



## Precious metals

### What are precious metals?

The most common precious metals are gold, silver, platinum and palladium. It is possible to invest in them either directly – by buying the physical metal or opening a precious metals account – or indirectly – by buying fund units, derivatives or structured products linked to the price of a precious metal. Indirect investments involve investing in assets indirectly via an investment vehicle, for example a fund or structured product. When investing directly in physical metals, investors can choose from different units of weight and levels of purity. Gold is normally present on European markets in the form of non-exchangeable, numbered bars (or ingots) weighing 12.5 kg each with a purity of 99.5– 99.99 % and exchangeable bars weighing 250 g, 500 g or 1kg with 99.99% purity.

Coins such as the South African Krugerrand and the Canadian Gold Maple Leaf are another means of investing in precious metals. On European markets, silver is normally traded in the form of numbered bars or ingots weighing around 30 kg or 1kg, while platinum is traded as 1kg or one-ounce bars and palladium as 1kg bars.

Investors who buy a physical metal acquire ownership rights. In the case of non-exchangeable bars, they own individual, numbered units. In the case of exchangeable (fungible) assets, they own the weight of metal in the specified form, e.g. 1kg bars or a specific number of coins.

### What risks are associated with precious metals?

When investors deposit physical precious metals with a bank, they are stored either by the bank itself or by a custodian on behalf of the bank. Should the bank be liquidated, Swiss law prevents investors' physical metal holdings from being included in the bankruptcy assets. The same applies in most comparable jurisdictions.

If, on the other hand, an investor opts to open a precious metals account with a bank, the investor does not have ownership rights but merely a claim to delivery of the physical metal. This means that the investor is exposed to the risk of default by the bank, for example if it goes bankrupt. Precious metals accounts are comparable to currency accounts, but they are denominated in the metal concerned (e.g. XAU for gold) rather than a currency. Precious metal prices can fluctuate considerably, particularly due to macroeconomic and market trends. Precious metals, espe-

cially gold, are sometimes regarded as “safe haven” investments during periods of financial market turmoil. Other factors that can influence precious metal prices include production costs, demand from non-financial sectors such as industry and the jewelry trade, monetary policy and central banks' reserves.

### What is the difference between direct and indirect investments?

Direct investments involve investing in actual assets – such as shares, bonds, real estate, precious metals or commodities – directly. Indirect investments involve investing in assets indirectly via an investment vehicle, for example a fund or structured product. Direct and indirect investments can be used for different purposes. Funds for instance, focus on risk diversification, whereas structured products with participation or leverage strive to maximise returns. Other investments offer the opportunity to invest in an otherwise inaccessible asset class, commodity certificates being a good example.

Whether an investment is direct or indirect has no bearing on its risks or returns. When deciding to invest indirectly, for example in alternative investments, it is important to consider not only the risk associated with the asset class, but also the risks attached to the financial instruments contained in the investment vehicle. This is especially true for structured products. Direct alternative investments generally require a relatively high minimum investment and are often not available to all investors.

**DISCLAIMER**

This information sheet contains an extract from the brochure "Risks Involved in Trading Financial Instruments" published by the Swiss Bankers Association (SBA), the complete version of which can be consulted at [www.swissbanking.org](http://www.swissbanking.org) or on the Bank's website ([www.corner.ch](http://www.corner.ch)).

Corner Bank Limited assumes no liability and does not provide any warranty as to the accuracy, completeness and/or correctness of the information and explanations contained in this information sheet and/or in the SBA brochure.

Before making any investment decision, we invite you to consult a financial advisor and to examine carefully all documents and information available for each financial instrument (prospectus, basic information sheet, term sheet, etc.).