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FOR SOME, ALL THAT GLITTERS IS GOLD

At a private facility in Changi, known as Asia's Fort Knox, physical gold is traded by investors who see it as a safe haven. Tan Ooi Boon looks at the pros and cons of putting money into the metal. B2&3

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Preserving wealth with gold you can touch

You can keep gold at a special secured facility in Changi, where a firm lets big and small investors trade in actual gold in an online global exchange



Tan Ooi Boon
Invest Editor

This is what more than \$4 million worth of gold looks like. In all, these two stacks of pure gold bullion comprise 50 pieces, each smaller than the palm of your hand but weighing a hefty 1kg. Together, they weigh more than a petite adult woman. If you are wondering whether you are worth your weight in gold, the value of each bar, based on the current price, is over \$80,000. These gold bars and many others are being stored in Le Freeport, a secured logistics hub in Changi North Crescent. In case you are harbouring thoughts of a gold heist, don't bother. The private maximum-security vault, touted as Asia's Fort Knox, is protected round the clock by armed guards. Visitors to the vault have to go through checks that are stricter than at the airport. Before entering and leaving, they must step into a security scanner and lift up both arms for a complete body scan to ensure no one can smuggle anything in or out. Within this high-security zone is where the Singapore Precious Metals Exchange (SGPMX), a unique privately run trading and storage company unlike your usual gold trader, operates. The company allows investors – both big and small – to trade in actual gold in an online global exchange where anonymous buyers and sellers deal with each other, much like how shares are traded on the stock exchange. This type of gold trading is possibly the first of its kind, as investors who want to bet on gold will usually put their money in gold exchange-traded funds (ETFs).

In such cases, any money made or lost is based on the performance of the funds, which try to make the best trades based on the volatility of gold prices, so investors do not really own gold in such cases. A more traditional way of investing in gold, often preferred by the older generation, is to buy gold bars, coins and jewellery, which they keep at home or in safe deposit boxes. They will then sell these items to goldsmiths or pawnshops if they need to convert them to cash. While some people may scoff at what seniors do with their gold, Mr Victor Foo, founding chief executive of SGPMX, notes that there are merits in this old-school practice. "Trading in physical gold in today's online world may seem out of fashion, but know that as long as you have that gold, you will never lose the value. "I learnt this the hard way in 2008 when well-known institutions like Lehman Brothers went down. "All the money I had with them was also gone," says Mr Foo, who was then an insurance broker. This is why gold is always seen as a safe asset in a downturn, such as the current pandemic which has caused gold prices to rise by more than 25 per cent. Drawing on his experience and tapping investor sentiment, Mr

Mr Victor Foo, founding chief executive of Singapore Precious Metals Exchange, with 50 pieces of gold that weigh 50kg and are worth over US\$3 million (\$\$4 million). ST PHOTO: LIM YAOHUI

Foo founded SGPMX, which incorporates all the best practices of gold investment. In the past decade, SGPMX has allowed gold investors in Singapore and overseas to trade with one another online, with gold bullion that comes directly from well-known refineries around the world. Being in a high-security zone next to Changi Airport facilitates the direct movement of high-value cargoes between the vault and the planes. Investors can buy gold at market price from SGPMX and pay fees that range from 0.25 per cent to 1 per cent. For instance, the fee for a

\$10,000 trade costs \$25 and the fee for storing a 1kg gold bar is about \$300 to \$400 a year, depending on the current price of gold. Those who are keen to keep a personal stash can also rent deposit boxes or even a giant safe that can hold up to three tonnes of gold. So, how much gold is stored there, and how many customers do the bars belong to? "For confidentiality and insurance liability reasons, these are the two questions that I cannot answer," says Mr Foo. He was interviewed and photographed in his private office in the building, because filming is not allowed in the vault.

PERSONAL RESERVES FOR FAMILIES Just like how countries keep gold as national reserves to boost and defend their economies, some well-off families can maintain private gold reserves to guard against severe downturns. "The Government here ensures that each bank customer is protected up to \$75,000 per bank. "But if you have a lot of money in the bank, this may not be sufficient protection and hence some people turn to gold as the asset to preserve their wealth," Mr Foo says. Gold bars from well-known refineries come in the following common sizes: 1g, 5g, 10g, 50g, 100g and 1kg. While smaller bars allow more flexibility for owners in cashing them in, the most popular bullion is the biggest one because most people keep gold for the long term. SGPMX also has a trading scheme that allows owners of 1kg bullion to "sell" only a part of their bullion, without cutting it physically. This comes as some owners wish to cash in on their gold without having to sell the entire bar. In such cases, SGPMX will update the "gold accounts" of their customers, who can check online how much gold they still have.

