MARKET REVIEW & OUTLOOK

Harmony Capital Advisors

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Peak Gold is Here

We just don't see how gold remains relevant. It's heavy, hard to move, expensive to secure — and now there are simply better options.

The global economy has moved from a physically dominated world to a digital one. Gold mattered when it was the only universally accepted medium across borders and currencies. That role is gone. Crypto has effectively supplanted it, offering easier storage, faster settlement, and arguably better security — without the vaults and armored trucks.

A Reminder That We're Past Peak Oil

While we don't expect oil to vacate our lives altogether, we are certainly witnessing its decline. The electrification of everything and deployment of new technologies like Artificial Intelligence (AI) and cryptocurrencies have made electrons far more valuable.

Oil and gold defined the last thousand years. Electrons and crypto are poised to define the next.

It's time to increase allocations accordingly.

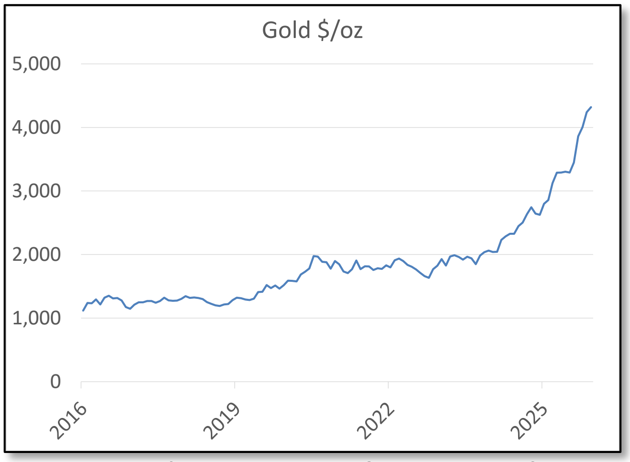
Electricity and cryptocurrencies can replace most of what oil and gold once did—more efficiently, more cleanly, and with far less political baggage.

Gold's Last Gasp

This feels like the final blow-off top for the yellow metal.

Gold has long been the hedge of choice against inflation, chaos, and just about every flavor of uncertainty. Lately, though, it's losing its shine. It has no meaningful practical use, it's expensive to store and move, and its production is an environmental and social mess.

Exhibit 1 – Historical Price of Gold $USD per oz, past 10yrs



Source: Historical price of gold; Bloomberg Data Services, Harmony Capital Advisors

Yes, the price action has been impressive: up roughly **137% over the past three years** (Exhibit 1, above)- about **33% annually**, with relatively mild drawdowns. We understand why investors have piled in. Inflation fears, geopolitical anxiety, and general unease have been abundant. But let's deconstruct the case for gold—and why we think this is the last major run in both demand and price.

Why Gold Worked

Historically, gold earned its status because it was fungible, scarce, and portable across borders. In times of crisis, it could be exchanged anywhere for currency, goods, or services. It couldn't be printed, diluted, or defaulted on, and it carried no counterparty risk. For those reasons, it became a global reserve asset and a cornerstone of central bank balance sheets.

Exhibit 2 – Gold Market by Segment (tonnes), 10yrs

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	5yr avg
Total Demand	**4,786.0**	**4,667.4**	**4,783.2**	**4,888.7**	**4,740.9**	**4,709.7**	**4,775.1**	**4,943.9**	**4,961.9**	**5,002.3**	
Speculative (Investment + Central Banks)											
Investment	33.9%	28.3%	24.4%	26.2%	38.1%	21.4%	23.6%	19.3%	23.9%	43.5%	26.3%
Central Bank and Other Institutions	8.3%	8.1%	13.7%	12.4%	5.4%	9.6%	22.6%	21.3%	22.0%	17.3%	18.5%
	42.1%	**36.4%**	**38.1%**	**38.6%**	**43.5%**	**30.9%**	**46.2%**	**40.5%**	**45.9%**	**60.7%**	**44.9%**
Jewellery Fabrication	**42.3%**	**48.6%**	**48.0%**	**44.2%**	**28.1%**	**47.8%**	**46.2%**	**44.7%**	**40.8%**	**32.7%**	**42.5%**
Technology	**6.9%**	**7.3%**	**7.1%**	**6.8%**	**6.5%**	**7.2%**	**6.6%**	**6.2%**	**6.6%**	**6.5%**	**6.6%**
OTC and other	**8.7%**	**7.7%**	**6.7%**	**10.4%**	**21.9%**	**14.1%**	**1.0%**	**8.7%**	**6.7%**	**0.1%**	**6.1%**

Source: Gold Markt Demand by Segment; World Gold Council, Harmony Capital Advisors

Central banks may only represent **15–20% of gold demand** (Exhibit 2, above) but their role is outsized. Their endorsement of gold as a safety asset underpins confidence for the **20–25% investment-driven segment**. In many ways, investors are simply the leveraged extension of central-bank risk management—the derivatives market to the underlying trade.

Just look at how much of the market speculative investments (Exhibit 2, above) have grown to as of the end of 2025; more than 60% of the market! If central banks move on, investors won't be far behind.

Where Gold Fails

First, gold never disappears. Roughly **90% of all gold ever mined is still in circulation**. Supply only grows, and higher prices unlock even more "available" inventory. With minimal industrial use, nearly all gold sits in jewelry or investment form—both easily liquidated.

