

Global gold-backed ETF flows

May 2020

Revised: 12 June 2020

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Gold ETF inflows through May outpace records for any calendar year in only 5 months

Highlights

- North American fund holdings reached all-time highs in May
- SPDR® Gold Shares and iShares Gold Trust represented 57% of all global inflows in May

***Please see note on revision on page 3.**

May highlights

Continuing their growth streak, gold-backed ETFs (gold ETFs) added 154 tonnes (t) – net inflows of US\$8.5bn (+4.3%) across all regions in May, boosting global holdings to a new all-time high of 3,510t.¹ Year-to-date, inflows of US\$33.7bn exceed the highest level of annual inflows of US\$24bn seen in 2016.

Positive flows combined with a rising gold price also pushed assets under management (AUM) in gold ETFs to new record highs of US\$195bn, even as stock and bond prices increased. Global gold ETFs had inflows in all but two trading days during April and May (41 of 43 days). The only other historical period with similarly consistent inflows occurred in May and June of 2016, when funds experienced inflows in all but four trading days.

North American-listed gold ETFs led regional inflows during May. Flows in the region are historically more correlated with gold's price behaviour. The region's funds led inflows for a second straight month, adding 102t (US\$5.6bn, 5.6% AUM). North American funds now hold 1,815t of gold, surpassing the previous highs of 1,736t they held in December 2012. European funds added 45t (US\$2.4bn, 2.9%), led by UK-based funds, which accounted for 65% of the total in the region. Asian funds – primarily in China – grew, adding 4.8t (US\$262mn, 4.7%), and funds in other regions grew 4.3%, adding 2.6t and US\$136mn.

Macroeconomic drivers

Stock markets rallied in May in nearly every major country. In the US, as one example, stocks were up by almost 40% from late March lows, the strongest two-month performance since 2009. Global stocks collectively were higher by 6% during the month. Despite this seemingly

bullish environment for risk assets, various drivers propelled the gold price and gold ETF inflows including:

1 Linger uncertainty.

- The economic and social impact of COVID-19, as most economies remain shut down or are slowly reopening
- Tensions between the US and China continue to escalate
- Labour markets are facing challenges not seen in generations. In the US, the unemployment rate is already at 14% and may soon reach levels last during the Great Depression of the 1930s.

2 Ongoing asset purchases by central banks.

- Monetary policy intervention is expanding into asset classes that would have seemed incredibly unlikely even a few months ago, such as high yield (junk) bond ETFs in the US. This has helped push bond yields even lower, reducing gold's opportunity cost further and adding to market uncertainty as we are in uncharted waters.

As investors look to hedge the economic risks of ballooning budget deficits and high valuations for both stocks and bonds, collective holdings of gold ETFs have now surpassed Germany's official gold reserves and exceed the official gold reserves of every country except for the US. This also highlights the increasing acceptance of gold ETFs among investors as a means to gain exposure to gold.

Price performance

Gold in US dollars was higher by 2.6% in May, finishing the month at US\$1,728/oz. Gold volatility decreased significantly from the extreme levels in March, and 30-day realised volatility fell by nearly half from 29% in April to 15% in May. Implied volatility – or how much investors expected gold would move across tenors – remained somewhat elevated, signalling that investors expect meaningful moves in the gold prices in the near-term.

At the time of publication, gold has *outperformed most major asset classes this year*, up by more than 15%. Gold's performance continues to *distinguish itself from the wider commodity spectrum*, as broader commodity indices are down 22% - 30% this year and oil (WTI) is down by more than 40%. Oil did see a significant jump in May, up over 70%, albeit off a very suppressed level, to finish back above US\$30 a barrel.

Gold global *trading volumes*, picked up in May, rising from US\$140bn in April to US\$164bn during the month, as other asset class volumes experienced a sharp decline. Gold trading volumes are far below the y-t-d record of US\$233bn a day in March, but above the 2019 daily average of US\$145bn. COMEX *net longs*⁴, via the Commitment of Traders (COT) report, fell sharply to 789t, the lowest levels in one year, and below the all-time highs of 1,209t (US\$63bn) experienced in February this year.

