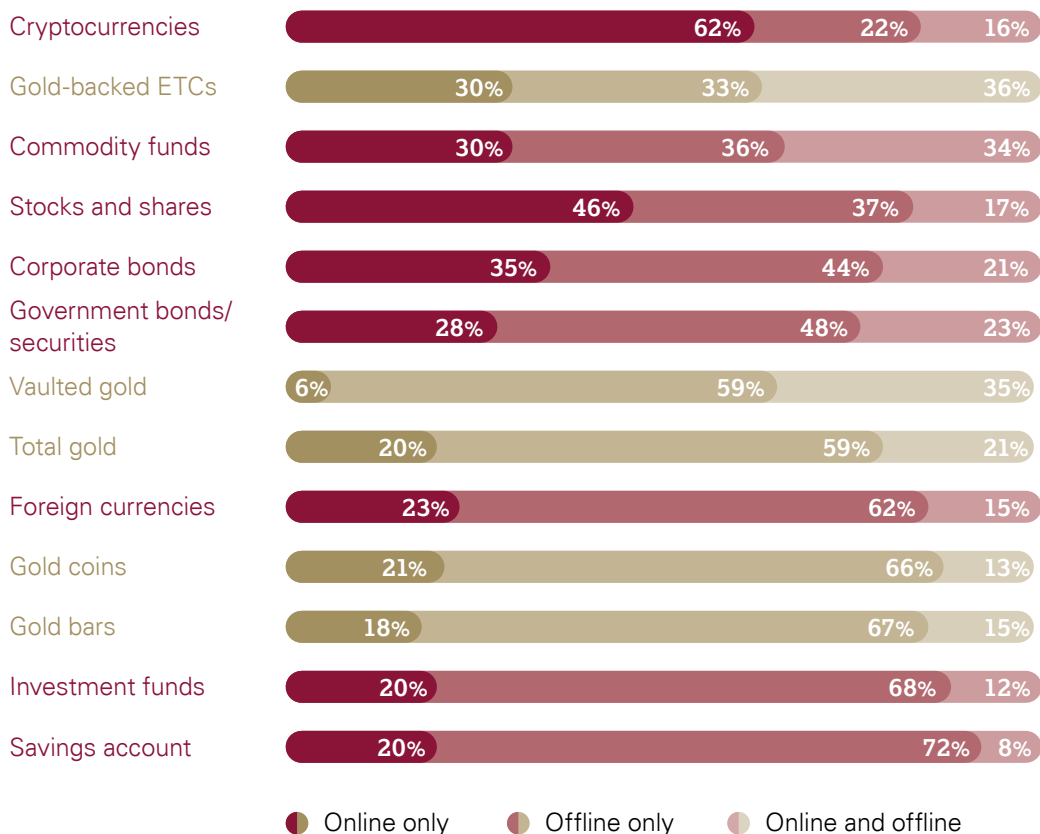
5 E&Y Global FinTech Adoption Index 2019

6 www.bankinghub.eu/innovation-digital/future-of-mobile-payments

7 www.mckinsey.com/featured-insights/coronavirus-leading-through-the-crisis/charting-the-path-to-the-next-normal/europeans-especially-germans-are-visiting-more-businesses-online-more-often-than-ever?cid=other-eml-alt-mip-mck&hdpid=e9f0ec3f-fee7-4cd5-ab6d-f525c6299e13&hctky=1747666&hklid=e3fde9e12a014edcba248a2d7d752451

