GOLD
EDUCATIONAL OVERVIEW

OCTOBER 2016
WHITE PAPERS

WT WEALTHMANAGEMENT

What to consider when implementing gold in a portfolio

Gold demand jumped 21% in the 1st quarter of 2016—its strongest first-quarter on record, according to the World Gold Council. This is not totally unexpected, as negative interest rates, worries over slowing growth in China, and uncertainty around global monetary policy fueled investor need for risk mitigation. Global equity markets began 2016 firmly in a downward trend; some regions, including Japan and Europe, entered into a bear market. The S&P 500® posted its worst January performance since 2009. Gold, however, registered a positive 4% return as volatility dragged most assets lower.

Turbulent and choppy markets, like those we saw through mid-February, enable investors to reexamine the strategic role gold may play in a portfolio. While it may be used tactically during periods of elevated inflation or persistent dollar weakness—as we saw after the Federal Reserve's first quantitative easing program—gold's most paramount role is a strategic diversifier within portfolios.

The chart below demonstrates gold's performance during similarly recent tumultuous times, including the Gulf War, the Great Recession, and the demise of the bond-trading hedge fund, Long Term Capital Management (LTCM).

Jackson Hole, Wyoming
Scottsdale, Arizona
Napa Valley,California
Sedona, Arizona
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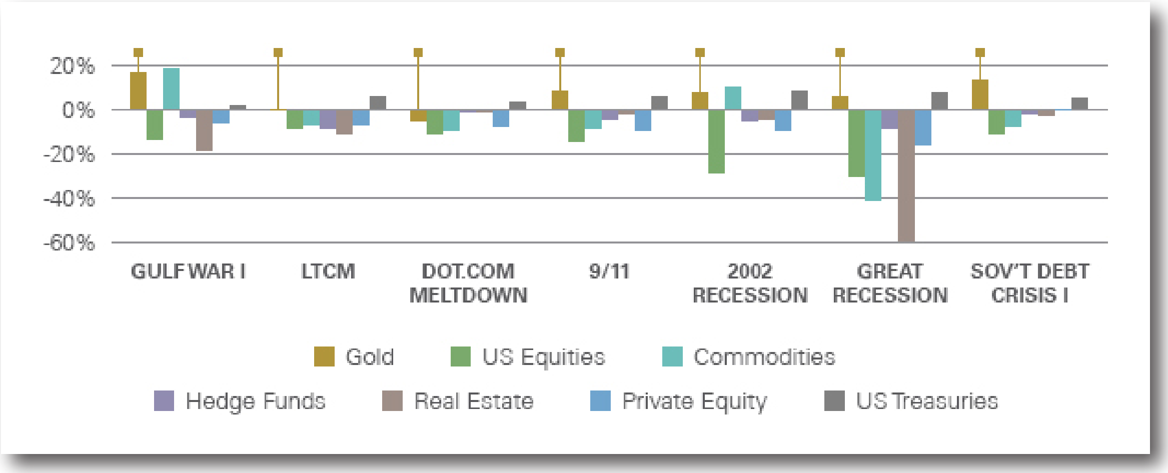
GOLD CONTINUED ON P2