Looking forward

Many of the positive gold demand drivers remain, with a few additions:

- The lower rate environment, driven by continued *central bank activity*, coupled with an uptick in inflation expectations
- COVID uncertainty, both from an economic and social perspective, as well as the potential for a second wave of outbreaks
- Future stock earnings expectations have fallen, driving valuations even higher. Our recent *Investment Update: Gold, an efficient hedge* notes a viable argument for using gold as a portfolio hedge.
- Race-related civil unrest in the US has recently emerged, creating additional uncertainty in markets.

Table 1: May total global gold-backed ETF flows*

	Total AUM (bn)	Change tonnes	Flows (US\$m)	Flows (% AUM)
North America	100.9	102.2	5,624.2	5.57%
Europe	85.4	44.7	2,441.1	2.86%
Asia	5.6	4.8	261.8	4.65%
Other	3.1	2.6	135.8	4.32%
Total	195.1	154.3	8,463.0	4.34%
Global inflows		157.6	9,611.0	4.93%
Global outflows		-3.3	-1,148.0	-0.59%

*As of 31/05/2020 'Global Inflows' refers to the sum of changes of all funds that saw a net increase in ounces held over a given period (eg, month, quarter, etc.). Conversely, 'global outflows' aggregates changes from funds that saw ounces held decline over the same period.

Source: Bloomberg, World Gold Council

Regional Flows¹

- North American funds had inflows of 102t (US\$5.6bn, 5.6% AUM)
- Holdings in European funds increased by 45t (US\$2.4bn, 2.9%)
- Funds listed in Asia added 4.8t (US\$262mn, 4.7%)
- Other regions had inflows of 2.6t (US\$136mn, 4.3%).

Table 2: 2020 Flows by country*

Country	Total AUM (US\$m)	Holdings tonnes	May Flows (US\$m)	2020 Flows
US	96,931	1,744.0	5,481.0	19,923.3
UK	40,423	727.3	1,642.9	7,873.0
Germany	21,896	394.0	513.2	1,545.5
Switzerland	19,164	344.8	266.0	412.9
Canada	3,963	71.3	143.2	393.6
China P.R. Mainland	3,216	57.9	247.1	734.9
France	2,754	49.6	64.0	1,420.8
Australia	1,664	29.9	71.1	384.3
South Africa	1,427	25.7	60.4	234.8
India	1,231	22.1	10.5	221.2
Japan	989	17.8	0.0	176.3
Italy	885	15.9	-54.2	122.9
Ireland	271	4.9	8.9	252.2
Hong Kong SAR	179	3.2	4.8	10.7
Turkey	54	1.0	4.3	19.5
Liechtenstein	42	0.8	0.4	3.5
Malaysia	10	0.2	1.112	-2.6
Thailand	4.4	0.1	-1.6	-1.7

*As of 31/05/2020

Source: Bloomberg, World Gold Council

Long-term trends

- Over the past 12 months assets in global gold-backed ETFs have nearly doubled (+90%)
- Following the May inflows, both holdings and assets of gold-backed ETFs continue to make all-time highs
- UK-based gold funds continue to take regional and global market share, now representing 48% of European assets and 21% of global assets
- Low-cost gold-backed ETFs in the US have doubled their collective holdings in the past year to 99t, which is roughly the size of all Asian-based funds.³

Table 3: YTD 2020 total gold-backed ETF flows

	Total AUM (bn)	Change tonnes	Flows (US\$m)	Flows (% AUM)
North America	100.9	374.9	20,316.9	20.14%
Europe	85.4	215.1	11,630.9	13.61%
Asia	5.6	22.0	1,138.8	20.23%
Other	3.1	11.6	638.6	20.30%
Total	195.1	623.6	33,725.1	17.29%
Global inflows		648.2	49,135.5	25.18%
Global outflows		-24.5	-15,410.4	-7.90%

*As of 31/05/2020 'Global Inflows' refers to the sum of changes of all funds that saw a net increase in ounces held over a given period (eg, month, quarter, etc.). Conversely, 'global outflows' aggregates changes from funds that saw ounces held decline over the same period.

