FACING FACTS

INTERNATIONAL GOLD BULLION COIN SALES JUMP IN 2018 DRIVEN BY A SURGE IN THE THIRD QUARTER

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The data below relates to all coin sizes of the Maple Leaf, Eagle, Buffalo, Kangaroo, Lunar, Krugerrand, Philharmoniker, Britannia, Sovereign and Libertad in North America, Europe, Asia, Africa and Other markets. These bullion coin sales are aggregated to monitor the level of investment demand on a regional basis, rather than identifying fabrication output on a regional basis, which is covered in the 'GFMS OFFICIAL COIN' numbers of our supply and demand model.

GOLD BULLION COIN SALES

During Q1-Q3 2018, gold bullion coin sales rose by 16% year-on-year to total just fewer than 3 million. This impressive increase in sales was largely dominated by one region, Africa, which recorded a sales jump of 115% over the period, further supported by our 'Other' region category, which rose by 13% over the period. These increases in sales, from perhaps what are known as less traditional markets (with typical demand historically dominated by North America and Europe), offset the double-digit declines recorded in the rest of our regions (with the exception of Japan, which fell by 1%).

If we take a moment to concentrate on gold bullion coin sales split by market share, we can see that, up until end q3 2018, there was a substantial shift in market dominance and, indeed, demand. At present, Africa is responsible for 45% of total market share, followed by Europe at 30%, North America at 21% and 1% for Japan, Other Asia and rest of the world. However, over the last five years, on an average basis, it has been demand in North America (40%) and Europe (36%) that has dominated sales levels. Indeed, this point or 'shift' in sales in 2018 can further be highlighted by looking at the change in market share on a year-on-year basis, in which Africa rose by 21%, while Europe and North America fell by 13% and 7% respectively.

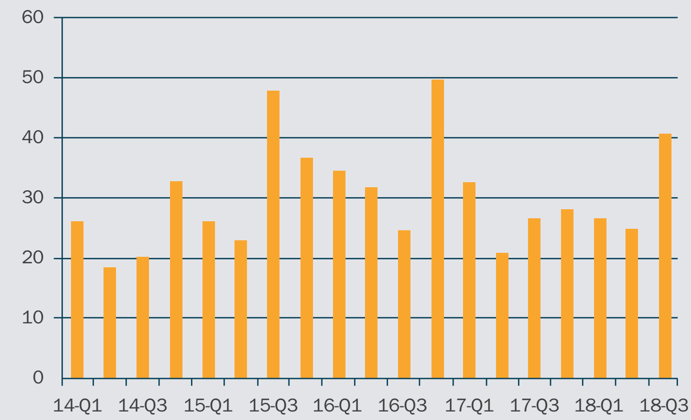
HOW 2018 PLAYED OUT

Sales in the first quarter of 2018 were fairly disappointing, with (as mentioned above) the traditionally strongest markets of demand recording a weak performance, and with both North America and Europe recording the largest decline in sales. Robust US economic data and the Federal Reserve's decision to raise interest rates by a further 0.25 basis point in March (while the Bank of Canada (BoC) similarly also raised interest rates in January) signalled an improving outlook for both economies and, in turn, investors began to move away from traditional safe-haven assets such as gold to favour more risky assets (despite equity market volatility). Meanwhile, in Europe, expectations over the European Central Bank's (ECB) decision to end quantitative easing by 2019 discouraged investors from purchasing gold bullion coins, with sales (for Europe) at their lowest first quarter level since 2013. The best-performing region was Africa (despite the average rand-denominated price for gold bullion coins rising by 1.4% over the period), with demand soaring by 170% following the Rand Refinery's issue of its 50th anniversary coin (while similarly extending the ranges of its Kurgerrand offering in a new 2oz gold coin).