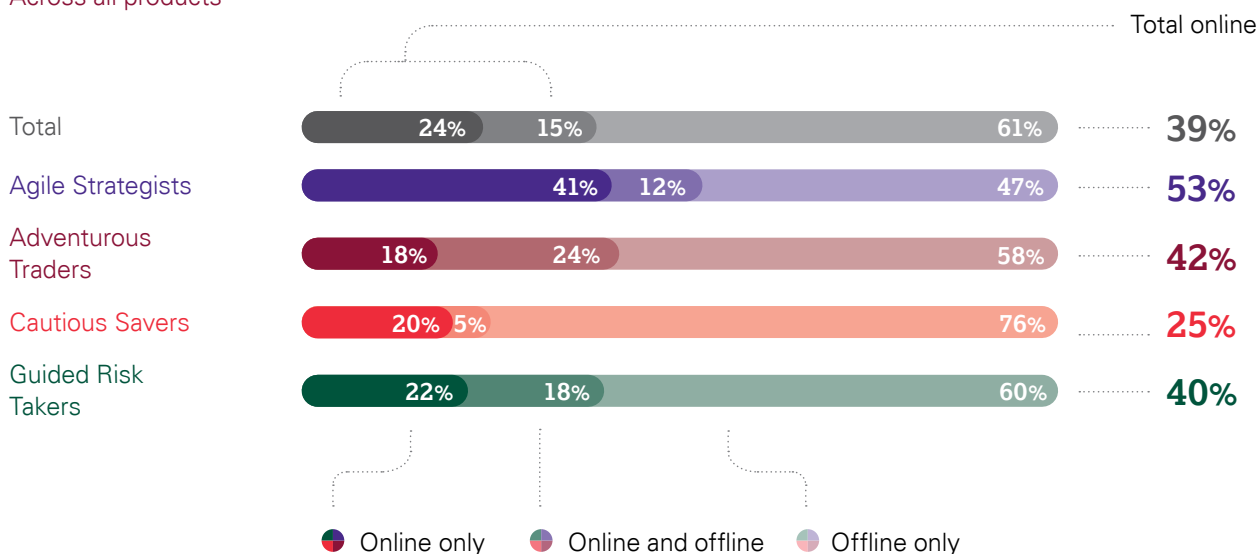
8 www.statista.com/outlook/337/137/robo-advisors/germany, September 2020

