SUSTAINABLE VALUE PERSPECTIVES

Oliver Müller | CIO | Accresco Investment Management

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Gold, Equities, and the True Store of Value

Why long-term wealth is built through compounding—not through the illusion of safety

Executive Summary

- Gold is widely regarded as a store of value, particularly in times of uncertainty. Its long history, scarcity, and independence from financial systems have contributed to a perception of safety that is deeply embedded in investor thinking. And yet, while gold may offer reassurance in moments of stress, its ability to reliably preserve and grow purchasing power over time is, in our view, less certain than commonly assumed.

- Over extended periods, the evidence suggests that equities—especially those of high-quality businesses—have been more effective in this regard. The distinction is not incidental. Equities represent claims on productive assets that generate earnings, reinvest capital, and compound value. Gold, by contrast, has no internal engine; its returns depend largely on changes in sentiment and the price a subsequent buyer is willing to pay. This difference, while simple, has profound implications for long-term outcomes.

- None of this is to suggest that gold has no role in a portfolio. It may serve as a hedge in specific environments or provide psychological comfort during periods of instability. But for investors whose objective is not merely to avoid loss, but to build wealth over time, we believe the emphasis must ultimately rest on compounding. In that context, assets that produce and reinvest are structurally advantaged over those that do not. Over time, what feels safe may put capital at risk, while what seems risky quietly builds wealth.

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The Enduring Allure of Gold

For centuries, gold has been treated as a store of value—yet over time, it has struggled to fulfil that role.

Gold has long captured the imagination of investors. Through repeated periods of economic upheaval, it has steadfastly retained its position as a safe-haven asset. During periods of inflation, currency weakness, or geopolitical stress, gold often takes center stage. It is often viewed as the ultimate symbol of security: scarce, liquid, universally accepted, and untethered to the credit risk of any government or institution. Perhaps most importantly, it offers psychological reassurance when the world feels unstable. The conventional narrative surrounding gold is deeply entrenched and widely accepted. Its allure is timeless and, for many, unquestionable.

In recent years, central banks have become net buyers of gold, seeking to diversify away from the dollar and other fiat currencies. At the same time, cryptocurrencies—especially Bitcoin—are often positioned as "digital gold," promising a similar role in the modern era. Yet gold, with its physicality, centuries-long history, and deep entanglement in global finance, remains the default refuge asset in times of market distress. For many, it is still seen as the ultimate form of insurance against economic uncertainty.

The World Gold Council, in its advocacy for the metal, characterizes gold as a "strategic asset," highlighting its role as a diversifier, a store of purchasing power, and a source of liquidity in uncertain times. In the language of financial markets, this is often distilled into a simpler label: the "geopolitical hedge."

The reality, however, is more nuanced than this enduring narrative suggests. Gold can serve a valuable tactical role—particularly as a diversifier during periods of systemic stress, when it may behave independently of traditional financial assets. But its place as a core, long-term strategic holding—especially within a portfolio designed for enduring wealth creation—warrants closer scrutiny.

We should be careful not to confuse usefulness with superiority. A hedge, by definition, is designed to protect—not to compound. Insurance may preserve capital in crises, but it does not create wealth. While gold may offer reassurance in turbulent times, it does not, in our view, fulfil the primary objective of investing: the sustained preservation and growth of purchasing power over time.

Equities—particularly those of high-quality businesses—have been far more effective over time in achieving this objective. Gold may glitter in the imagination of investors, but it is equities that do the real, consistent work of wealth creation.

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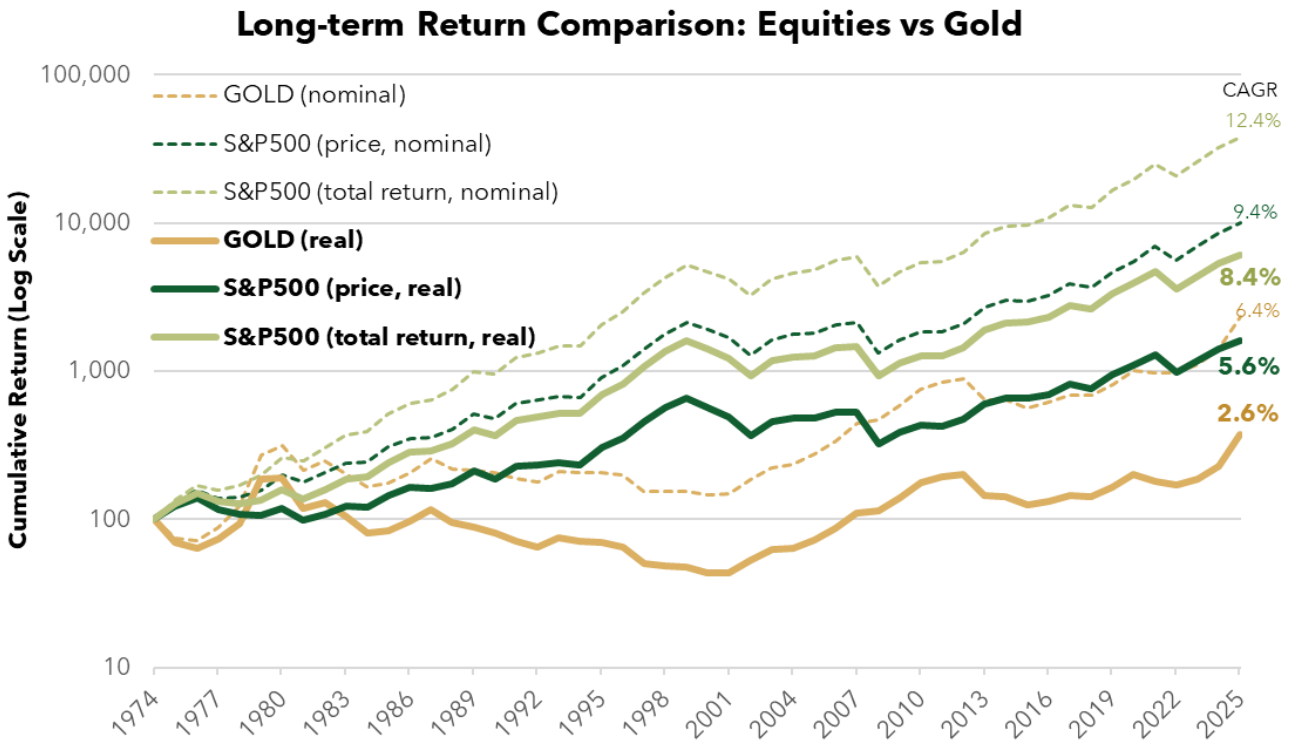

Source: Aswath Damadoran (NYU Stern) dataset (1975-2025); Koyfin; Accresco calculations and annotations

The long-term performance comparison highlights a clear divergence between equities and gold. From 1975 to 2025, the S&P 500 delivered an average annual total return of 12.4% nominally, outpacing gold's 6.4%. When adjusted for inflation, equities have provided a real total return of 8.4%, whereas gold's real return stands at a modest 2.6%.

While the S&P 500 shows consistent upward momentum, gold's path is far flatter, with the gap between the two widening as we move into the later years. The impact of reinvested dividends is evident in equities' superior compounding effect, while gold's reliance on price appreciation only is more sporadic, offering limited growth over time.

An Asset Without an Engine

Gold's primary limitation as an investment is its lack of an "engine"—an internal mechanism that drives growth. It generates no earnings, reinvests no profits, and does not innovate. There is no cash flow while one waits for its price to appreciate. At its core, it is a passive asset.