By the end of the second quarter, while African demand remained robust (and European sales remained weak), an increase in North American demand saw total bullion sales rise by 23% year-on-year. Despite US investors previously turning away from gold as an investment in light of an improving economic outlook (which indeed was enforced by the second interest rate rise in June), anticipation over the threat and realisation of a trade war between the United States and China buoyed demand for safe-haven assets, with gold

AGGREGATED GOLD BULLION COIN SALES (TONNES)

QUARTERLY



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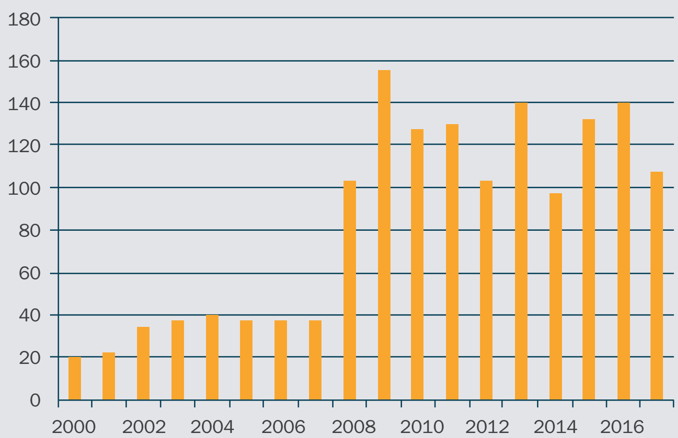
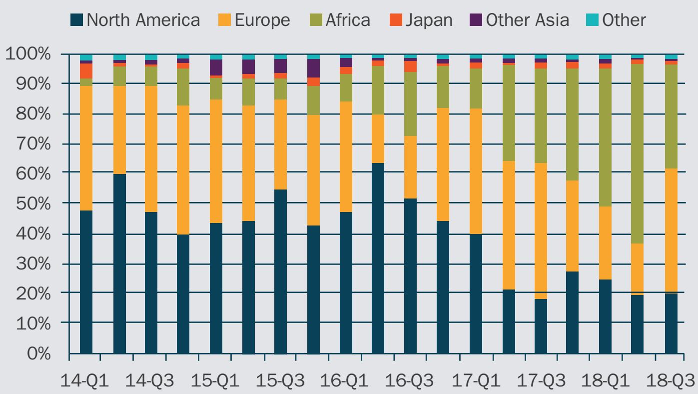
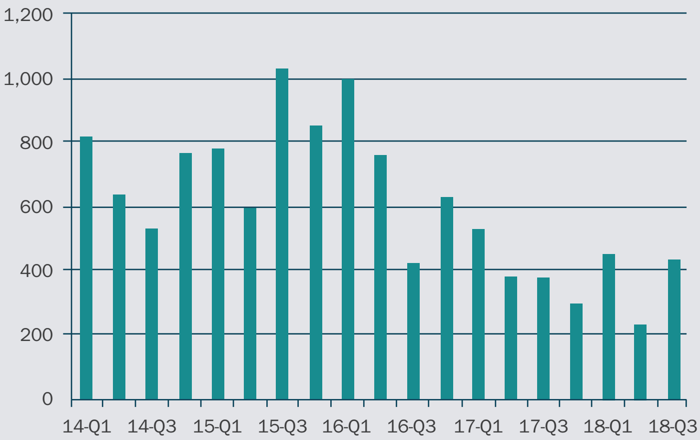


AGGREGATED GOLD BULLION COIN SALES (BY MARKET SHARE)



AGGREGATED SILVER BULLION COIN SALES (TONNES)

QUARTERLY



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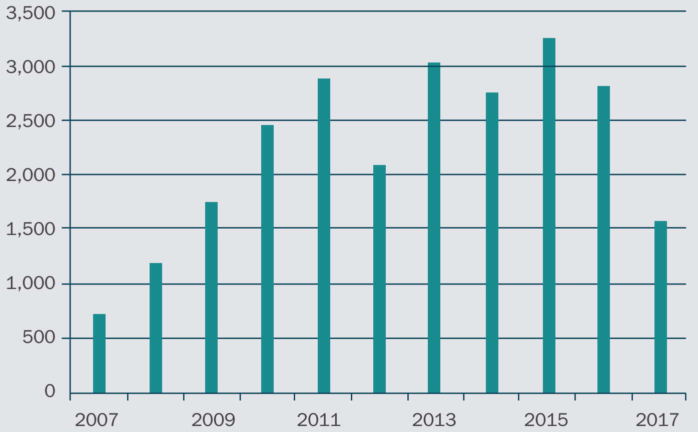


coin sales over May and June outpacing that of April by almost fivefold (matching the initial period of intensity over trade talks).