Place of investment by product type



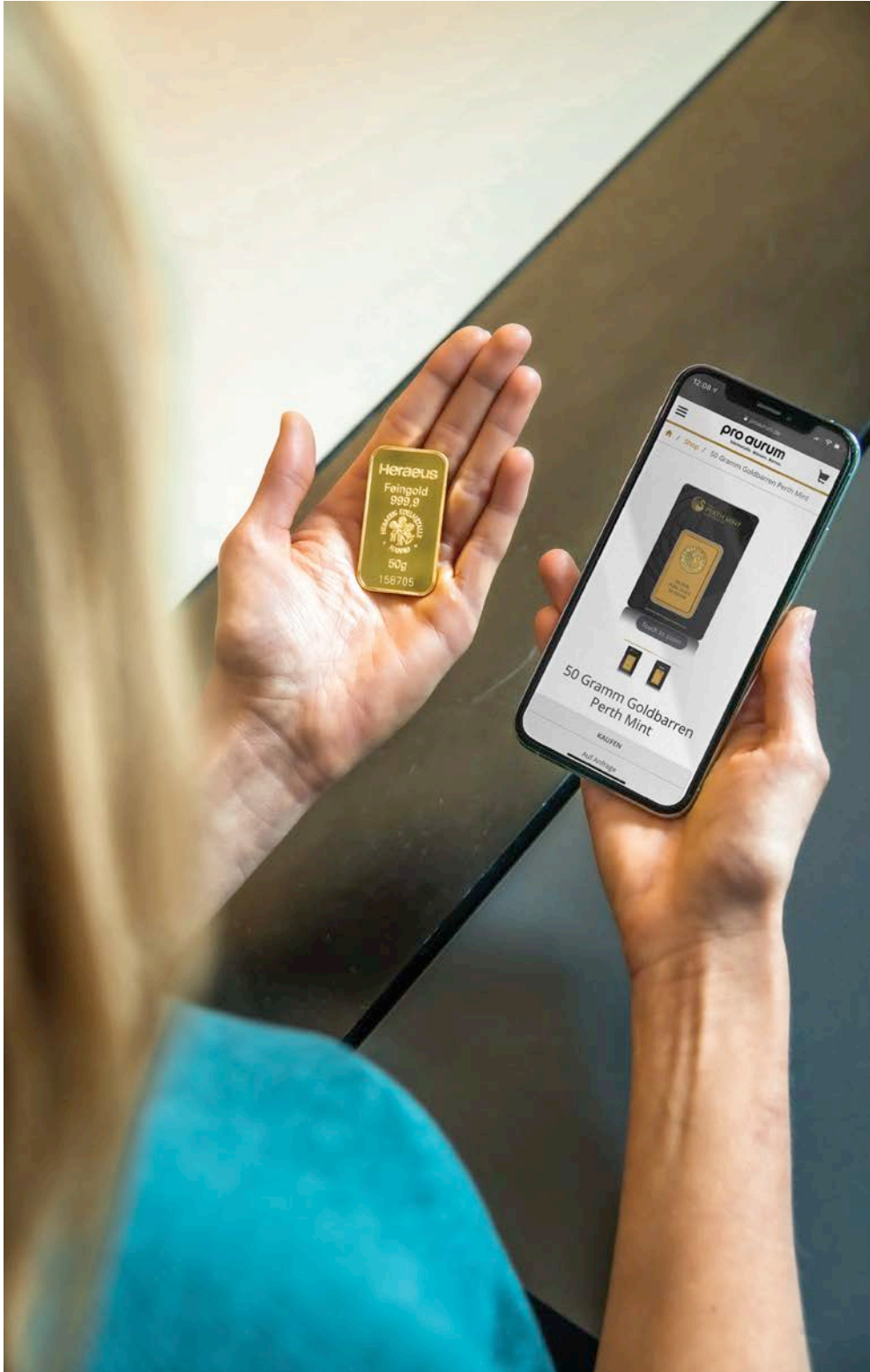
Place of investment by investor segment

Across all products



Barriers

While German investors appreciate gold's durability and wealth protection properties, there are a group of investors for whom gold presents a challenge. These investors are open to investing, but face challenges around trust in gold, ESG concerns and awareness. We identify these barriers and discuss opportunities for the industry to address them.





Gold and the environment.

Germans care about their environment. The country has a long standing and well-developed approach to recycling and its population is informed about climate change. It consistently ranks as the world's number one country for energy-efficiency according to the ACEEE, whose 2018 International Energy Efficiency Scorecard stated that 'Germany earned the maximum possible points for spending on energy efficiency, highlighting the government's dedication to reducing overall consumption'.⁹

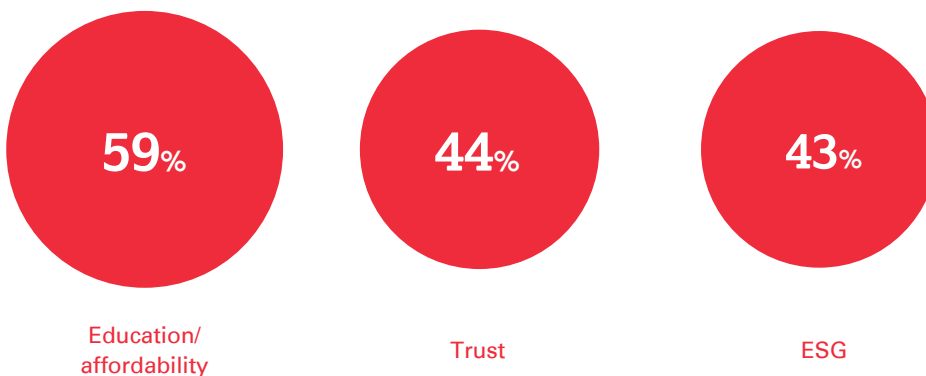
This ethos percolates into investment behaviour and, when it comes to gold, Germans show some hesitation about its worthiness. Germany is the only country where WGC's research

has found environmental concerns to be the number one – in this case the joint number one – barrier to investing in gold. Among Guided Risk Taker considerers 49% said that ESG concerns were a barrier and 28% of all considerers who have never bought gold said that they believe gold mining damages the environment. In fact, across all segments, this was a widely held belief.

The World Gold Council and its members have taken ESG concerns seriously for many years now. This started with the development of the Conflict-Free Gold Standard in 2012, and most recently the launch of the Responsible Gold Mining

Principles, a framework which helps investors understand what constitutes responsible gold mining.¹⁰ However, the gold mining sector has not always excelled in communicating the positive impacts it is having on socio-economic development and how seriously it takes environmental concerns. The question now is how it can convince its potential audience that it takes these concerns seriously and has a plan to address them. It will be essential to convey this message through transparency and positive dialogue with investors and the wider general public. The scope offered by potential investors warrants further development of educational marketing messages that serve to allay fears around ESG issues.

Key purchase barriers



⁹ www.aceee.org/sites/default/files/publications/researchreports/i1801.pdf

¹⁰ www.gold.org/about-gold/gold-supply/responsible-gold/conflict-free-gold-standard

Top barriers to gold

Among considerers who have never bought



“ The mining is not good for the environment. ”

MALE, CAUTIOUS SAVERS, 33,
BADEN-WÜRTTEMBERG



Counterfeit gold and storage issues.