Its value is not derived from the productive capacity of an underlying enterprise, but from the willingness of the next buyer to pay more than the last. Price movements are therefore driven largely by sentiment and shifting perceptions, rather than by any intrinsic process of value creation.

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This marks a fundamental distinction between gold and equities—particularly those of high-quality businesses—which actively generate, reinvest, and compound value over time. In investing, assets that produce will, over time, outpace those that are merely priced.

Across markets and over long stretches of history, a consistent pattern emerges: productive assets tend to outperform static ones. This is, in many ways, the essence of investing. The reason lies in the power of compounding. Reinvestment—the ability to put capital back to work—is the process that drives wealth creation.

Retained earnings are not mere accounting artefacts, nor are dividends simply a "nice-to-have" feature. They are the mechanisms through which businesses convert time into value. Equities rise because the underlying businesses become more valuable. Gold, by contrast, rises only if someone else is willing to pay more for it.

A Conditional Store of Value

Advocates of gold often counter that this critique misses the point. Gold, they argue, is not meant to generate returns like equities; its role is to preserve wealth, particularly in times of crisis. And indeed, gold has earned its reputation as a hedge—a refuge when trust in other assets begins to erode. But this assumption, while intuitively appealing, does not fully withstand closer scrutiny.

The S&P 500 has consistently delivered more reliable real returns than gold, as evidenced by median annualised outcomes across rolling periods. On a price-only basis, real returns have been 6.0% over 3 years, 6.8% over 5 years, 6.7% over 10 years, and 5.6% over 15 years. When dividends are reinvested, the results are even more compelling: median real returns rise to 9.4% over both 3- and 5-year periods, 9.1% over 10 years, and 7.8% over 15 years.

Gold, by contrast, has delivered significantly lower and less consistent outcomes. Median real returns over the same periods stand at just 1.3%, 1.5%, 0.8%, and 2.9%, respectively—and exhibit far greater dispersion.

Perhaps most tellingly, equities have consistently preserved purchasing power over rolling fifteen-year periods, with no instances of negative real returns—even on a price-only basis. Gold, on the other hand, has experienced multiple episodes of negative real returns and prolonged drawdowns.

This highlights a critical point: while gold may serve as a temporary store of value in times of stress, it has proven far less reliable as a long-term preserver of purchasing power. The evidence is clear—equities remain the more robust foundation for enduring wealth.

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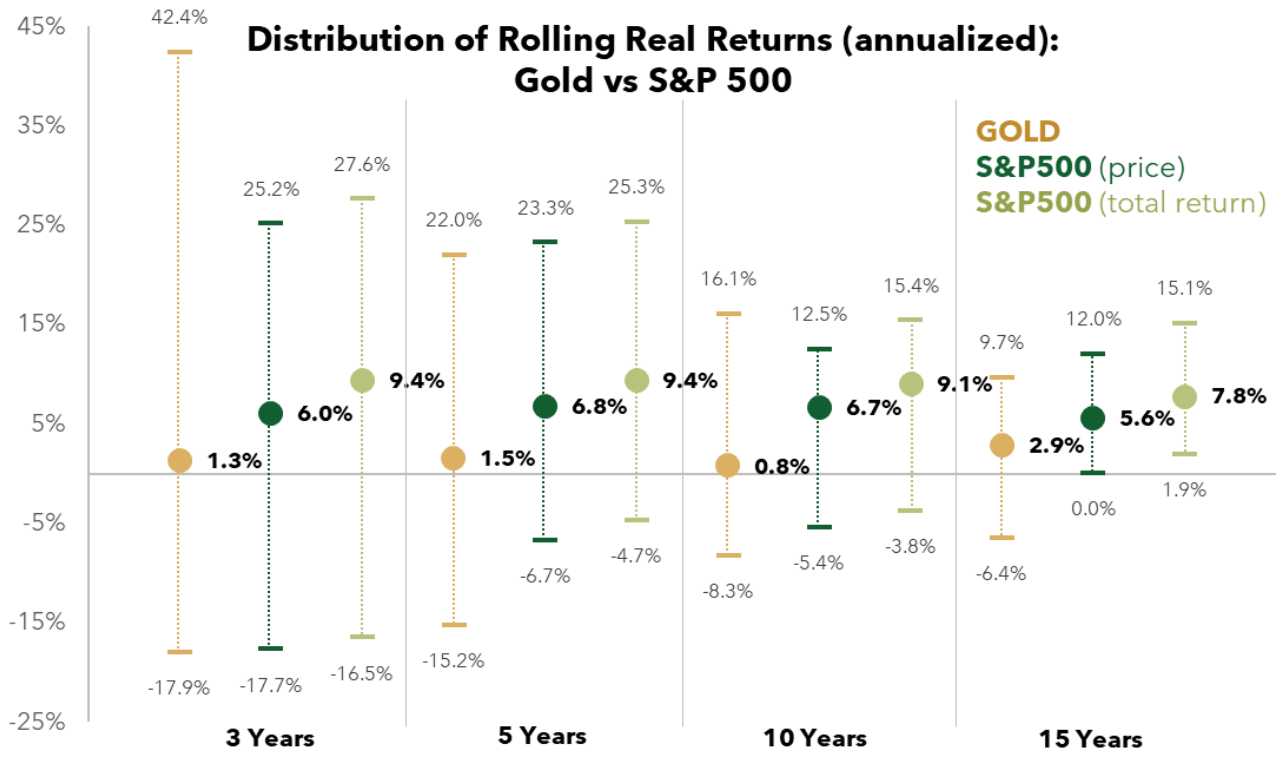

Source: Aswath Damadoran (NYU Stern) dataset (1975-2025); Koyfin; Accresco calculations and annotations

The Path Matters

Gold's price history is characterized by sharp surges followed by significant drawdowns—cycles that often reflect its inherently sentiment-driven nature. Unlike equities, which are anchored in underlying business fundamentals, gold's returns are shaped by shifts in market psychology, geopolitical tensions, and inflation expectations. As a result, its performance is highly path-dependent: the timing of entry and exit can have a decisive impact on outcomes.

Its behavior is far from stable. Over time, gold has moved through pronounced cycles—extended periods of strong gains, followed by equally long stretches of stagnation or decline in real terms. These are not minor fluctuations, but large, structural swings that can span many years, sometimes even decades. For an asset widely regarded as a "store of value," this presents an uncomfortable reality.

Over the past five decades, gold has experienced powerful rallies, including a 363% increase in the 1970s, a 214% rise in the 2000s, and a more recent gain of 196%. Yet these advances have frequently been followed by steep reversals—a 61% decline in the early 1980s, a 66% fall in the 1990s, and a 44% loss in the 2010s. This recurring boom-and-bust pattern underscores the timing risks inherent in holding gold.