IS GOLD INVESTMENT WORTH THE MONEY? If you had the foresight to put all your money into gold earlier this year before the Covid-19 outbreak

was declared a pandemic, you would be richer by about 25 per cent today. Indeed, the price of gold surged and hit record highs in the last few months because demand exceeded supply, sparking a modern-day gold rush. It currently stands at \$81,828 per kg. But if you are new to this game, know that gold, unlike shares of blue-chip companies, does not give you dividend income as you hold on to it. You make money only when you sell it at a higher price, or lose money if you sell it below your purchase price. If you are not confident in trading in gold but are still keen to do so, you can consider investing in a "proxy", which is a gold ETF that is managed by investment firms. Not all gold ETFs are created equal, so do your homework before you buy into one. Similarly, your parents may tell you that buying gold jewellery is not the same as buying bullion. You pay more for jewellery as there are workmanship fees and it is unlikely to be pure gold (24K), which is too soft to hold its shape. When it comes to investing in gold, bullion is a better choice than pure gold coins. However, some commemorative coins have an intangible advantage if they are rare, as there will be collectors who are willing to pay a lot more than their worth in gold. In the past, some Singaporeans were duped by crooked gold traders who ran off with their gold and money. Mr Foo is aware of such cases, so he has chosen a high-security zone subject to various checks and rules from the authorities, including Singapore Customs. Moreover, only the owners have keys to their safes, and they can check on their gold any time. "Initially we were worried that some people would come regularly to see their gold, so we allow only six free visits per year because guards need to be deployed for each visit. "But so far, no one has come more than six times a year."

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All that glitters is not gold in the movies The James Bond movie made it look cool by having an assassin who used a golden gun with only gold bullets. The killer was portrayed as a very dangerous man because he could shoot faster and more accurately than other gunmen. Other movies also portrayed people lugging briefcases or bags containing big bars of gold as they made quick getaways. In scenes of bank robberies, the culprits were often shown putting bars of gold into black canvas bags. Then there is the classic, The Italian Job, in which three small cars were used to ferry almost half a tonne of gold each during a heist.

In reality, all that glitters in the movies is not gold because none of these tasks would be possible if real gold was involved. This is because gold is one of the densest metals on earth and it is heavier than it looks. For example, silver is almost half the density of gold and thus it would take twice the amount of gold to fill the same space with the same amount of silver. Mr Victor Foo of gold trading platform Singapore Precious Metals Exchange (SGPMX) says: "A small gold wafer may be easy to steal. However, when it comes to a large quantity, physically carrying it is impossible. In The Italian Job, they used Minis to carry massive amounts of gold. If the heist were real, extensive modifica-



The Man With The Golden Gun starred Roger Moore (left) as James Bond and Christopher Lee as assassin Francisco Scaramanga. PHOTO: MEDIAWORKS

tions to the chassis, suspension and engine would be needed, as well as highly skilled drivers." Most gold bullion from refineries is packed in boxes containing 25 1kg bars. These boxes are no bigger than boxes of chocolates or biscuits. But it takes a lot of effort to lift each box. Imagine trying to carry around your large check-in luggage, stuffed to the brim by the end of your holiday, in the palms of your two hands. So it is quite impossible to casually lug around a bag full of gold – even if the base of the bag does not give way first. Owing to their small sizes, it is physically possible to put three boxes of gold bullion into a hardy briefcase. But lugging it around would be a different story – unless

you can carry 75kg, or about the weight of an average built man, with one hand. For those who have to examine a lot of gold bars, there is the constant worry that the table on which the work is done will collapse if too many bars are inadvertently placed there at the same time. At SGPMX, the tables are specially structured with reinforced steel because employees routinely place boxes of gold on them for inspection checks whenever a shipment from a refinery comes in. So now you know why the man with the golden gun in the James Bond movie lost – if he truly used pure gold for his gun, the weight of his gun would have slowed him down in a quick draw. Tan Ooi Boon