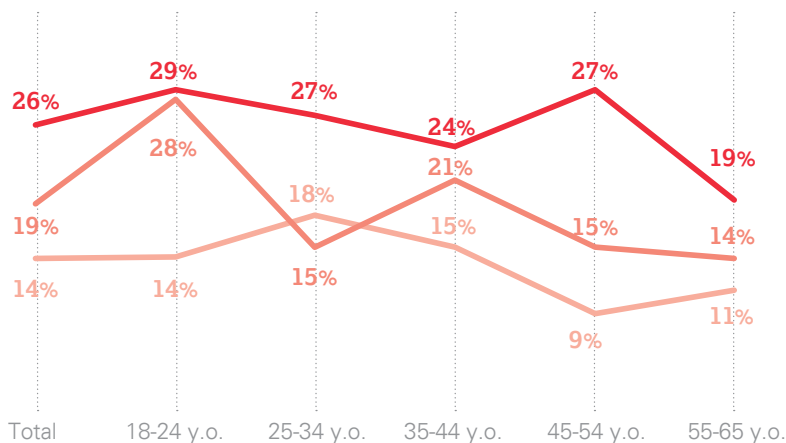
Our research found that gold needs to build trust among elements of its potential market: 44% of considerers who have never bought gold said that issues around trust were a barrier. Within the Cautious Saver segment, 38% of considerers said they were worried about buying counterfeit gold, as did over one fifth of our remaining three segments. Adventurous Trader considerers (20%) were also concerned about the purity of the gold they might buy.

Considerers who are open to buying physical gold are worried about how they can store it safely. This is the joint number one barrier for all considerers who have not bought gold and is a key concern for 34% of Agile Strategists and Cautious Savers, as well as 26% of Guided Risk Takers. Education about storage options and fees could help

overcome these worries. It may be useful to introduce considerers to investment options where they do not need to consider how and where they might keep their gold. Both vaulted gold and gold-backed ETCs offer the benefits of investing in gold without the storage implications.

The World Gold Council has recently published a set of global Retail Gold Investment Principles (RGIPs) that provides high-level, best practice principles for providers of all kinds of retail gold investment products. Their adoption will ensure that the highest levels of fairness, transparency and integrity are instilled across the market. The adoption of best practices would lead to greater trust, benefiting customers and product providers alike, creating value and driving demand across the industry.¹¹

Trust barriers around fake gold/not trusting purity of gold bought are highest among 18-24 yo investors



- I worry about buying fake or counterfeit gold
- The purity of the gold is not guaranteed
- I don't trust the business selling the products

¹¹ More information can be found at www.retailinvestment.gold



How affordable is gold...?

Affordable options to owning gold are not well recognised by the German investment market. Our research uncovered an obvious warmth towards gold but it will be difficult to convert that warmth into product sales unless investors can see easy low-priced entry points. And for those within the Adventurous Trader segment, this is of particular concern.

The affordability barrier peaks among younger and older age groups – those aged 18-24 and 55-65 – but around one quarter of all considerers said that they thought gold was out of their reach. In addition, gold pricing is not well understood, especially by the more mature investor. One fifth of considerers over 45 who had never bought said they did not understand what drives the price of gold.

“ I don't have enough money to invest in gold (the profit from it can't be compared to other possible forms of investment) ”

MALE, CAUTIOUS SAVERS, 50, BAYERN



...And how much do potential investors know about it?

Along with affordability, 59% of considerers said that a lack of education was a key factor in not buying gold to date; across all four segments, more than 50% said lack of knowledge and affordability were reasons for them not to invest and this peaked at 69% for Cautious Savers. In addition, 25% of Cautious Savers and 22% of Adventurous Traders told us they did not know how to buy gold. And of those who rejected gold, 17% said they were simply not interested in it.

A significant percentage of considerers appear confused about gold. They do not understand what drives price, are unfamiliar with gold's products and don't know how to embark on the purchase journey. And

there is a level of disengagement, especially within the Adventurous Trader and Agile Strategist segments. Here, education and information could spark interest, for example through highlighting gold's highly liquid profile.