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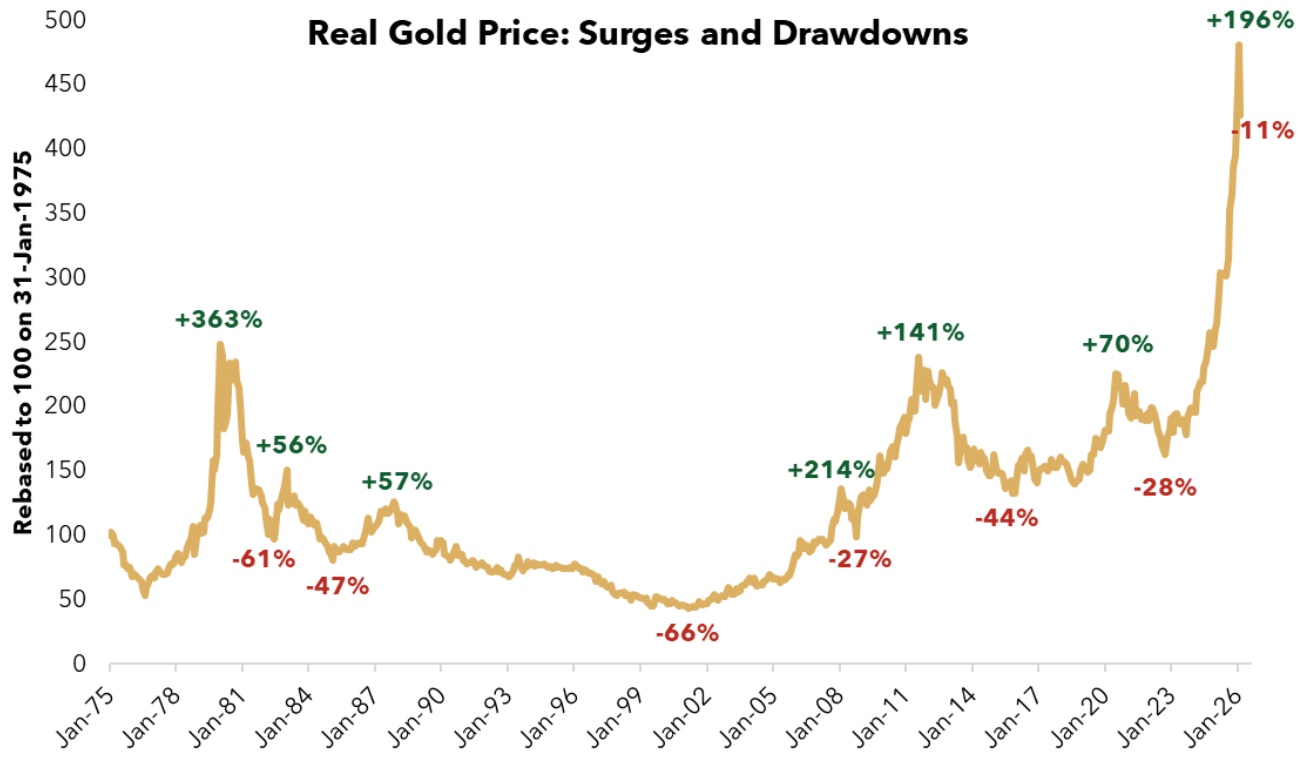

Source: Koyfin data (Jan-1975 to Mar-2026); Accresco calculations and annotations

Gold is not a smooth preserver of wealth, but an asset prone to extended periods of volatility and uneven returns. When set against the idealized notion of gold as a stable protector of value, this history introduces a level of risk that is often underappreciated.

Deep Drawdowns

Gold's limitations become even clearer when we examine its drawdowns more closely. In real terms, gold has endured some of the deepest and most persistent declines of any major asset class. These drawdowns have not only been severe, but prolonged—often taking many years, and in some cases decades, to recover. This alone challenges the notion of gold as a reliable preserver of purchasing power.

Equities, while certainly also volatile, have historically demonstrated a far greater capacity to recover from downturns. The businesses they represent continue to generate earnings, innovate, and reinvest capital, rebuilding value and restoring purchasing power. Their recovery is not dependent on shifting sentiment, but on the underlying productivity of the enterprises themselves.

Gold's real price drawdowns have been significantly deeper and more prolonged compared to those of the S&P 500. Over the past five decades, gold has experienced peak-to-trough losses of

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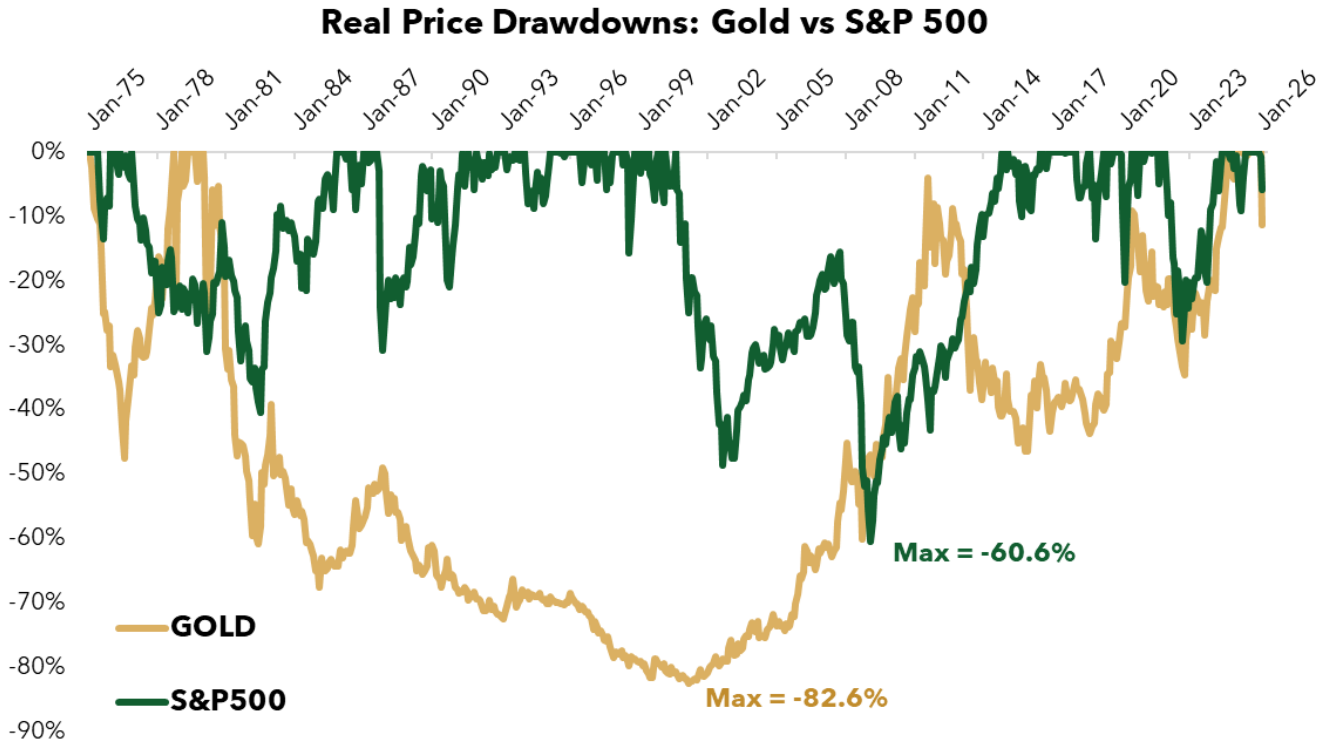
up to or more than 80%, most notably in the early 1980s and the 1990s. In contrast, the S&P 500 has experienced drawdowns that were roughly half as steep most of the time, with the most severe real loss of around 60% occurring during the global financial crisis of 2008-2009. These extreme fluctuations in gold's value highlight its vulnerability to prolonged periods of capital impairment. Equities, by contrast, tend to recover more quickly—supported by the enduring capacity of businesses to create value over time.



Source: Koyfin data (Jan-1975 to Mar-2026); Accresco calculations and annotations

Volatility, Reconsidered

Gold's reputation for stability is rooted more in perception than in reality. In practice, its volatility has often exceeded that of equities. While it is widely viewed as the ultimate safe-haven asset, its price movements—particularly over shorter horizons—have frequently been more erratic than those of the equity market. And crucially, this higher volatility has not been accompanied by higher returns.