Source: Bloomberg, World Gold Council

Individual flows²

- In North America, SPDR® Gold Shares led global inflows, adding 67t (US\$3.7bn, 6.4%), while iShares Gold Trust added 20t (US\$1.1bn, 4.7%). Aberdeen Standard Physical Gold Shares led low-cost³ inflows adding 4.1t (US\$225mn, 12.5%), followed by Granitshares Gold and SPDR® Gold MiniShares which each added US\$85mn.
- Two UK-based funds led European-fund inflows: iShares Physical added 23.3t (US\$1.3bn, 11.8%), Invesco Physical Gold added 6.9t (US\$384mn, 3.5%)
- In China, Huan Yifu added 1.5t (US\$83mn, 5.5%). Two new funds (ICBC Credit Suisse Gold and Frist Seafont Gold) were listed in China during the month. Their collective assets of 2.3t add 4% to China's total gold ETF assets.

Table 4: May individual top and bottom flows

Top 10 flows	Country	Change tonnes	Flows (US\$mn)	Flows (% AUM)
SPDR Gold Shares	US	66.6	3,688.5	6.4%
iShares Physical Gold ETC	GB	23.3	1,307.9	11.8%
iShares Gold Trust	US	19.5	1,084.7	4.7%
Invesco Physical Gold ETC	GB	6.9	384.4	3.5%
Xtrackers Physical Gold ETC EUR	DE	5.0	275.9	7.8%
Sprott Physical Gold Trust	US	5.3	257.1	7.3%
Aberdeen Standard Physical Gold Shares	US	4.1	225.3	12.5%
Xetra-Gold	DE	3.1	172.6	1.5%
Granitshares Gold Trust	US	1.6	85.5	9.9%
SPDR Gold MiniShares Trust	US	1.5	84.7	4.1%

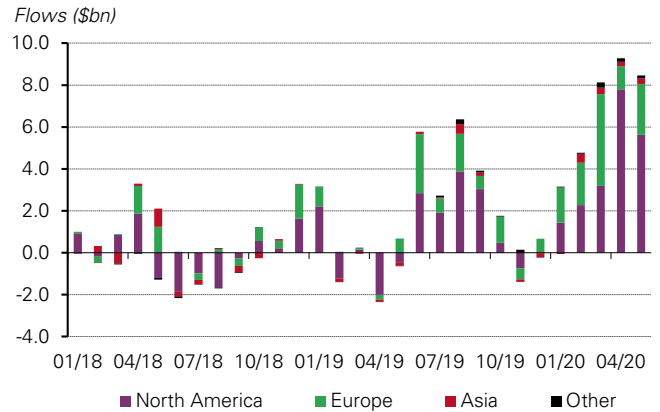
Bottom 10 flows	Country	Change tonnes	Flows (US\$mn)	Flows (% AUM)
WisdomTree Physical Gold	GB	-1.2	-64.8	-0.81%
WisdomTree Physical Gold EUR Daily Hedged	IT	-1.0	-54.2	-5.86%
ZKB Gold ETF AA Hedged CHF	CH	-0.3	-22.5	-1.71%
IDBI Gold ETF	IN	0.0	-10.6	-101.13%
Xtrackers Physical Gold Euro Hedged ETC	DE	0.7	-9.9	-0.31%
PICTET CH Physical Gold-IDYJPY	CH	-0.1	-6.6	-4.43%
Swisscanto ETF Precious Metal Physical Gold GBP A	CH	-0.1	-5.5	-12.24%
Swisscanto ETF Precious Metal Physical Gold CHF AX	CH	-0.1	-3.1	-5.84%
Swisscanto ETF Precious Metal Physical Gold USD AX	CH	-0.1	-2.9	-1.28%
Thanachart Gold ETF	TH	0.0	-1.6	-27.43%

