



# Metal Portfolio Weightings

Pie Charts - Low Risk / Medium / Higher Risk Profile

By David Mitchell – March 2018

## Information Note on Methodology

---

Firstly, I need to note this is based on valuations done on the 5th March 2018, as metals move going forward these portfolio mixes must be re-adjusted dependent on changing valuations and supply / demand developments. This is very much my opinion on the mix held, based off a great deal of analysis and study over a long-time period.

Now you may well note that for a low-risk metal portfolio breakdown looking for outward performance we still have a rather high weighting to Platinum and Silver, this is simply because you have to frame it in your mind that once a decision has been made to invest a portion of your assets into precious metals, then gold is your primary barometer of that holding.

You value all metals and products against the barometer of gold.

Comparing historical ratios of “Platinum v Gold” or “Gold v Silver” price ratios, we are in fact at all time historical value ratios, hence we have given an equal weighting of platinum, silver and gold but then weighted them on implied volatility.



***“This risk of holding platinum and silver versus gold has rarely been this attractive.”***

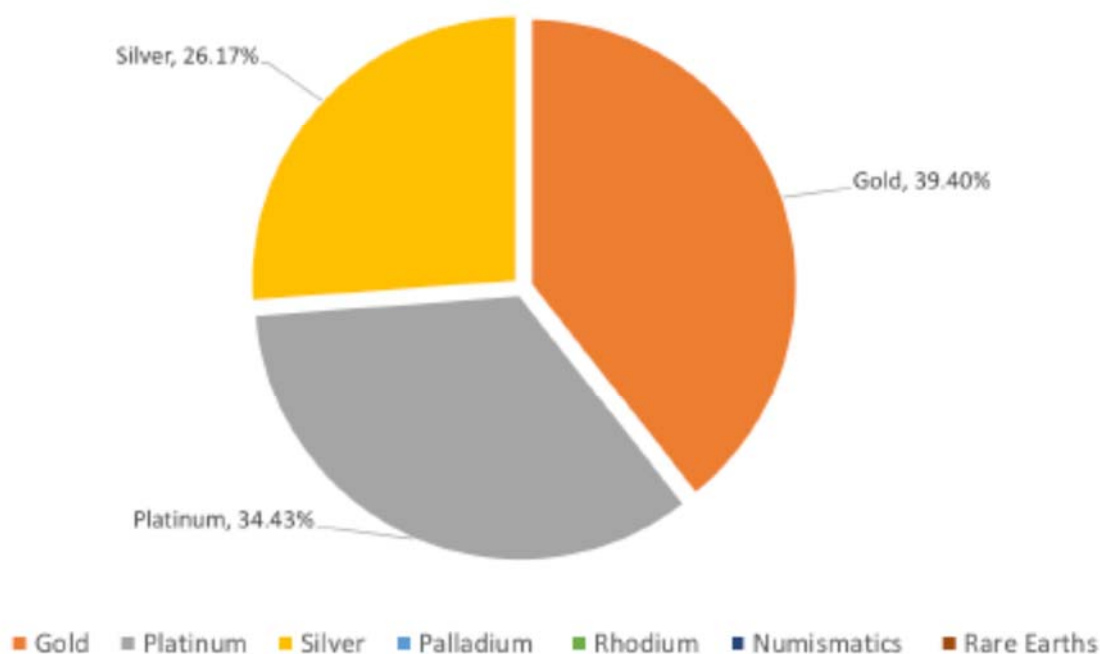
## Low Risk Metal Portfolio

Considering a low risk portfolio, we have decided to be somewhat more scientific with our weightings and hence priced in the weighting according to the current volatility of a "1 year at the money" option, with the lower Volatility being reflected in a higher portfolio weighting. Implied Volatility = 'IV'.

So option volatility as of 6th March 2018 is worked into the weightings to produce the pie chart below.....

**Gold Implied Volatility = 12.55%    Platinum IV = 14.36%                      Silver IV = 18.89%**

**Low Risk Metal Portfolio  
Weighted by Implied 1 Year 'at the money' Volatility**



Hence:  
Asset

### Allocation Weighting for Low Risk Portfolio

This portfolio over-weights less volatile assets and under-weights more volatile assets.