The data makes this explicit. On a monthly basis, gold exhibits a higher standard deviation of real returns—5.28%, compared to 4.34% for the S&P 500. Yet despite this increased variability, its average monthly real return is lower, at 0.37% versus 0.52% for equities. Investors, in other words,

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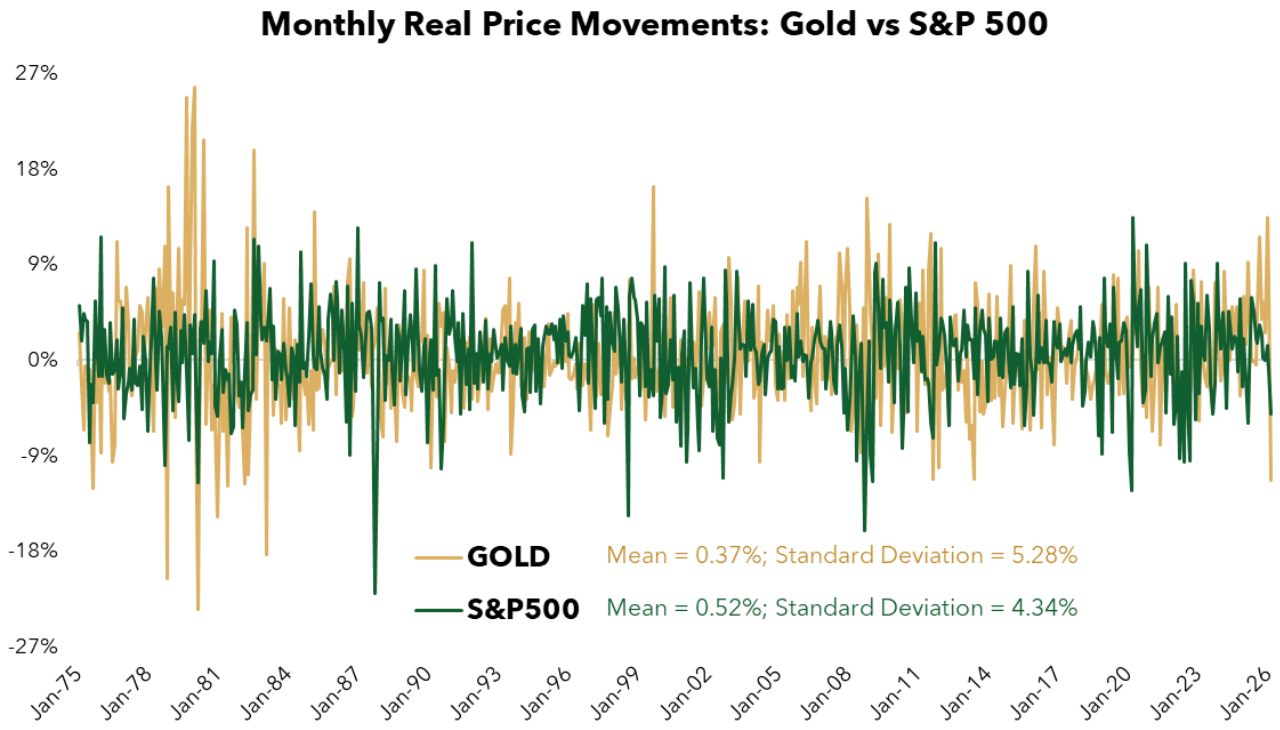
have historically taken on more short-term volatility in gold while receiving less compensation for that risk.



Source: Koyfin data (Jan-1975 to Mar-2026); Accresco calculations and annotations

This creates an uncomfortable paradox. An asset commonly positioned as defensive has, in fact, delivered greater variability alongside lower average outcomes. Gold, for all its historical mystique, has proven to be both more volatile than expected and less rewarding than assumed.

Over longer horizons, the pattern persists. Gold's annualized real price volatility stands at approximately 18.3%, compared to 15.0% for the S&P 500. This heightened sensitivity reflects gold's dependence on shifting sentiment, geopolitical developments, and inflation expectations—forces that can drive large and unpredictable price swings.

Gold behaves less like a stable store of value and more like an asset exposed to episodic bursts of speculation. Equities, while certainly subject to cycles, benefit from an underlying engine of earnings, innovation, and reinvestment, which helps anchor returns and moderate long-term risk. A true store of value should not subject investors to this kind of experience. It should not require extended recovery periods after deep losses, nor depend heavily on favorable entry points to avoid prolonged underperformance. Yet gold has exhibited both characteristics repeatedly. While it may serve as a short-term hedge or a refuge during periods of acute stress, it has struggled to meet the expectations of long-term investors.

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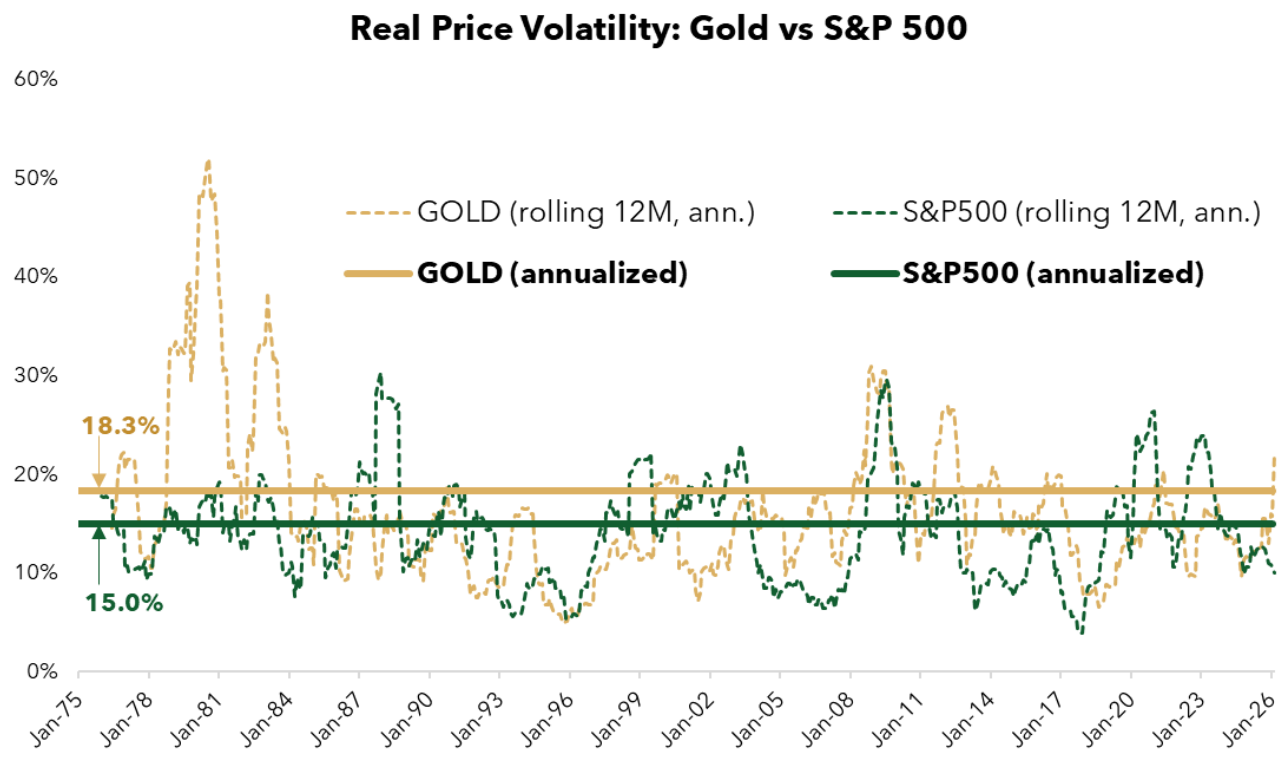

Source: Koyfin data (Jan-1975 to Mar-2026); Accresco calculations and annotations

Allocations to gold are rarely framed as tactical expressions of macro uncertainty. Instead, they are often presented as prudent, low-risk holdings—sources of stability within a diversified portfolio. But prudence, like any investment attribute, must be judged by outcomes, not narrative. And when measured in this way, equities compare far more favorably than their reputation might suggest. Despite their volatility, they have consistently demonstrated the ability to recover, to compound, and to create real economic value over time. Gold, by contrast, remains a static asset—one that may shine in moments of crisis, but falls short as a vehicle for sustained wealth creation. Volatility without an underlying engine does not compound—it merely oscillates.

