

## Annual report 2023

The AMG Gold – Mines & Metals Fund (AMG Gold) is 6.5% lower in CHF at the end of the year than at the end of 2022 (tranche "C"). Share prices of gold producers have performed much better over the year than share prices of white metal producers. The gold price closed at its highest-ever year-end price, giving great confidence for a gold-rich 2024.

The average selling price of gold rose for the eighth time in a row in 2023 and amounted to USD 1,942 per troy ounce (oz). Purchases by central banks looking to diversify their foreign exchange reserves were again one of the main drivers this year. In addition, there were once again geopolitical tensions, this time in the Middle East, which prompted financial investors to buy or stock up on gold. We can be satisfied with the performance of the gold price. In contrast, the performance of white metal prices was disappointing. PGMs (platinum, palladium, rhodium) and the silver price were the big disappointments this year. Nickel also fell sharply. Copper, which is produced as a by-product by many gold producers, was one of the few base metals to end the year in positive territory.

Since 2023, the AMG Gold – Mines & Metals Fund has invested exclusively in shares of precious metal producers and no longer in physical metals. Whether a company produces gold or white metals made a big difference in terms of share price performance in 2023. Tranche "A" and "C" also suffered currency losses due to the strong Swiss franc. Tranche "H", which hedges a minimum of 90% of the currency risk, performed better than A and C this year. The best tranche, however, was the USD tranche "U", which closed the year with +2.3%. As in 2021 and 2022, the high for the year was reached in the second quarter of 2023. We were disciplined and did not allow ourselves to be tempted to add additional risk to the portfolio at the highs. However, the setbacks in the producers of white metals were once again above average in the 3rd and 4th quarters. In retrospect, this sector, the losers of the year, should have been reduced to zero without emotion.

The volume of M&A (mergers & acquisitions) transactions has increased significantly. The merger of Newmont Mining Corp. and Newcrest Mining Ltd. created the world's largest gold mining group this year. Future annual production will exceed 8 million ounces of gold (including copper and by-products) from 2024. There were also many smaller transactions. The following were relevant to our portfolio: Gold Fields acquired a 50% stake in Osisko Mining Inc.'s Windfall

project. Shanta Gold Ltd. was acquired by a private investor. Galiano Gold Inc. was able to acquire the 45% joint venture interest in the Asanko Mine held by Gold Fields at a fair price. Calibre Mining Corp. took over Marathon Gold Corp. There were also many capital increases, each of which resulted in large price reductions in a cautious environment.

The performance deviations within the individual segments were large. We were unable to keep up with the GDX ETF (gold mines only) in the first three quarters. It was not until the fourth quarter that we started to outperform again. Since we hold a very liquid portfolio, the portfolio was reviewed for "relative strength" from week to week in the second half of the year and adjusted accordingly (see Fig. 1).

Fig. 1: Portfolio changes per quarter

Sector Allocation	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Benchmark Q4 2023
Seniors	41.3%	47.6%	43.6%	49.2%	39.2%	45.7%	50.3%
Intermediates	17.0%	15.6%	14.9%	19.5%	20.9%	22.3%	16.1%
Juniors	5.2%	3.7%	3.2%	2.6%	3.3%	1.6%	0.4%
Explorers	6.4%	4.8%	4.0%	5.1%	5.2%	5.5%	2.1%
Silver Stocks	14.2%	12.0%	16.0%	11.2%	10.2%	10.9%	11.4%
Royalties	9.7%	14.5%	17.3%	11.8%	14.7%	9.9%	19.7%
Miscellaneous	0.9%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Silver	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	2.1%	1.8%	1.1%	0.6%	6.4%	4.1%	0.0%

Source: Serafin

Companies that are not represented in an ETF (GDX or GDXJ) accounted for less than 5% of our portfolio at the end of the year. In 2023, we also broadened the portfolio, which reduced the concentration. Positions larger than 5% now only amount to 29%, whereas previously this was mostly over 40%. In the GDX, there are only 5 companies with weightings above 5%, but together they account for 44%.

Performance comparison with GDX and GDXJ:

Fig. 2: AMG Gold versus GDX and GDXJ over 5 years



Source: Serafin (Data: Serafin/Bloomberg)

## Outlook

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The gold price has an almost perfect negative correlation with real interest rates (we always calculate "real" interest rates based on inflation expectations and not on the current inflation figure). This interest rate peaked in October at +2.25%, which corresponds to the high point of the 2006/2007 period. Investors' expectations that the US Federal Reserve will cut interest rates several times in 2024 are very high. This would help the gold price to gain further strength.

We expect increased volatility in the financial markets in 2024. Elections are due in many countries. The people, the governments, the regions – everyone is divided. This is explosive. We doubt that the losers will accept losing the elections. The main problem is the corrupt Western politicians (legalized corruption). This political turmoil will be the breeding ground for a sustained higher gold price.

A rising gold price is the driver of precious metal equities. The Q4 2023 reporting season should provide positive impetus in February 2024. According to our analysis, input costs should decline in the coming quarters, while costs calculated based on gold content ("grades") are historically mostly disappointing in the first half of the year. We therefore expect AISC costs to remain stable on balance. Only a few companies will be able to show production growth. But that suits us, as we mainly want higher margins.

The AMG Gold – Mines & Metals Fund does not invest in physical gold but in precious metal producers. These producers can be valued in different ways. Reserve growth, cost structure, operating risks, and assumptions about the price of precious metals are just some of the factors that are included in the valuation. Depending on the assumption of a gold price of USD 1,650 or USD 2,250, the valuation changes many times over. For many companies, the valuations do not fully reflect reality, as most brokers have much lower price assumptions than the current price. While analysts were probably too optimistic in the years 2002 to 2012, they are far too pessimistic today (long-term gold price assumption at USD1,650).

We will remain true to our strategy in our portfolio allocation. We have reduced the proportion of exploration companies (gold prospectors) in recent years, as we believed that the large producers would only selectively acquire smaller companies. We are sticking to this statement for the time being. Otherwise, we will carry out our daily work in a disciplined manner: Analyzing companies, reviewing allocations (weightings), and following the macroeconomic picture without emotion.

We would like to thank our investors for the trust they have placed in us and wish them a successful investment year in 2024.

Your Serafin Asset Management Team

## Portfolio Management

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