Gold as a Strategic Hedge in Tumultuous Times

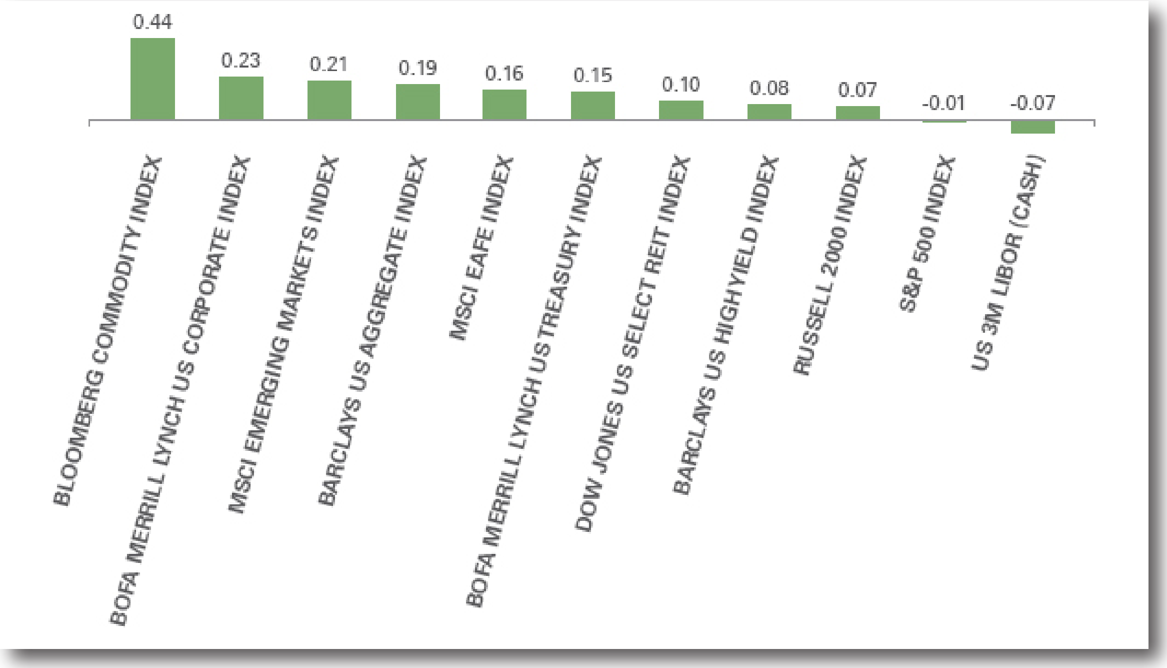


Two strategic reasons to hold gold

While gold can play a few roles in a portfolio, two should be emphasized regarding gold implementation:

1. Gold can potentially improve diversification, given its historically low correlation with traditional asset classes, as the chart below shows.

Correlation of Returns to Other Asset Classes



GOLD CONTINUED ON P3

GOLD CONTINUED

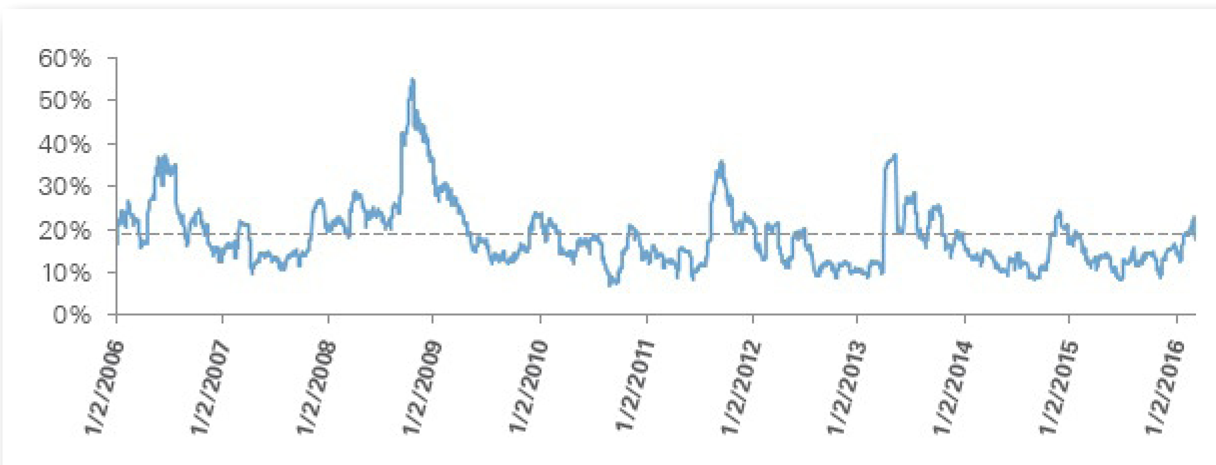
2. The precious metal can also be a hedge against stock market volatility. Despite gold's historically low correlation with traditional assets, at times it can move in tandem with them. Rising correlation can occur when the market is facing liquidity constraints, from which investors liquidate gold to shore up assets in other areas of the portfolio. This may mitigate some of gold's allure as a portfolio diversifier. Nevertheless, a strategic allocation to gold may provide diversification for a portfolio in the long run.