Through Shocks and Crises

One of the most common mistakes in investing is to equate volatility with risk. Equities are visibly volatile—their prices move up and down, sometimes sharply, and as a result, they are often labeled "risky" by investors and market commentators alike. In reality, volatility and risk are not the same thing. The distinction matters.

A closer look at market history reveals that equities have shown remarkable resilience through a wide range of market disruptions—wars, financial crises, oil shocks, and pandemics. In fact, over more than a century of market upheavals, equities have compounded real wealth at an average rate

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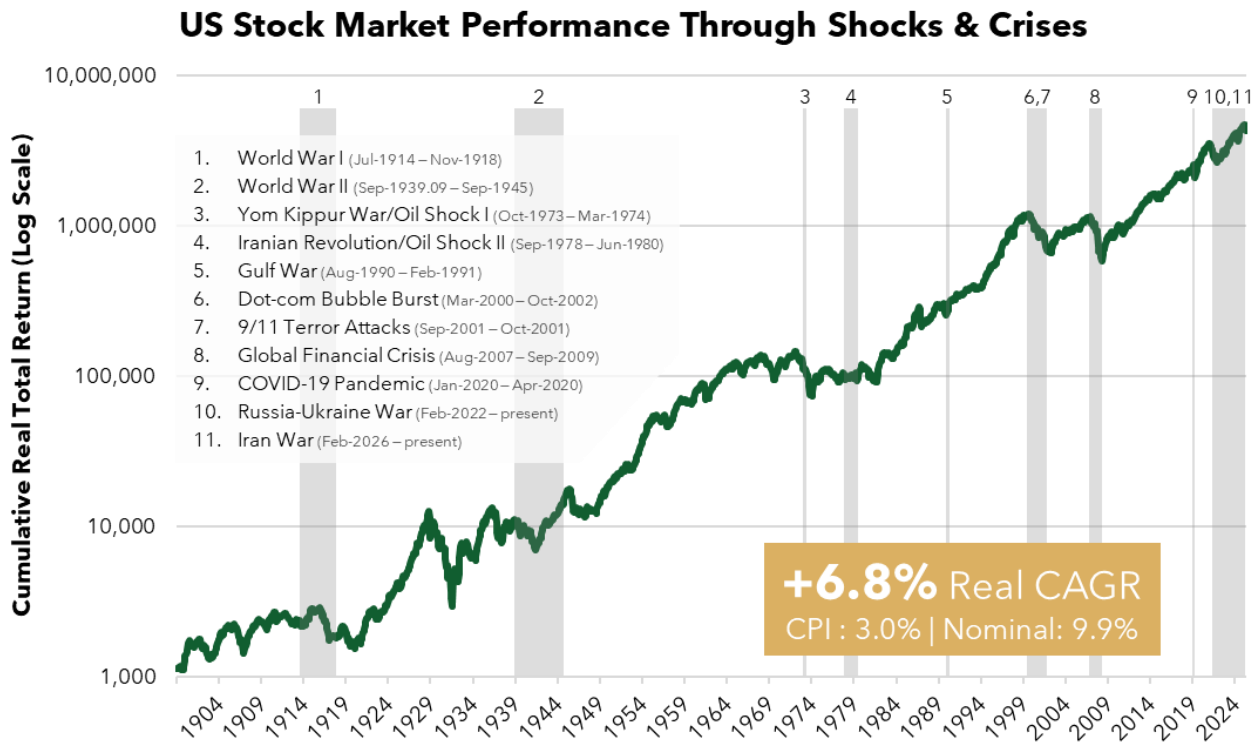
of approximately 7% per year and thereby allowed investors to build long-term wealth despite recurring significant challenges along the way.



Source: Robert Shiller (Yale University) dataset (Jan-1900–Mar-2026); Accresco calculations and annotations

For example, following the Gulf War in the early 1990s, the market experienced a sharp but brief downturn, yet quickly recovered as geopolitical stability returned. Similarly, after the Great Financial Crisis of 2008, the S&P 500 saw a peak-to-trough loss of nearly 60%, but a few years later the market had regained and surpassed pre-crisis levels. The rapid recovery following the 2020 COVID-19 pandemic has been another powerful demonstration of the market's ability to recover from crises.

But this does not mean that shocks are irrelevant. Far from it. What it means is that productive assets—those that represent ownership in real businesses—have a remarkable capacity to absorb, adapt, and recover. This resilience is built into the very nature of businesses. During times of crisis, companies cut costs, innovate, consolidate, and reinvest. What may appear as fragility or a breakdown in the moment often proves, in retrospect, to be flexibility. The ability of businesses to weather storms, adapt to new conditions, and come out on the other side with renewed growth potential is the essence of their long-term value generation. Equities tend to recover—and they do so more quickly than many expect.

This underscores the importance of maintaining a long-term investment perspective, especially, but not only in times of geopolitical uncertainty. While short-term volatility is inevitable, history has

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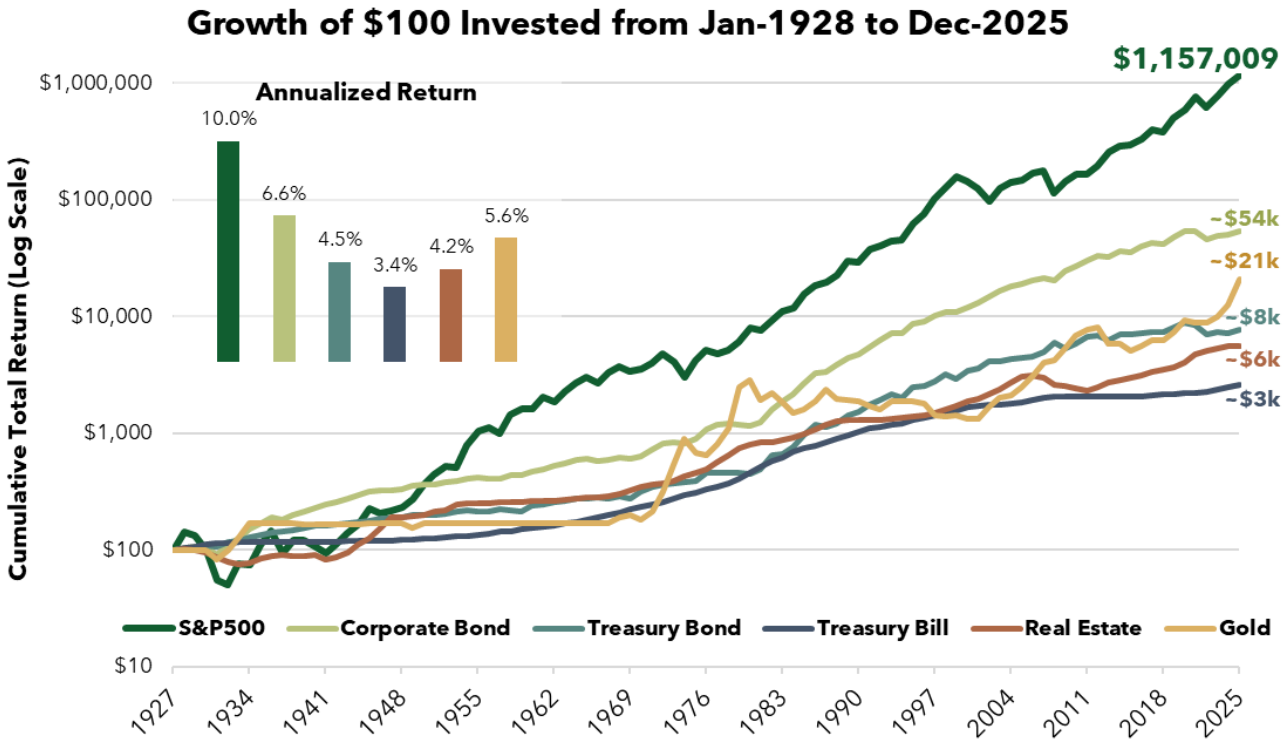
shown that the stock market tends to reward those who stay invested, delivering substantial long-term gains.