Example: Let's say that we have 3 stocks A, B, and C which each have volatilities 5%, 10%, and 20% respectively. Then,

$$k_t = 1 / \left( \frac{1}{5} + \frac{1}{10} + \frac{1}{20} \right) = \frac{20}{7}$$

Then weighting (w) is calculated as:

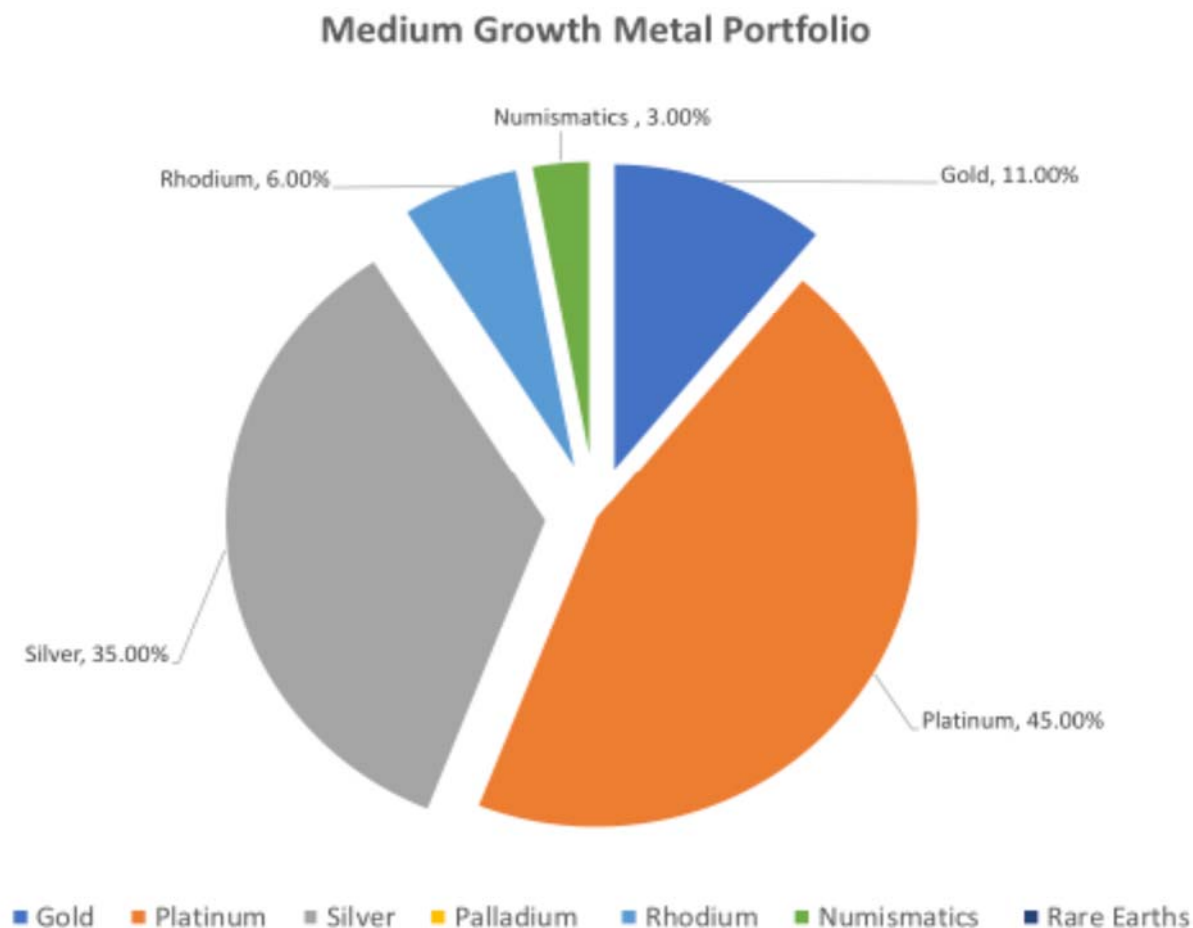
$$W_A = \frac{20}{7} / 5 = \frac{4}{7}, W_B = \frac{20}{7} / 10 = \frac{2}{7}, W_C = \frac{20}{7} / 20 = \frac{1}{7}$$

Stock C, with the highest volatility, gets the lowest weight at 1/7; while stock A with the lowest volatility gets the highest weight at 4/7.