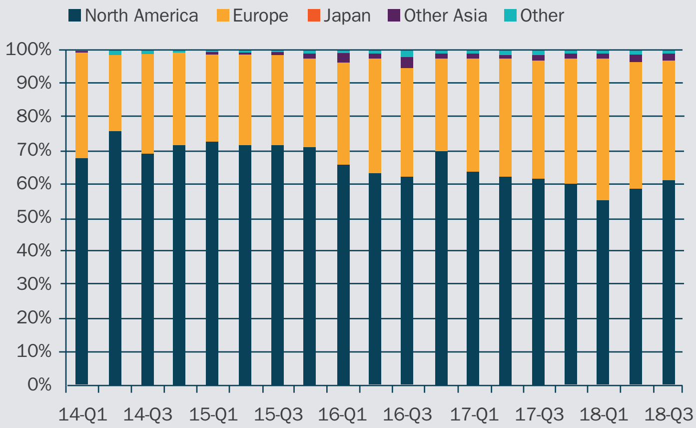
Over the period of July to September, following the moderate pace of bullion sales globally so far, total sales jumped by 55% year-on-year, marking the highest gold quarterly sales level since Q4 2016. While this notable jump in sales was likely supported by a dip in the average quarterly gold price (which fell by 5% year-on-year), it had a minimal effect on the total value of bullion sales, which almost doubled year on year. Africa once again was recorded as the largest consumer of coins, with demand no doubt influenced by the introduction of the 2018 Nelson Mandela Centenary coin. However, it was the sudden pick-up in European demand which was most noted (having previously been weak all year). Rising concerns over an ongoing global trade battle between China and the United States, emerging market (EM) turmoil and heightened concerns over the upcoming Brexit deadline this year resulted in investors seeking out safe-haven assets, while lower quarterly average gold prices in both euro (-4%) and sterling (-5%) over the period further boosted the yellow metal's attraction. North American demand was also elevated once again, with global political and economic uncertainties and the International Monetary Fund's downgrade in global growth projections (leading to a US equity sell-off) resulting in investors once again returning to physical gold.

SILVER BULLION COIN SALES

Sales for silver bullion coins to Q3 2018 fell by 14% or close to $14 million, with total demand standing at just over $35 million. Weakness was recorded in sales across each region, with the worst performance stemming from North America, Africa and our Other regions category (falling by 20%, 17% and 14% respectively year-on-year).

The weakness in sales levels year-on-year in Q1 (-15%) and especially in Q2 (-42%) were responsible for the decline in sales over the first half of the year, as investors moved towards higher-risk assets in the background of an improving outlook for the US economy, rising interest rates and strong equity markets. It wasn't until the third quarter of 2018 that demand for silver picked up, with bullion coin sales jumping by an impressive 94% year-on-year and 15% quarter-on-quarter, to record their highest Q3 sales level since 2015. All regions, with the exception of the small Japanese and our Other regions category (which collectively make up just 1.1% of market share) recorded increases in sales, rising by double digits in Q3, while all regions (excluding Japan) similarly recorded double-digit increases quarter-on-quarter. Lower silver prices and concerns over the future outlook for global growth contributed to the rise in demand, particularly from North America, which dominated 58% of silver coin demand.

AGGREGATED SILVER BULLION COIN SALES (BY MARKET SHARE)



WHAT TO EXPECT

Given the backdrop of forecasted slower global growth and global political and economic uncertainty (in light of trade wars, EM currency weakness and concerns over future US corporate earnings), we forecast at time of writing that gold (and to a lesser extend silver) will continue to appeal to investors as a physical asset in the final quarter of 2018 (despite an improving outlook for the US economy). Indeed, with the VIX having spiked in Q4 back to its highest level since February 2018 in December, investors on the paper market are likely to continue to hold light trading positions, furthermore enhancing the attraction towards the physical safe-haven asset. (Please note that the paper investment market recorded weak interest from investors over Q3 2018, opposing the reaction to that of the bullion coin market, with net managed money positions moving into the red, falling by 253 tonnes to -142 tonnes. A rush into gross short positions of 269 tonnes far outweighed the minimal input into gross long positions of 16 tonnes (intra-quarter). Meanwhile, gold holdings in ETF positions also suffered over the period, falling by 4% or 91 tonnes (having been in a steady decline since mid-May) to record their lowest since 31 August 2017 of 2,220 tonnes on 18 September). Following positive economic data out of the United States (which saw unemployment fall to its lowest level in 18 years and inflation finally reach the Federal Reserve's (Fed) target level of 2%), US Treasury bond yields have soared, supporting the US dollar and hawkish sentiment from the Fed, which in turn has limited investors' attraction towards the safe haven.

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