The Long-Term Wealth Engine

Equities have delivered the strongest long-term wealth creation across all asset classes. By way of illustration, a $100 investment in the U.S. stock market in 1928 would have been worth more than $1.1 million by the end of 2025, in nominal terms. In contrast, other asset classes remained in the thousands: corporate bonds would have grown to about $54k, gold to approximately $21k, and all other asset classes remained below $10k. This highlights the remarkable long-term potential of stocks, with an annualized return of ~10%, which is between 1.5x to 3x higher than the returns from other major assets. This stark disparity is a direct result of one of the most powerful forces in investing: compounding.



Source: Aswath Damadoran (NYU Stern) dataset (1928-2025); Accresco calculations and annotations

Compounding—the process by which businesses reinvest their profits to fuel further growth—lies at the heart of equities' ability to create wealth. It is not just about earning a return on your initial investment. It is about the ability to reinvest those returns, creating a cycle of growth that accelerates over time. Compounding isn't a linear process; it's exponential. The cumulative effect of reinvested earnings allows companies to grow, innovate, and create greater value over time. While other assets

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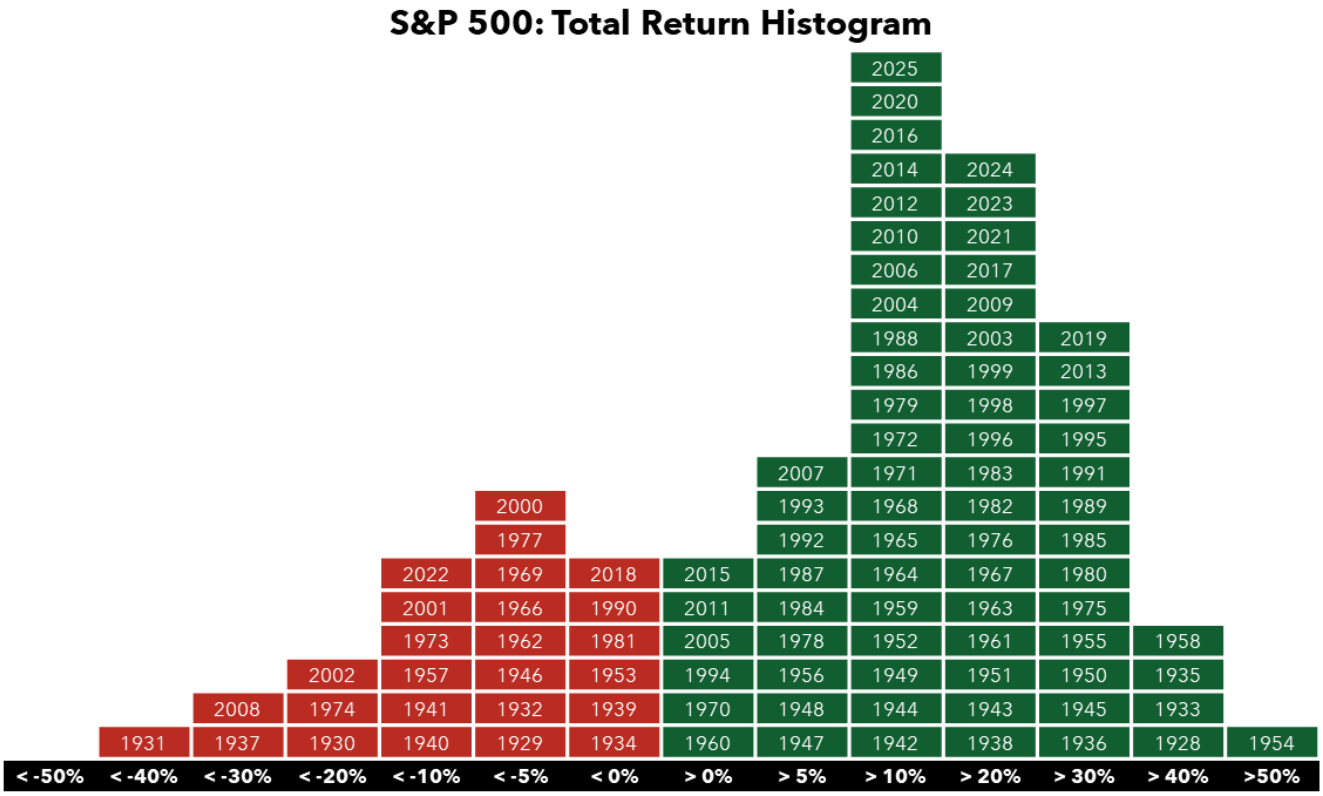
may also provide positive returns, none deliver the same compounding effect that equities do. Equities don't just preserve purchasing power—they multiply it.

Equities have delivered positive returns in the majority of years. The S&P 500, for instance, has risen in 72 of the past 98 years—in roughly three out of every four years.



Source: Aswath Damadoran (NYU Stern) dataset (1928-2025); Accresco calculations and annotations

The histogram clearly demonstrates the positive skew of stock market returns over time, with annual returns of around 10-20% most common. The distribution shows that while negative years do occur, the positive returns are both more frequent and often larger in magnitude, highlighting that the market has tended to reward investors more generously during favourable periods.

Drawdowns Pass, Returns Persist

The key to success in investing is not about avoiding drawdowns. Rather, it's about understanding that they are inevitable and, more importantly, temporary.

Equities, by their very nature, experience periods of volatility. These periods may be brief, or they may be prolonged. Sometimes, the declines are sharp and sudden; other times, they unfold gradually over months or even years. One thing is certain: the market will test your discipline. But