## Medium Risk Metal Portfolio

---

We have taken a stronger look at present valuations and re-weighted platinum in particular against gold considering its extreme historical undervaluation.



**Rhodium** - makes an appearance and while it has performed spectacularly (since we first advised in January 2016) over the last 18 months to 2 years, rising by over 300%; we have taken a long hard look at this metal and its future prospective price targets, and we very much still wish to hold this metal over the next 2 to 5 years.

**Silver** - is the most unloved of all the metals presently, a high degree of cynicism and disinterest is extremely prevalent. But as I have noted in my recent posts, Silver is actually an extremely exciting prospective investment strategy at this time.

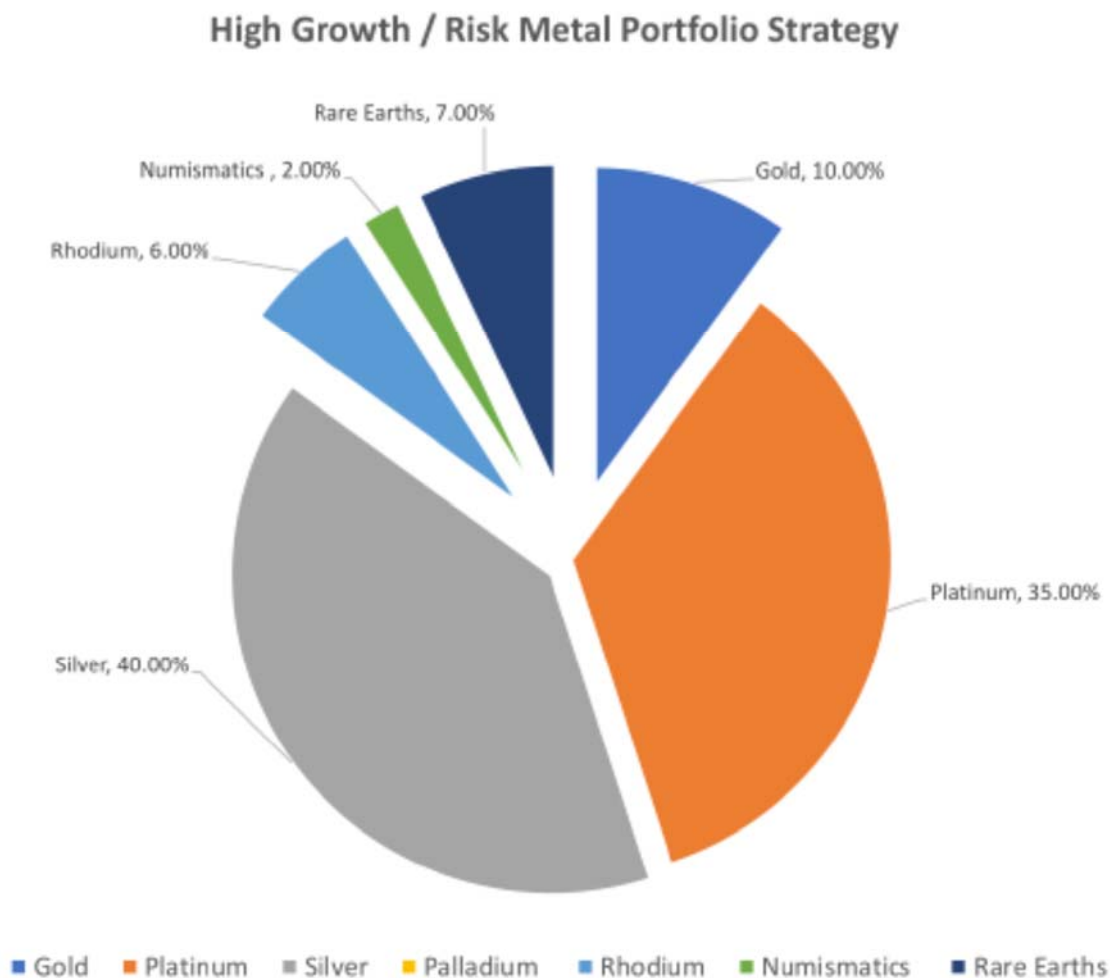
**Numismatics** - This may not be everyone's 'cup of tea', but when the metal complex is revalued small liquid coins of rarity increase their rate of return over and above the gold (as your barometer). Please ask for advice here.