*As of 31/05/2020

Source: Bloomberg, World Gold Council

Relevant Charts

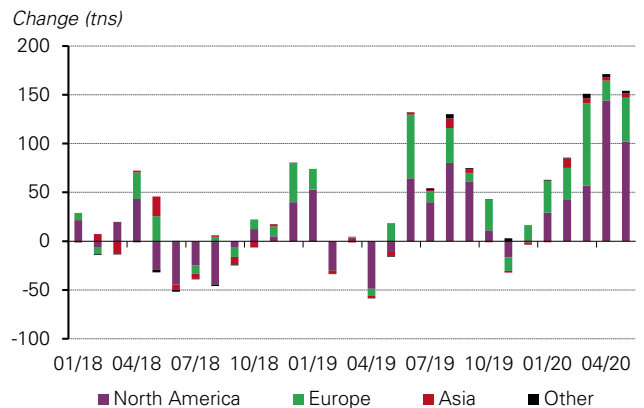
Chart 1: Gold-backed ETFs (and similar) flows by month*



*As of 31/05/2020

Source: Bloomberg, World Gold Council

Chart 2: Gold-backed ETFs (and similar) change in holdings by month*



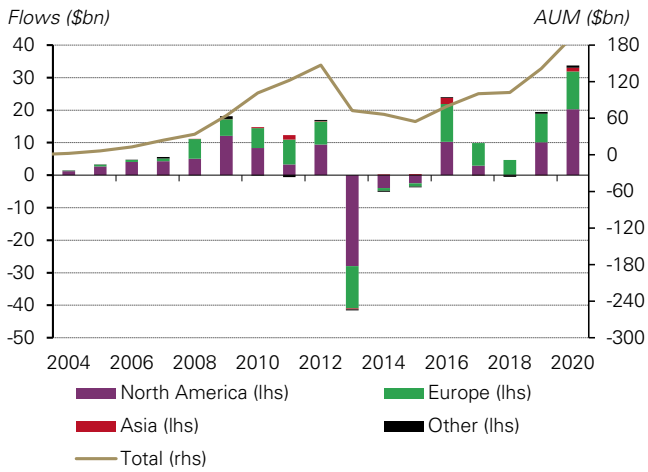
*As of 31/05/2020

Source: Bloomberg, World Gold Council

***Correction:**

On 4 June 2020, we reported that global gold ETF flows year-to-date in 2020 set a historical record in both US dollars and tonnage terms. During a subsequent database review, we discovered that a handful of Swiss-based funds were inadvertently omitted from the 2009 aggregated tonnage calculation. Consequently, while the total fund flows measured in US dollars between January 2020 and May 2020 did set a historical record, surpassing all previous annual figures, the tonnage increase through May of 623t is below the revised 2009 increase of 646t.

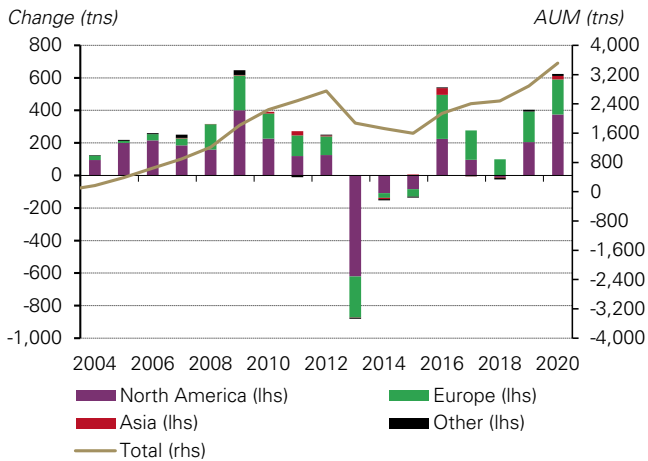
Chart 3: Gold-backed ETFs (and similar) holdings*