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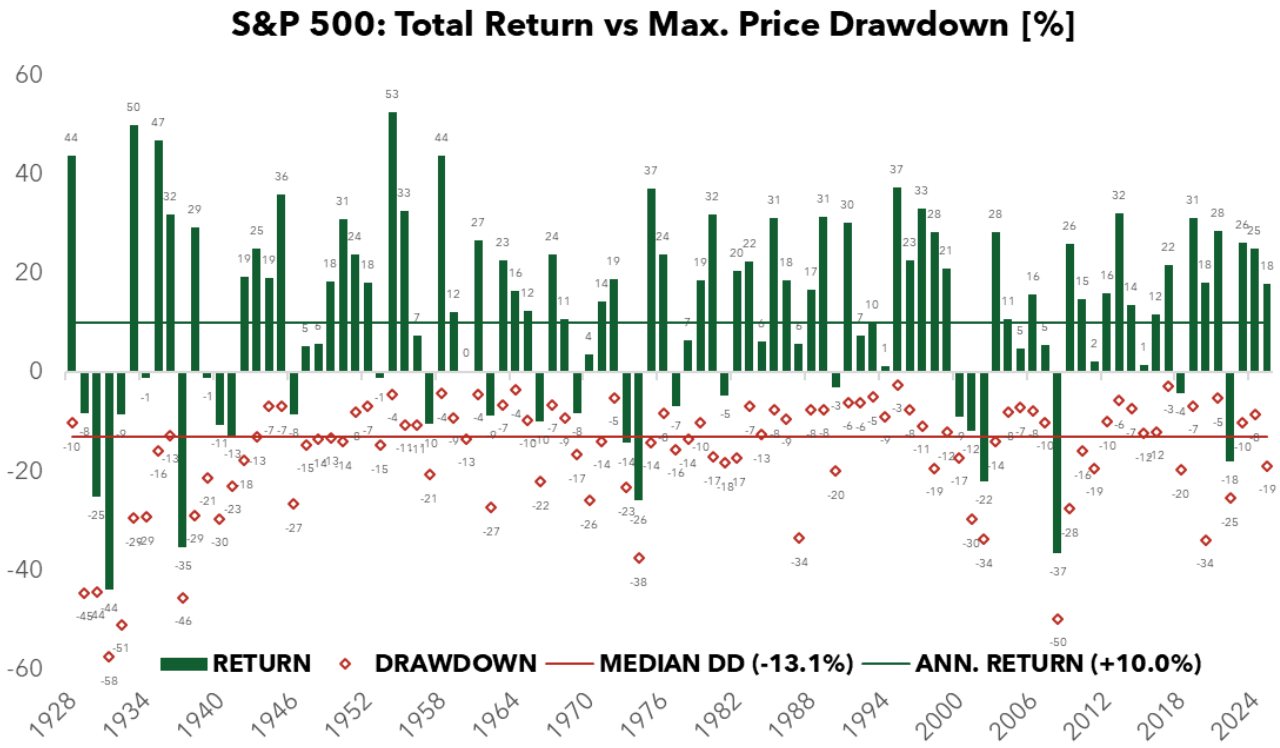
it's the ability to stay the course during these difficult periods—when the market seems to be heading in the wrong direction—that separates successful investors from those who are derailed by short-term setbacks.



Source: Aswath Damadoran (NYU Stern) dataset (1928-2025); Koyfin; Accresco calculations and annotations

Over the long run, equities have delivered an average annual return of around 10%, despite experiencing median annual declines of roughly 13%. This is a crucial point to internalize. Even though equities experience frequent drawdowns—sometimes deep and prolonged—their long-term performance more than makes up for the dips. They are simply part of the market's natural cycle—a cycle in which recovery follows decline, and over time, the market moves higher.

Volatility is unavoidable. It is an intrinsic part of investing in equities, and it is this very volatility that creates the greatest opportunities for wealth creation. If the market were to only move smoothly upward, we would not have the potential for returns that we do. The market doesn't hand out rewards without the occasional setback. The key to success lies in not fearing volatility but in embracing it—as an investor, you must accept that volatility is part of the process. It's through this volatility that the greatest opportunities arise. This is the paradox of investing: while we are conditioned to fear volatility, it is exactly this volatility that creates the conditions under which great wealth is built. Patience, in investing, is not just a virtue—it's a prerequisite for success.

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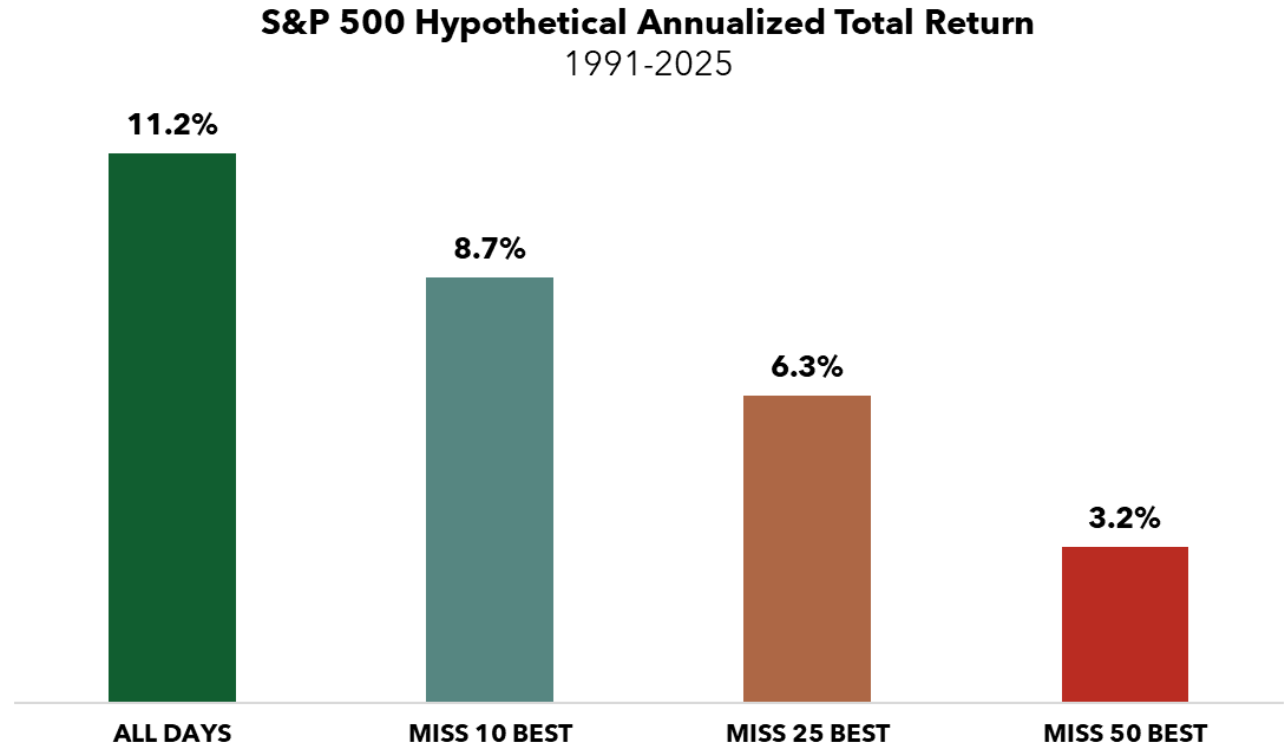
Time in the Market vs. Timing the Market

It's not *timing* the market that matters; it's *time in* the market.

One of the most damaging misconceptions in investing is the belief that success lies in making the right call at the right time. The allure of market timing—predicting the perfect moment to buy or sell—is seductive, and countless investors have been drawn to the idea that they can outperform the market by catching the perfect wave. But the truth is far simpler: successful investing is about consistency. It is about being in the market for the long haul and allowing compounding to do the heavy lifting.



Source: Bloomberg; Accresco calculations and annotations

Missing key market days has a substantial impact on long-term returns. With full participation, the S&P 500 has delivered an annualized total return of ~11.2% from 1991 to 2025. However, missing just the 10 best days—a mere fraction of the total period—would have reduced the annual return to ~8.7%. The effect grows as more days are missed—if 25 of the best days are missed, the returns are almost cut in half, dropping to about 6.3%, and missing the 50 best days would have resulted in just ~3.2% annual return.

The data emphasizes that missing even a small number of strong days is a heavy price to pay—because, as rare as these days are, they tend to come right after the worst days. These best days,

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when they occur, often represent the market's sharpest recoveries and drive a disproportionate share of long-term returns. This underscores the risks of market timing and highlights the importance of staying invested to fully benefit from compounding returns over time.