## Higher Risk Metal Portfolio

---

I would not state that this portfolio mix is of high risk, more of an understanding that rare or should I say 'strategic industrial metals' are making on the landscape in not only of vital strategic importance but of actual price appreciation.

I could easily list several metals with outsized returns, but just looking at Ruthenium which we have been buying on behalf of clients, we have seen over a + 350% return in the last 6 months alone.



### Volatility Weighting

<https://www.barchart.com/futures/quotes/GCJ19/volatility-greeks/mar-19>

<https://www.barchart.com/futures/quotes/SIH18/volatility-greeks/mar-19>

<https://www.barchart.com/futures/quotes/PLF19/volatility-greeks/jan-19>

## ABOUT THE AUTHOR – David Mitchell

---



[David Mitchell](#) is a friend and respected colleague of [Gold Bullion Australia](#).

David has nearly three decades of experience in the financial markets working for some of the world's leading international banks.

Some of his most notable roles have been Head of Proprietary Trading, Europe and Head of Spot Trading, Asia-Pacific for HypoVereinsbank AG; Chief Dealer and Manager of the G10 Desk for HSBC; and Chief Dealer at the Forex Desk for NationsBank Group, Singapore.

David brings his expertise and energy to the role of Managing Director of Baird & Co Asia, and Founder and Non-Executive Director of [Indigo Precious Metals](#).

IPM Group, [indigopreciousmetals.com](http://indigopreciousmetals.com) has a presence in Singapore and Malaysia and trades in physical precious metals. Its primary focus is the supply and physical delivery of investment grade precious metals

directly to customers.

David is a skilled economic writer, he produces regular commentary to demonstrate his views on precious metal investing. His articles and reports are insightful, full of factual data and references and are a valuable source to assist with investment decisions. David mixes his connections, experience and analytical mind with an entertaining and explanatory writing style that is enjoyable and easy to read.

*"I approach my long-term trading strategies from a knowledge based on how all markets and assets classes are inexorably linked to each other within major cycle trends in capital flows."*

## How GBA and David Mitchell work together

---

The team at Gold Bullion Australia enjoys regular communication with David Mitchell in several ways:

- David shares his views on precious metal investing with commentary, team training and regular updates about the fiscal environment, Macro Economic drivers and supply and demand scenarios affecting precious metals.
- IPM and GBA work closely in offering solutions for investors to trade and store precious metals including offshore vaulting of Palladium and Rhodium in Freeport Singapore.
- David has recently been appointed Managing Director of Baird & Co Asia and hence a partner of GBA who is an official distributor of Baird & Co in Australia.
- IMP facilitates the purchase of Gold, Silver, Platinum, Rhodium and Palladium as well as source and vault the rarer metals such as Ruthenium and Indium on behalf of clients.
- Precious metals holdings can be mobilised between locations allowing investors to access their precious assets in Queensland, Victoria, Singapore and United Kingdom. Transactions can be in US\$, GBP, Euro, Sing\$ or MYR on the latest live prices updated every minute.

Disclaimers: IPM Group Pte Ltd. 30 Cecil Street, #19-08 Prudential Tower, Singapore, 049712, Company Registration No: 201428070N. All rights reserved. Any reproduction, copying, or redistribution, in whole or in part, is prohibited without written permission from the publisher.



**IPM  
GROUP**  
PTE LTD

[www.indigopreciousmetals.com](http://www.indigopreciousmetals.com)

Information contained herein is believed to be reliable, but its accuracy cannot be guaranteed. It is not designed to meet your personal situation – we are not financial advisors, nor do we give personalized advice.

The opinions expressed herein are those of the publisher and are subject to change without notice. It does not take into account the particular circumstances, investment objectives and needs for investment of any investor, or purport to be comprehensive or constitute investment advice and should not be relied upon as such. You should consult a financial adviser to help you form your own opinion of the information, and on whether the information is suitable for your individual needs and aims as an investor. You should consult appropriate professional advisers on any legal, taxation and accounting implications before making an investment.



**GOLD  
BULLION**  
AUSTRALIA

Phone: 1300 754 602  
[www.goldbullionaustralia.com.au](http://www.goldbullionaustralia.com.au)



GOLDCOAST | BRISBANE | SYDNEY | MELBOURNE