



GOLD, BITCOIN & COMMODITIES **EXPLORING ALTERNATIVE ASSETS** **WITH INDUSTRY EXPERTS**

Gold, Bitcoin, and Commodities: Exploring Alternative Assets with Industry Experts

In times of political and economic uncertainty, can these alternative investments serve as a hedge against broader market forces in your portfolio?

In our first post-election webinar, we recruited key industry thought leaders [Cesar Gonzalez](#), [Tyler Evans](#), and [Bob Hyman](#) to discuss why asset classes like gold, cryptocurrency, and commodities still deserve a seat at the table and are no longer the esoteric investments they used to be. Excelsior's founder, [Brian Adams](#), led this guided discussion and addressed the following topics:

- Investing amid an inflationary environment
- Past performance of these asset classes
- Expectations in response to an administration change next year
- How to get started investing in these assets
- Recommended allocations in a portfolio

Effects of The Inevitable Inflationary Environment Ahead of Us

With the huge amount of stimulus we've seen as a result of the Coronavirus pandemic this year (and with talks of even more still to come), there's widespread expectation of a large inflationary environment on the horizon. Adams kicked off the webinar by addressing this and questioning each panelist on how their respective industries will be affected.

1) Gold

Gonzalez, the self-proclaimed "gold guy, or Bitcoin version 1.0," shared that he originally entered the gold-mining business, not because he's a professional or passionate geologist, but because he was interested in hard assets that wouldn't be as highly affected by inflation.

2) Bitcoin

On the other hand, Evans, a Bitcoin and cryptocurrency expert, confided that he has yet to work in an environment quite like this one. As a result of stimulus spending, "we're getting to be in some dangerous territory in terms of the dollar as a global reserve currency that people put their faith in," which could have a tremendous impact on cryptocurrency in the coming years.

3) Commodities

Hyman, a seasoned professional in the world of commodities, reminded listeners that it's the [negative real interest rates](#) that we should be paying attention to. Fortunately, commodities typically serve as a steady hedge against inflation, so their asset class is expected to be "powered upwards."

Bitcoin's Past and Expected Future Performance

Adams confided to Evans that he still finds the concept of cryptocurrency intimidating and that "he's wrongly classified it as esoteric," but he was eager to learn more about how it has performed in comparison to more traditional assets. Evans began by acknowledging that Bitcoin is still a completely unique asset class simply because of how new it is to the market. Cryptocurrency was first launched after the '08 financial crisis, so it still hasn't been

“stress-tested” in a lot of different environments.

While people may flock to assets like gold because of its scarce supply, with Bitcoin you have a strong guarantee on the predictable supply. “Once you buy in, you know exactly how many will exist. There’s no government or committee that can change the amount.” Because of its portability and global scale, Evans expects cryptocurrency to perform exceptionally well in the coming year. He pointed out that it has already risen 122% for the year, while gold is up about 22% and the S&P is only up 10-11%.

Gold as an Inflation Hedge?

Next, on the opposite end of the spectrum as a digital currency, Gonzalez provided insight on how the centuries-old gold industry has responded to inflation in the past. In the high inflationary environment of the 1970’s, the price of gold jumped from \$500/ounce to nearly \$3000/ounce in a matter of only four years. While Gonzalez admitted that the high liquidity of gold results in less stability during inflationary periods, he pointed out that, on the contrary, the low liquidity of cryptocurrency leads to more dramatic ups and downs in a normal market.

Gonzalez’s ultimate dream? **“To have the audience of Bitcoin with the backing of gold.”** He hopes to see the two combine in some way to gain even stronger growth potential.

The Cyclicalality of Commodities

Finally, Hyman cautiously noted that he “doesn’t want to rain on anyone’s parade” because he does understand the attraction of assets like gold and Bitcoin, but he shared that commodities have actually outperformed equities in the past. They are very cyclical in nature, so they generally react according to the current economic conditions.

While this asset class has slightly underperformed since the ‘08 financial crisis, returns are typically steady year over year. Ultimately, Hyman encouraged listeners to be “diversified and unlevered,” and incorporating commodities into your portfolio is a great way to do that.

The Post-Election Administration and Economy

The second half of this webinar was spent discussing expectations for the (likely) upcoming [change in presidential administration](#). From foreign affairs to an additional stimulus to environmental regulations, there are a variety of factors that will affect each of these asset classes to different degrees.

Digital Currency on a Global Scale

To begin this topic, Adams pointed out that while China seems to be at the forefront of digital currency, the US has remained more hesitant to the idea. He questioned Evans on his expectations for Bitcoin from a global perspective and asked his opinion on the US being able to keep up with foreign competition. Evans offered that “the dollars we use are already digital dollars anyways,” and thus “digitizing the dollar into a national standard is inevitable. It’s just a matter of time until that comes.”

Digitizing our currency would allow the government to export money more easily and, in turn, give the USD a stronger position globally. Additionally, from a consumer standpoint, switching currencies, such as when you’re traveling internationally, would become a simple, painless process.

The Impact of Infrastructure

Regardless of whether or not we see an administration change next year, infrastructure will definitely be an issue at hand that has a significant impact on the commodities market. Hyman shared that any new projects like roads, bridges, tunnels, or airports will pull from the already decreasing metal inventories, and energy will also be heavily impacted.

Hyman expects to see a rush for the commodities impacted by infrastructure. “It’s human nature that when necessities are beginning to deplete, we tend to grab and sometimes even hoard them. We saw that with toilet paper and hand sanitizer at the beginning of the COVID outbreak, and we will likely begin to see that in the commodities market as well.”

The Certainty of Gold

When asked where he sees the biggest risks for gold mining in the case of an administration change, Gonzalez was quick to remind listeners that it all depends on who is controlling the Senate. If the Senate is controlled by the opposite party of the presidency, we can almost certainly expect a stalemate on most issues.

While the macro picture is more uncertain, fortunately, with gold, there is always some level of certainty. It has been a “safe haven” in societies for centuries, and, unlike commodities, it is never consumed. Gonzalez is confident that gold is here for good.

Recommended Portfolio Allocations

For anyone considering incorporating these [alternatives](#) into your portfolio, our panelists provided some insight on how to learn more and recommendations on how much to invest.

- **Gold:** While Gonzalez took a huge step in launching his own gold-mining business, he urges others to simply buy shares in these companies to gain exposure. An impressive option he mentioned is [Barrick Gold Corporation](#) (GOLD).

- **Cryptocurrency:** Evans recommends that most investors begin by investing 1-3% of their portfolio in Bitcoin. Though it may sound insignificant, even 1% can have a substantial impact on your portfolio earnings given Bitcoin's impressive growth over the past decade. For cryptocurrency beginners, it's easy to get started on investment platforms like Cash App or Robinhood.
- **Commodities:** Hyman has traditionally advocated for 3-8% of a portfolio to be allocated to commodities. It's easy to add through a mutual fund, can be enhanced significantly, and will provide daily liquidity. Commodities remain a very opportunistic asset class, so you can get started investing in them in promising times.

If you are interested in learning more about investment opportunities within gold, Bitcoin, or commodities, we are happy to connect you with these trusted partners. [Reach out](#) to get started.