Second, gold is heavy, expensive to secure, and wildly impractical in a digital economy. Reintroducing gold as a settlement medium would be… ambitious. Will vendors accept it? Will Amazon Prime start offering bullion delivery windows? Most gold exposure today is paper based anyway, and the paper market dwarfs the physical one. In a true crisis, that mismatch creates serious run-on-gold risk.

Exhibit 3 – Calculation of Paper vs Physical Gold Ratio

Year	Total gold trading (US$bn/day)	OTC (US$bn/day)	Exchange-traded (US$bn/day)	Gold ETFs (US$bn/day)	"Physical" proxy: SGE physical contracts (US$bn/day)*	Implied paper : physical metal (by value)
2023	163	99	62	2	~1.39	**~117 : 1**
2024	226.3	~121.6	~101.8	2.9	~2.29	**~99 : 1**
2025	361	180	174	7	3.91	**~91 : 1**

Source: Physical vs Paper gold analysis; World Gold Council, Chicago Metal Exchange, Shanghai Metal Exchange data sets; Harmony Capital Advisors compilation and analysis.

Third, much of the world's Central Banks' gold reserves aren't even held domestically. Countries like Germany and the Netherlands store over **30% of their gold at the U.S. Federal Reserve**. If central banks conclude that digital currencies are more fungible, less risky, and not physically stranded inside someone else's borders, a liquidation cycle could follow—pulling the speculative investment market down with it. Roughly half the gold market could evaporate.

Finally, there's the environmental and social cost. Gold mining is among the most resource-intensive and destructive forms of extraction. The energy, waste, labor conditions, and community impact are hard to justify for an asset whose relevance is steadily declining.

Gold won't disappear entirely—some investors will always cling to it. But as the global economy continues to digitize, there are simply better ways to store and move value. Let's now look at another risk-hedging, false idol of investing dogma, crude oil.

Oil's Long-Foretold Demise

Oil shaped the modern world. Geopolitics, trade, and power structures were built around fuel. That era is ending.

Fuel is an inefficient way to generate power, it's finite, and it's increasingly hard to extract. Shale bought us time, not a future. Oil requires sprawling, fragile supply chains and enormous energy just to produce more energy. Even without environmental concerns, the economics and geopolitics alone were enough to seal its fate.

Electrons solve most of these problems — *if* you can generate and store them efficiently.

Renewables like wind and solar are improving rapidly, are typically local, and eliminate long, resource-heavy supply chains. Transportation moved first toward electrification. Now residential, commercial, and industrial users are following—for cost, reliability, and grid independence.

The real game changer is **storage**. Batteries turn intermittent generation into reliable power, link transportation and buildings, and create flexibility across the entire system. Flexibility equals resiliency. Resiliency becomes a powerful economic incentive.

Electrons and Crypto for the Win

Electricity and cryptocurrencies can replace most of what oil and gold once did—more efficiently, more cleanly, and with far less political baggage.

The global economy has shifted from extracting and shipping heavy raw materials and goods to maximizing value in a digital world. The fastest-growing companies are deliberately resource-light. Labor and raw materials are expensive and complicated; electrons and code scale better.

AI has poured gasoline (pun intended) on this reality. While AI reduces labor needs, it dramatically increases power needs. Electricity is now the critical bottleneck.

We've seen this before. The internet drove data center growth. Crypto mining accelerated it. AI is simply the next—and most power-hungry—chapter. We have a head start, but we still need far more electrons. Just as oil defined the last century, electricity will define the next.

AI: Euphoria Gives Way

As we noted last quarter, the AI trade is already fragmenting. Early euphoria concentrated returns in a handful of hyper-scalers and chipmakers. Now competition is rising, supply constraints are easing, and investors are asking harder questions about returns.

One concern remains universal: **power**.

Every serious AI operator is scrambling to secure it. That's why electrons are becoming the defining trade of our time.

Great themes don't automatically produce great returns. When supply meets demand, returns normalize. The real opportunities emerge at bottlenecks—and today, power generation and storage remain the hardest bottlenecks to solve. Data centers need land, labor, equipment, and electricity. Some of these constraints will ease. Power will not — at least not quickly.

Outlook

Looking ahead to 2026, certainty remains elusive—but volatility feels assured. Last year brought chip euphoria, a gold frenzy, and a **23% global equity market return**, all amid geopolitical tension. We expect returns to moderate as markets digest the first year of a new presidential administration.

Tariffs will likely remain a diplomatic tool, but their execution is unpredictable. Trading around that uncertainty is unlikely to be rewarding.

Instead, we're focused on durable themes that power the global economy — particularly AI and the infrastructure required to support it. Data center buildouts will pull resources across construction, equipment, and especially power. This accelerates trends that were already in motion due to grid aging and sustainability demands.

AI demand only intensifies the need for generation, transmission, storage, and resiliency. We continue to favor renewable assets and emerging technologies that support grid independence.

Beyond AI, cybersecurity remains critical—even if temporarily out of favor. More AI likely means more specialized software, not less. Financial inclusion is another priority, as legacy banking systems remain inefficient and exclusionary. Digital finance and crypto exposure remain key components of that thesis.

Clean Energy and Financial Inclusion now make up nearly **40% of the portfolio**, reinforcing our core view: **Hoorah, electrons and crypto; Sayonara oil and gold.**

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