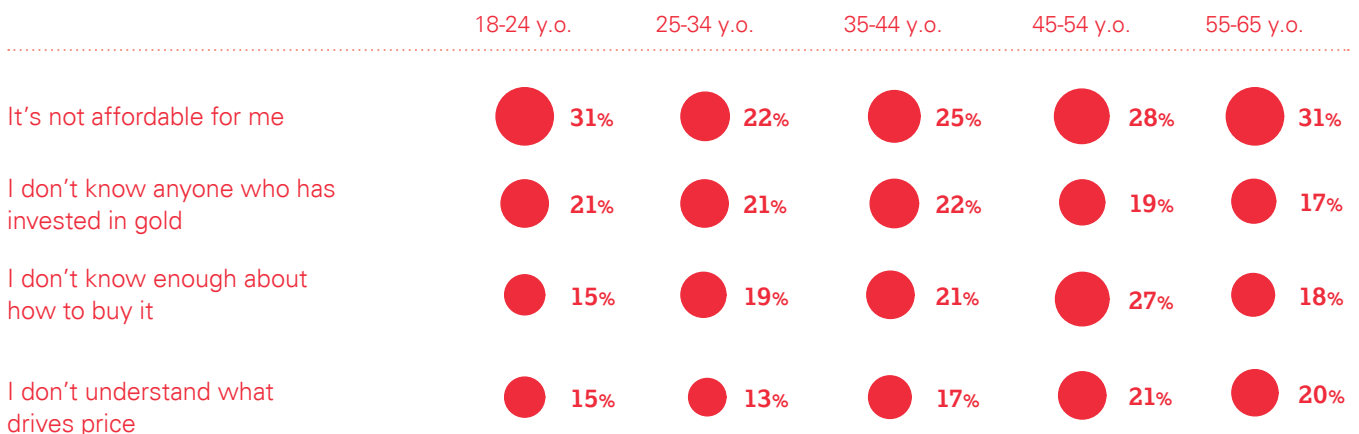
The 38% of women who tell us they are warm to investing in gold also need to know more. Women are generally open to advice about their investment choices, and as such, a campaign that targets third party intermediaries could bring gold to the forefront for them. At the moment, gold is seldom put on the table by financial advisers, nor is it seen in the media. For these more cautious investors, confidence is an issue. Because gold is not considered

a mainstream investment, many investors put together their portfolios without even considering it.

If gold could heighten awareness and build confidence it could forge pathways into new markets and these could, to some extent, be self-perpetuating via peer-to-peer investor recommendation. A further watch point will be the level of exposure gold is given on digital platforms. One quarter of all investment in Germany is made online and, increasingly, investors turn to websites, blogs and forums for information, opinion and reinforcement. Gold has an opportunity here: creative use of digital could engage and inspire the retail investor, exciting them about gold as an investment.

Barriers to buying gold

Considerers who have never bought



12 More information can be found at www.retailinvestment.gold



Opportunities for gold.

As we have seen, investors in Germany like gold and a high percentage of those who have not yet invested are warm to it. Gold is perceived as a long-term wealth protector against inflation and currency fluctuation, even though it is still not the most usual way of investing.

If gold could raise its profile to become a more mainstream investment product – via marketing and PR – it would likely come to the attention of investors for whom it currently slips off radar. And if its reach were broadened to third party advisers – such as financial professionals – gold’s image would be further enhanced, as their opinions are valued. Marketing communications aimed at advisers and their clients – education around

entry points, secure purchase and safe storage – would help the more risk averse customer become comfortable with gold. And the liquidity of gold-backed ETCs could appeal to those who look for more involvement in, and challenge from, their portfolios.

Alongside these new markets it will be important to nurture gold’s existing investor heartland. As economic uncertainty continues, investors need assurance that gold fulfils their wealth protection needs and remains an important part of their investment strategy. It is clear that if gold can achieve this, whilst engaging with those 36% of considerers who are warm to investing in it, the prospects for continued growth in the German market will be significant.

“ It’s too uncertain for me, there are not enough reports about peoples’ experiences with investment in gold products ”

FEMALE, ADVENTUROUS TRADERS,
20, SACHSEN



Conclusion

Gold has a firm foothold in German portfolios. Its widely accepted role as a wealth protection vehicle and safeguard against the inflation that has historically plagued Germany is prominent in the country's investor mindset. It has yet, though, to become truly mainstream.

The insights uncovered by our research and detailed in this report provide an opportunity for Germany's already healthy gold investment market to further develop and grow. Two-fifths of active German retail investors are considering a repeat investment in gold and more than one-third are open to the idea of investing in it for the first time.

