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Lear Capital Explains How To Use Long- and Shorter-Term Investments To Help Strengthen Your Portfolio

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When choosing assets to invest in, selecting different kinds of investments — with varied time-related goals — can help you effectively diversify your portfolio, says Kevin DeMeritt, founder and chairman of Lear Capital, a precious metals firm based in Los Angeles.

Investors sometimes may include certain stocks, for example, that they feel might provide returns fairly soon. They may also expect to hold on to any gold investments they've made for some time, in the hope they will perform evenly, even if other assets within the portfolio don't.

Historically, gold has. Prices for precious metal have generally not shown massive fluctuations — and have periodically grown — throughout the past 200 years, according to National Mining Association [data](#). During that period, gold prices have risen sharply at times, such as between 2008 and 2012, when, even as the U.S. experienced a recession, the producer price index for gold rose 101%.

Since 2001, gold's value has actually grown 566%, according to Lear Capital [data](#).

“One of the biggest misconceptions is that gold is this relic and doesn’t have this great performance record,” Kevin DeMeritt,says. “It’s outperformed the stock market since 2000, and no one really talks about it. The misconception that gold can’t produce profits for people, and it’s just more of a safety-type asset, is completely incorrect.”

Additional Asset Options

Gold isn’t the only asset that may be able to provide longer-term results; other precious metals can also possibly play a similar role in a portfolio.

Like gold, silver has historically performed well, despite economic downturns. Silver prices, for instance, and gold prices both outperformed the Dow Jones Industrial Average and S&P 500 between 2001 and 2021, according to a Lear Capital [analysis](#).

Even inflation has failed to drastically stifle silver prices. The precious metal has actually [performed better than gold](#) during [periods of elevated inflation](#) in the past, according to CNBC — including in 1980, when inflation was a hefty 13.5% and spot silver prices reached \$49.45, a new high at the time.

The demand for silver has increased [for the past two years](#), and the seemingly ever-expanding industrial and other uses for silver could further increase demand for the precious metal in the coming years.

Currently, silver is utilized in a number of applications, ranging from silverware to jewelry, usages that [rose 80% \(silverware\) and 29% \(jewelry\) last year](#), according to the nonprofit Silver Institute.

The overall industrial use of the metal increased by 5% in 2022. Silver serves a key function in solar panels that produce photovoltaic power, which today is [the leading source of green electricity](#); International Energy Agency [expectations](#) suggest photovoltaic power could become the largest installed power capacity on a global scale by 2027.

Kevin DeMeritt suggests investors may want to think about what the metal’s future could be.

“The silver market is an incredible opportunity for a long-term investor looking, in the next three to five years, to get a great inflationary hedge — but also some great results with appreciation,” the Lear Capital

founder says. “If we know there’s a recession coming, then the investment demand would [theoretically] start to pick up, and we’re starting to see that. There’s going to be demand for silver from industrial uses, regardless if investors purchase it or not.”

Platinum is another potential portfolio inclusion. Much of what’s mined goes toward the production of catalytic converters for vehicles, which is the top domestic use category for platinum-group metals, according to U.S. Geological Survey [data](#).

The demand for platinum is likely to increase, given that the global catalytic converter market is [expected to escalate](#) from under \$15 billion to more than \$20 billion by 2027.

“Most of the industrial applications come in the form of a catalytic converter, which is used to reduce emissions in automobiles,” Kevin DeMeritt says. “With the green economy, everybody wants to continue to do that, so the demand there will continue. I don’t think we’re going to have enough electric cars to take that away for the next 10 or 15 years.”

Much of the platinum that’s distributed globally, though, comes from just a few countries, and Russia is one of them. Its ongoing conflict with Ukraine has already affected platinum availability.

“We’re starting to see demand for platinum increasing,” Kevin DeMeritt says. “At the same time, Russia, because of this war, is not supplying the market with the same amount of platinum they typically would. Because we’re limited to two countries for the majority of the platinum production, that could be an interesting play for long-term investors moving forward.”

A Dispersed Investment Method

Unfortunately, there’s no definitive way to know what results an asset will ultimately provide.

However, taking an item’s long- and short-term prospects into account can help investors effectively create a portfolio that’s composed of a variety of assets — potentially reducing the level of risk by including some that have a history of performing in a relatively steady way, compared to other assets, to counterbalance any losses those items may present.

Yet while Kevin DeMeritt says a number of investors embraced a more diversified portfolio structure immediately after the real estate bubble burst and bank failures and other economic foibles occurred in 2008, within a few years, some then shifted to a less varied approach.

“People were starting to go back into the stock market with a put-one-egg-in-your-basket-and-watch-it-very-closely [mindset], instead of diversification, which usually works out much, much better for people over the long term,” DeMeritt says. “You need to look for that asset that’s going to give you the stability and offset the volatility from some of the other areas. Gold has an inverse relationship to stocks and other types of assets.”

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