The problem is, many investors panic at the downside and, in doing so, miss the upside. They act counter to what they should be doing—exiting the market just as it's about to reward them. Staying invested means being there when the market turns, capturing the recovery when it comes.

When you look at the longer-term numbers, the power of patience is even more striking. Over the last 35 years, staying invested in U.S. equities has consistently been rewarded. Regardless of market conditions at the time of entry, U.S. equities have delivered positive outcomes across all entry points, with annual returns of at least 7.7%, even from the worst possible starting point in 2000. Over longer holding periods, the risk of loss largely disappears. In fact, 97% of all 10-year periods in the U.S. stock market have delivered positive returns.

S&P 500: Annualized Holding Period Returns [%]

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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11	14	9	11	11	11	10	8	1	1	0	1	4	9	8	7	8	8	7	15	14	15	13	14	13	14										
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Source: Bloomberg; Accresco calculations and annotations

Time in the market turns uncertainty into reliability. The longer you stay invested, the more likely you are to see positive returns because the long-term trend of equities is overwhelmingly upward.

In fact, time in the market is one of the most powerful drivers of wealth creation, whereas trying to time the market is, ultimately, betting against history. The market has shown, time and time again,

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that long-term participation is the true path to wealth. It's not about catching every rally or avoiding every dip. It's about staying the course through the ups and downs, letting the market work its long-term magic. As Warren Buffett famously says, "Our favorite holding period is forever." In other words, if you pick a good business and you can hold it forever, it will grow—and its stock price will follow. The only thing you have to do is stay invested and let compounding do the rest.

Quality Equities: Where Compounding Lives

One of the key lessons from history is that the greatest risk to wealth is not market volatility. It is not the inevitable ups and downs that should concern us most, but the failure to participate in the long-term compounding process that drives wealth creation. Equities have consistently proven to be the most reliable vehicle for both preserving and growing wealth over time. Unlike gold, which may hold its value during periods of crisis but does not grow, equities offer something more fundamental: participation in the growth of businesses, their earnings, and the power of compounding.

If we accept that equities have outperformed gold—not only in preserving purchasing power, but in multiplying it—the question is no longer whether one should own equities. The more relevant question is: what kind of equities should one own?

For most investors, the simplest and most accessible route is passive exposure to broad market indices, such as the S&P 500, via ETFs. Historically, this has proven to be an effective approach. As shown, broad market exposure has consistently outperformed gold over the long term. But while this approach is effective, it may not be optimal.

Not all equities are equal. The market contains both the excellent and the mediocre, the resilient and the fragile, the disciplined capital allocators and the empire builders. Intelligent investing requires selectivity. It involves identifying businesses capable of delivering sustainable, long-term value creation.

This underpins our proprietary Sustainable Value Investing approach at Accresco. It is not simply about selecting stocks; it is about identifying quality businesses—those built not only to endure, but to grow. These businesses exhibit characteristics that matter over time: strong cash generation, low earnings volatility, disciplined capital allocation, and the ability to navigate adversity while maintaining a long-term orientation.

In the Accresco Superior Quality 50 (ASQ50) portfolio, for example, we invest in high-quality, large-cap companies selected through a rigorous, active process, with a focus on financial strength and managerial quality. These are businesses with steadily rising intrinsic value.

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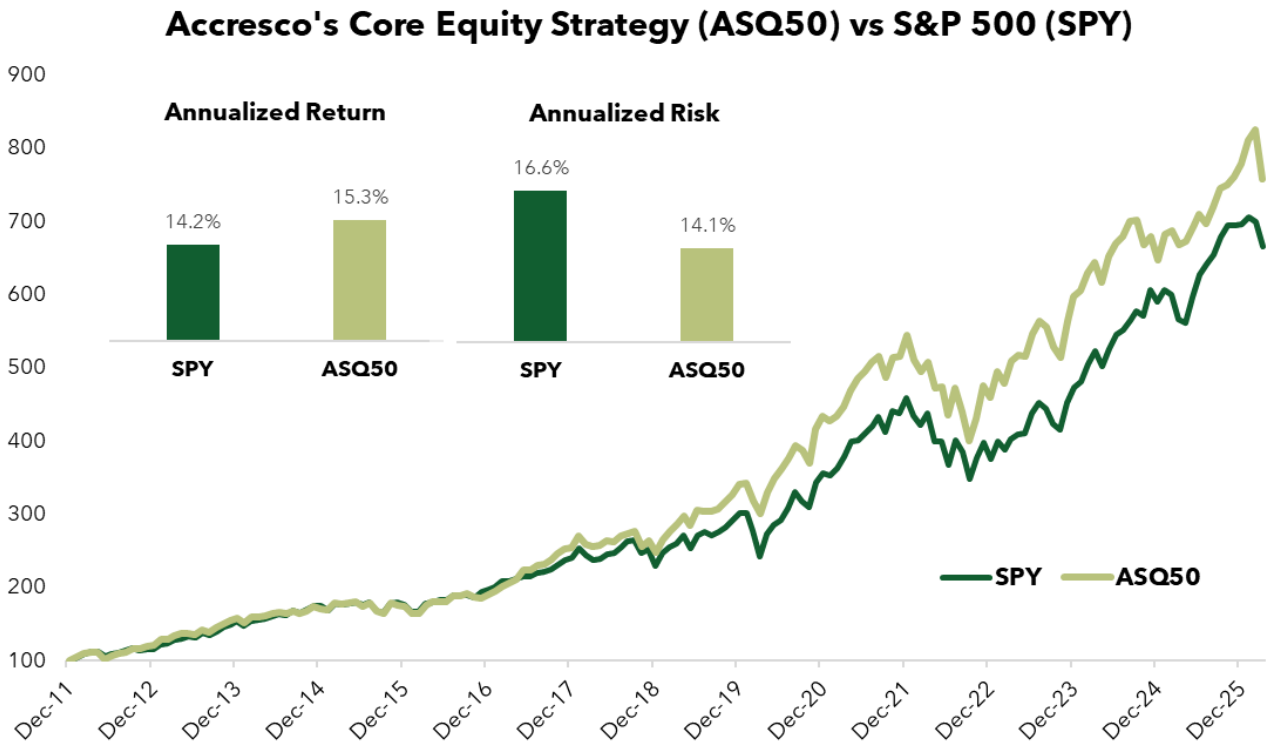

Source: Bloomberg; Koyfin; Lapis Asset Management; Accresco calculations and annotations

The results reflect this discipline. The ASQ50 has delivered an annualised return of 15.3%, compared to 14.2% for the S&P 500, while exhibiting lower volatility (14.1% versus 16.6%). This indicates that a quality-focused approach can enhance returns while moderating risk. Over time, such an approach has the potential to outperform broader market indices, offering both improved returns and a more stable risk profile.

The True Store of Value

Where does this leave gold?

Gold may have a role as a tactical hedge or a source of psychological comfort during periods of market stress. But these are episodic functions. For long-term wealth creation, equities—particularly those of high-quality businesses—serve a fundamentally different purpose. Through reinvestment and compounding, they build wealth in a way that gold cannot replicate. A store of value that cannot grow is, at best, a store of stasis.

In short: gold offers short-term protection; equities enable long-term creation.

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If the objective is to speculate on fear, gold may have its moments. If the objective is to hedge specific risks, it may have a place. But if the objective is to preserve purchasing power, build wealth, and allow time to work in one's favor, the evidence points elsewhere.

A true store of value does not sit idle. It is one that works, earns, adapts, reinvests, and compounds over time. It does not rely on the next buyer—it creates value in its own right. That is the defining difference. And that is why, over the long run, equities—particularly quality equities—have proven to be the more reliable foundation for wealth.

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