*As of 31/05/2020

Source: Bloomberg, World Gold Council

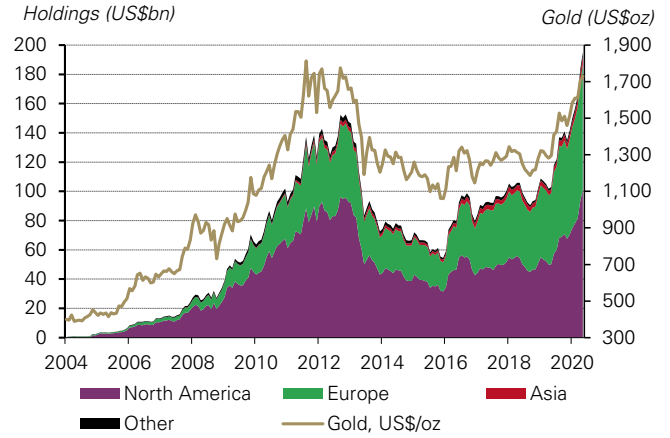
Chart 4: Gold-backed ETFs (and similar) change in holdings by year*



*As of 31/05/2020

Source: Bloomberg, World Gold Council

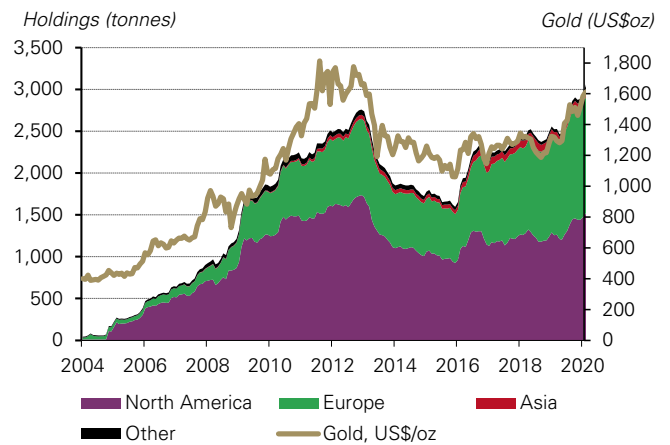
Chart 5: Gold-backed ETFs (and similar) holdings*



*As of 31/05/2020

Source: Bloomberg, World Gold Council

Chart 6: Gold-backed ETFs (and similar) holdings*

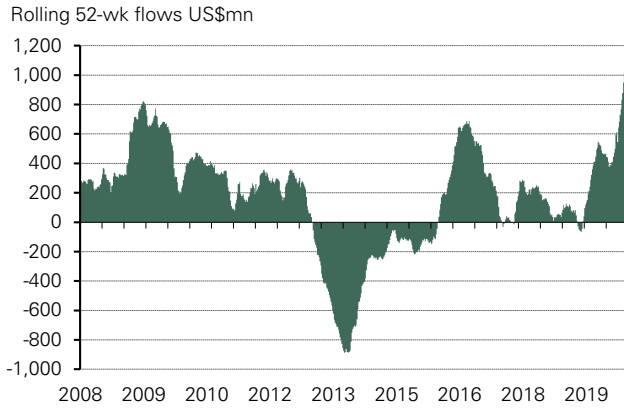


*As of 31/05/2020

Source: Bloomberg, World Gold Council

Chart 7: Gold ETF rolling flows

Rolling 52-week flows of global gold ETFs*

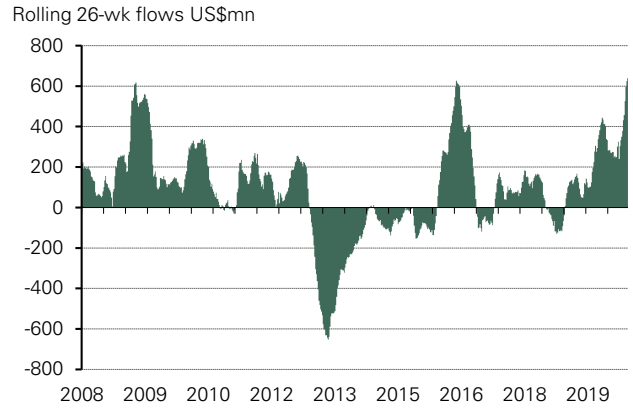


*As of 31/05/2020

Source: Bloomberg, World Gold Council

Chart 8: Gold ETF rolling flows

Rolling 26-week flows of global gold ETFs*



*As of 31/05/2020

Source: Bloomberg, World Gold Council

Notes

Gold-backed ETFs and similar products account for a significant part of the gold market, with institutional and individual investors using them to implement many of their investment strategies. The data on this page tracks gold held in physical form by open-ended ETFs and other products such as close-end funds, and mutual funds. Most funds included in this list are fully backed by physical gold. While a few funds allow exposure to gold through other holdings such as cash or derivatives, we only monitor those investing at least 90% through physical gold and appropriately adjust their reported assets to estimate physical holdings only. Similarly, the data only estimates the corresponding gold holdings of ETFs that include other precious metals. For funds that include physical holdings of multiple precious metals, the data estimates only the corresponding gold holdings contained within them.