Nobel Prize-winning economist Harry Markowitz famously called diversification "the only free lunch." And gold is one asset with a unique, largely uncorrelated return pattern when measured relative to other traditional asset classes.

Volatility Comparison (USD%)

	3 Month (%)	6 Month (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Gold	26.23	22.58	17.31	17.24	18.50	19.07
S&P 500 Index	16.67	14.60	15.22	11.38	12.20	15.58
MSCI Emerging Markets Index	30.68	25.56	22.12	16.86	19.03	24.35
MSCI ACWI Index	19.14	16.51	16.13	12.06	13.81	17.44
S&P GSCI Index	13.06	20.83	20.46	19.86	19.68	24.15

Gold 30 Days Rolling Annualized Volatility (USD%)



As the chart above shows, gold typically sits somewhere below the middle of the volatility spectrum, compared to equities and bonds. This helps gold to act as a hedge against equities, thus reduce overall risk in a portfolio.

GOLD CONTINUED ON P4

Implementing gold in a portfolio

The mistake many investors make in gold investments is to use them in an attempt to time the market. Investors tend to flee gold when the stock market is rallying but turn to the precious metal when times get tough. However, by the time investors react, chances are the value of their portfolio has dropped, while the price of gold has risen, thereby eliminating some of the benefits of a gold exposure.

Investors can hold gold in a portfolio to potentially guard against risks from unforeseen events. Gold can be viewed in isolation and kept in a bank vault, or as a strategic component within a portfolio.

Over the long run, many experts believe that holding 2%-10% of a portfolio in gold can “potentially” improve performance. Assessing expectations for market volatility, along with your personal risk tolerance, can be a useful guide for determining an allocation to gold. Every investor is unique and special, we realize that.

How much of a portfolio should an individual investor allocate to gold? This can be determined by considering personal expectations for return and volatility. History has shown that gold can potentially provide ballast in portfolios, having historically exhibited a low correlation to traditional asset classes.

Yet gold is only one way to accomplish this task, and WT Wealth Management employees many risk mitigation techniques daily.

Using ETFs to invest in gold

Gold ETFs, such as SPDR® Gold Shares [GLD®], provide investors an efficient way to gain access to the gold market without having to pay the transportation, storage and insurance costs of holding physical gold. Holding gold ETFs allows investors to view their gold allocation holistically across their entire portfolio, and these gold funds provide liquidity, flexibility and accessibility.

For instance, more than $1 billion worth of GLD shares trade each day, putting GLD in the top 99th percentile of all stocks and ETFs traded on NYSE Arca. In addition, GLD investors can buy as few or as many shares as they wish, giving them ownership to fractional ounces of gold. GLD also trades the way ordinary stocks do, allowing investors to buy, sell and hold this ETF through standard investment accounts. In many cases with GLD, investors can readily integrate and measure gold as a strategic presence in a portfolio that diversifies risk and can be incorporated into a broad asset-allocation framework of investing.

Our Position

In general, WT Wealth Management does not allocate to gold or any of the precious metals. If investment prospects have become so risky, and uncertain, that gold becomes a good choice, we would rather have exposure to US treasuries and cash.

Our feelings with the precious metals is that they tend to trade on fear, economic turmoil and global uncertainty. Gold can be just as volatile as any other asset class as news sways investors’ fears.
Gold is an asset class with no yield, no dividend, no earnings or PE (price to earnings) to evaluate. At WT Wealth Management we have strong feelings that we will not invest in any investment vehicle if we are unable determine whether it’s priced expensively, inexpensively or if we can’t determine if it’s currently undervalued or overvalued.