But, to feel confident enough to take this first step, these investors need greater comfort in three important areas:

1. Trust in gold. The possibility of buying fake or counterfeit gold is a persistent concern among those who have not invested in gold before. They need reassurance that the product they are investing in is genuine and certified. The World Gold Council's Retail Gold Investment Principles give clear guidance to gold investment retailers in ensuring that they can meet the highest levels of fairness, transparency and integrity. In proving their adherence to the principles, these businesses stand to benefit by instilling greater confidence in investors.

2. Ethical considerations. ESG concerns pose a challenge to many potential investors in gold. The World Gold Council and its members have made strides towards ensuring commitment to our comprehensive set of Responsible Gold Mining Principles; these provide a framework by which the sustained socio-economic development of the communities and countries that host gold mining operations can be supported. Raising awareness of progress made against the RGIPs, as well as the many advancements the gold mining industry is making towards the UN's Sustainable Development Goals, may help to assuage ESG concerns among German investors.

3. Awareness. Perceptions around the affordability of gold and limitations in knowledge about how to invest are further significant hurdles. Potential investors would likely be encouraged by clearer communication about gold as a straightforward investment with affordable entry points. Financial advisers and online investment forums could be instrumental in helping to disseminate this message of accessibility.

Female and younger investors are key among the investor groups that stand to benefit if these barriers can be successfully addressed. But headroom for growth exists throughout our segments. The opportunities laid out in this report spell a bright future for Germany's gold market.

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.

In Germany, we conducted online interviews with 2,020 active retail investors across the country.

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

Photography credits

Cover photographs copyright World Gold Council, with thanks to Sharps Pixley London.

Page 3 Copyright Heraeus

All other photographs copyright World Gold Council, with thanks to pro aurum Goldhaus München.

Copyright and other rights

© 2020 World Gold Council. All rights reserved. World Gold Council and the Circle device are trademarks of the World Gold Council or its affiliates.

All references to LBMA Gold Price are used with the permission of ICE Benchmark Administration Limited and have been provided for informational purposes only. ICE Benchmark Administration Limited accepts no liability or responsibility for the accuracy of the prices or the underlying product to which the prices may be referenced. Other content is the intellectual property of the respective third party and all rights are reserved to them.

Reproduction or redistribution of any of this information is expressly prohibited without the prior written consent of World Gold Council or the appropriate copyright owners, except as specifically provided below. Information and statistics are copyright © and/or other intellectual property of the World Gold Council or its affiliates (collectively, "WGC") or third-party providers identified herein. All rights of the respective owners are reserved.

The use of the statistics in this information is permitted for the purposes of review and commentary (including media commentary) in line with fair industry practice, subject to the following two pre-conditions: (i) only limited extracts of data or analysis be used; and (ii) any and all use of these statistics is accompanied by a citation to World Gold Council and, where appropriate, to Metals Focus, Refinitiv GFMS or other identified copyright owners as their source. World Gold Council is affiliated with Metals Focus.

WGC does not guarantee the accuracy or completeness of any information nor accepts responsibility for any losses or damages arising directly or indirectly from the use of this information.

This information is for educational purposes only and by receiving this information, you agree with its intended purpose. Nothing contained herein is intended to constitute a recommendation, investment advice, or offer for the purchase or sale of gold, any gold-related products or services or any other products, services, securities or financial instruments (collectively, "Services"). This information does not take into account any investment objectives, financial situation or particular needs of any particular person.

Diversification does not guarantee any investment returns and does not eliminate the risk of loss. The resulting performance of various investment outcomes that can be generated through allocation to gold are hypothetical in nature, may not reflect actual investment results and are not guarantees of future results. WGC does not guarantee or warranty any calculations and models used in any hypothetical portfolios or any outcomes resulting from any such use. Investors should discuss their individual circumstances with their appropriate investment professionals before making any decision regarding any Services or investments.

This information may contain forward-looking statements, such as statements which use the words "believes", "expects", "may", or "suggests", or similar terminology, which are based on current expectations and are subject to change. Forward-looking statements involve a number of risks and uncertainties. There can be no assurance that any forward-looking statements will be achieved. WGC assumes no responsibility for updating any forward-looking statements.



Printed on FSC certified paper which is manufactured entirely with wind energy and contains 100% post-consumer recycled fibre.

This paper is certified by Green Seal for FSC standards which promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

World Gold Council
15 Fetter Lane, London EC4A 1BW
United Kingdom

T +44 20 7826 4700

F +44 20 7826 4799

W www.gold.org
www.retailinsights.gold