Definitions

*Flows represent net creations or redemptions of shares of open-ended ETFs, or changes to the physical gold holdings that back shares of closed-end funds or similar products over a given period. ETF flows in tonnes measure demand for gold during a given period and generate the quarterly demand estimates reported in Gold Demand Trends. ETF flows in US dollars estimate the monetary value of gold demand for a given period, taking into account daily fluctuations in the price of gold. Holdings correspond to the total assets under management (AUM) of gold-backed ETFs and similar products, measured in either tonnes or US dollars. Where tonnage holdings are not directly reported, we calculate these by dividing the US dollar value of AUM by the LBMA Gold Price per tonne – where one tonne is equivalent to 32,150.7466 Troy ounces.

¹We regularly review the global gold-backed ETF universe and adjust the list of funds and holdings based on newly available data and information. The recent review yielded a Swiss-based ETC *UBS ETF Gold*, which was not on the prior list. This fund has been added and historical data on it has been updated; this yielded an increase of 44.9 tonnes of total global holdings.

²Note: We calculate gold-backed ETF flows both in ounces/tonnes of gold and in US dollars because these two metrics are relevant in understanding funds' performance. The change in tonnes gives a direct measure of how holdings evolve, while the dollar value of flows is a finance industry standard that gives a perspective of how much investment reaches the funds. There are some months where the reported flows measured in tonnes of gold and their dollar-value equivalent seem inconsistent across regions. Both figures are correct. The disparity is due to the interaction between the performance of the gold price intra-month, the direction and movement of the US dollar and the timing of the flows. For example, hypothetically, if European funds were to experience outflows early in the month when the price of gold was low but gained assets later in the month when the price of gold increased, and/or if the euro/dollar currency rate moved meaningfully when there were flows, there might be a discrepancy between tonnage change and flows.

³Low-cost US-based gold-backed ETFs are defined as exchange traded open-ended funds listed in the US, backed by physical gold, with annual management fees of 20bps or less. At present, these include Aberdeen Physical Swiss Gold Shares, SPDR® Gold MiniShares, Granitshares Gold Trust, and Perth Mint Physical Gold ETF.

⁴Net longs represent Money Manager and Other Net long positioning in the COMEX futures market.

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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, the Far East and the US, the World Gold Council is an association whose members comprise the world's leading gold mining companies.

World Gold Council

7th Floor, 15 Fetter Lane
London EC4A 1BW
United Kingdom

T +44 20 7826 4700

F +44 20 7826 4799

W www.gold.org

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For more information

Market Intelligence and Research:

Krishan Gopaul

krishan.gopaul@gold.org
+44 20 7826 4704

Ray Jia

ray.jia@gold.org
+86 21 2226 1107

Mukesh Kumar

mukesh.kumar@gold.org
+91 22 6157 9131

Juan Carlos Artigas

Head of Research
juancarlos.artigas@gold.org
+1 212 317 3826

Adam Perlaky

adam.perlaky@gold.org
+1 212 317 3824

Louise Street

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

John Reade

Chief Market Strategist
john.ream@gold.org
+44 20 7826 4760

Distribution and Investment:

Matthew Mark

Exec Director, North America
matthew.mark@gold.org
+1 212 317 3834

Andrew Naylor

Exec Director, ASEAN
andrew.naylor@gold.org
+65 6823 1538

Jaspar Crawley

Director, EMEA
jaspar.crawley@gold.org
+44 20 7826 4787

Fred Yang

Director, China
fred.yang@gold.org
+86 21 2226 1109

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