We feel in our role as a fiduciary, it would be nearly impossible to justify exposure to gold simply because we are “scared.” However, we do understand gold’s attraction to many investors. We understand that you are unique and have certain feelings about your account. We respect that and always say every account is like DNA and should reflect who you are and what you believe in. So, the team at WT Wealth Management would be happy to discuss an allocation to Gold in your portfolio at any time.

DEFINITIONS

Barclays 1-3 Month U.S. Treasury Bill Index: A fixed-income benchmark, including publicly issued dollar-denominated zero-coupon US treasury bills with a remaining maturity of less than three months and more than one month. They must be rated investment-grade, have $250 million or more of outstanding face value, and be fixed-rate and non-convertible.

Barclays U.S. Aggregate Bond Index: A benchmark measuring the performance of the US dollar-denominated investment-grade bond market, which includes investment-grade government bonds, investment-grade corporate bonds, mortgage pass-through securities, commercial mortgage-backed securities, and asset-backed securities that are publicly for sale in the US.

Barclays EM Local Currency Government Diversified Index: A benchmark measuring the performance of fixed-rate local currency sovereign debt of emerging-market countries. The index includes government bonds issued by countries outside the US in local currencies with a remaining maturity of one year or more. They must be rated B3/B-/B- or higher, be fixed-rate, and have certain minimum amounts outstanding, depending on the currency denomination of the bonds.

Barclays Global Aggregate - Corporate Index: A benchmark broadly measuring the global investment-grade, fixed-rate, fixed-income corporate markets outside the US, as part of the Barclays Global ex-USD Aggregate Bond Index.

Barclays U.S. High Yield Corporate Index: This covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. The index includes both corporate and non-corporate sectors.

MSCI ACWI Index: A free-float weighted equity index including companies in emerging and developed world markets.

MSCI Emerging Markets Index: This captures large- and mid-cap representation across 23 emerging-markets countries. With 834 constituents, the index covers about 85% of the free float-adjusted market capitalization in each country.

S&P 500 Index: A popular benchmark for U.S. large-cap equities that includes 500 companies from leading industries and captures approximately 80% coverage of available market capitalization.

S&P GSCI Index: A production-weighted index launched in 1992 that tracks the performance of 24 commodity futures contracts. The index tilts to commodities that are more heavily produced globally, so it weighs more heavily to crude oil than, say, cocoa.

DISCLOSURE

WT Wealth Management is a manager of Separately Managed Accounts (SMA). Past performance is no indication of future performance. With SMA's, performance can vary widely from investor to investor as each portfolio is individually constructed and allocation weightings are determined based on economic and market conditions the day the funds are invested. In a SMA you own individual ETFs and as managers we have the freedom and flexibility to tailor the portfolio to address your personal risk tolerance and investment objectives – thus making your account "separate" and distinct from all others we potentially managed.

An investment in the strategy is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Any opinions expressed are the opinions of WT Wealth Management and its associates only. Information is neither an offer to buy or sell securities nor should it be interpreted as personal financial advice. You should always seek out the advice of a qualified investment professional before deciding to invest. Investing in stocks, bonds, mutual funds and ETFs carry certain specific risks and part or all of your account value can be lost.

In addition to the normal risks associated with investing, narrowly focused investments, investments in smaller companies, sector ETF's and investments in single countries typically exhibit higher volatility. International, Emerging Market and Frontier Market ETFs investments may involve risk of capital loss from unfavorable fluctuations in currency values, from differences in generally accepted accounting principles or from economic or political instability that other nation's experience. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Bonds, bond funds and bond ETFs will decrease in value as interest rates rise. A portion of a municipal bond fund's income may be subject to federal or state income taxes or the alternative minimum tax. Capital gains (short and long-term), if any, are subject to capital gains tax.

Diversification and asset allocation may not protect against market risk or a loss in your investment.

At WT Wealth Management we strongly suggest having a personal financial plan in place before making any investment decisions including understanding your personal risk tolerance and having clearly outlined investment objectives.

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