

T8 Gold

31 August 2023



Overview

- Global equities fund invested in responsible gold producers (net socio-economic positive)
- Responsible investment focus with in-house ESG due diligence, engagement, and reporting
- Institutional-grade process and risk management with experienced research team
- Target returns of greater than 20%pa over a 3-5-year timeframe (beta of 1.5-2.5 to gold bullion)

Fund details

Strategy	Global gold equities
Base Currency	US dollars
Structure	Cayman Islands
Minimum Investment	US\$100,000
Trustee	Paradigm
Custodian	JPMorgan
Administrator	Apex
Auditor	EY
Liquidity	Monthly
Management Fees	1%/15%
Hurdle	GDM Index

Portfolio management



Roscoe Widdup

- Fundamental and ESG research, portfolio construction and direct company engagement
- Previously worked at Goldman Sachs and Rio Tinto



Dimitri Tsangalis PhD

- Fundamental and macroeconomic research, portfolio construction and risk management
- Previously worked at JPMorgan based in Europe and Asia

Commentary

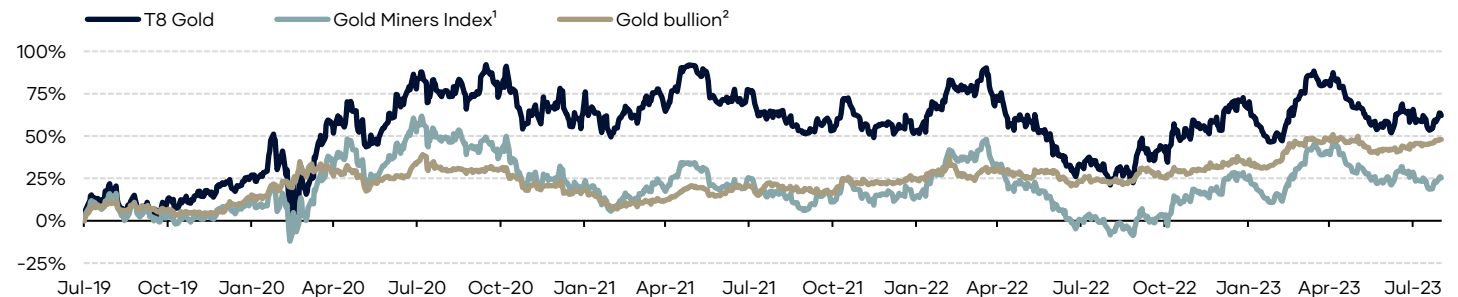
T8 Gold finished August down 2.1% (Australian dollars, or 6.0% in US dollars), tracking the Gold Miners Index -6.5% (US dollars) and the price of gold bullion (-1.3%) and reversing the positive return from July. The gold price ended August at US\$1,940 per ounce, staging an intra-month recovery after hitting a bottom of US\$1,889 per ounce. The sentiment toward precious metals turned negative in early August along with industrial metals like copper, which had its first negative month since May (-4.5%). Silver, considered both an industrial and precious metal due to its characteristics and usage, fell with gold (-1.2%) and maintained its underperformance relative to gold on a year-to-date basis. Within T8 Gold, senior mid-caps and the majors were the greatest detractors to performance (-303bps and -169bps, respectively).

In late July, the US Federal Reserve hiked interest rates by another 25 basis points to slow the US economy and reduce inflationary pressures. In August, bond markets continued the yield curve steepening from the previous month, with yields on short-dated US Treasury bonds (1- to 3-year maturities) staying anchored while 10-year US Treasury yields moved up by 15bps (to 4.1%) and the long end of the curve (+20-year maturities) increasing by 20 basis points. These movements in the yield curve and a stronger US dollar, its first positive month since May (+1.7% on a trade-weighted basis), were the result of the risk-off tone in markets and was a headwind for commodities (including gold). Despite interest rates in the United States being at their highest level since mid-2007, the consensus outlook for a slower pace of rate hikes, a likely pause, followed by rate cuts driven by the macroeconomic cycle is supportive for risk assets and gold. A scenario of lower interest rate expectations and lower US Treasury yields (real and nominal), putting pressure on the US dollar would be for risk assets and gold.

Why now?

In our view, the present time is a great opportunity to initiate (or add to) gold exposure on the basis that there appears to be extraordinary complacency in the market's outlook for inflation (consensus assumes that core PCE returns to 2% in the short to medium term from the present reading of 4.3%). The US Federal Reserve Bank of New York survey (a key barometer of expectations) has inflation falling to 2.8% over a three-year horizon (modestly below its 5-year average prior to the COVID-19 pandemic). An upward repricing of inflation expectations would be an extraordinary upward catalyst for gold.

Performance (A\$, since inception)



Investment thesis

- Gold has been the best performing asset class of the last 20 years. It plays a critical role in our financial system as an 'always liquid' asset with true intrinsic value (i.e. its value is not predicated on future cashflows and is supported by a replacement cost which increases with inflation) which makes it an attractive long-term investment through market cycles.
- The world is in an energy and inflation crisis without peer since the oil/inflation shocks of the 1970s when gold experienced powerful upward moves (e.g. +320% between 1972-74 and +160% 1979-80). T8 Gold is designed to deliver 1.5-2.5 beta to gold bullion (i.e. if the gold bullion price moves by one unit, we would expect T8 Gold to move by two units) by investing in gold producers which provide natural leverage to the gold bullion price via an operating margin and reserve ounces.
- Gold producers are significant socio-economic contributors to less developed economies and communities endowed with gold resources. We consider responsible gold producers to be those which conduct their gold mining operations with good governance as well as respect for the environment, human rights and the wellbeing of associated communities, employees and contractors.

T8 Gold's key attributes

Responsible Production



Responsible gold production is conducted with respect for governance, the environment, associated communities and workers

Socio-economic Positive



Socio-economic benefits accrue to host countries and communities through job creation, tax revenue and community investment

Inflation Hedge



The gold price is materially supported by its replacement cost which increases with inflation

Leveraged to Bullion



T8 Gold has a 1.5-2.5 beta to gold bullion (i.e. if gold bullion price moves by one unit, we would expect T8 Gold to move by two units)

Gold as Store of Value



Gold bullion has intrinsic value with zero-duration (i.e. its value is not predicated on future cashflows) making it a 'store of value'

T8 Gold's 'building blocks'

Major Producers

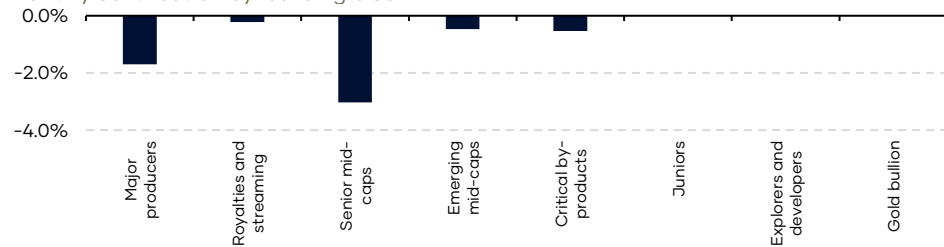
Royalties and Streaming

Senior Mid-caps

Emerging Mid-caps

Critical By-products

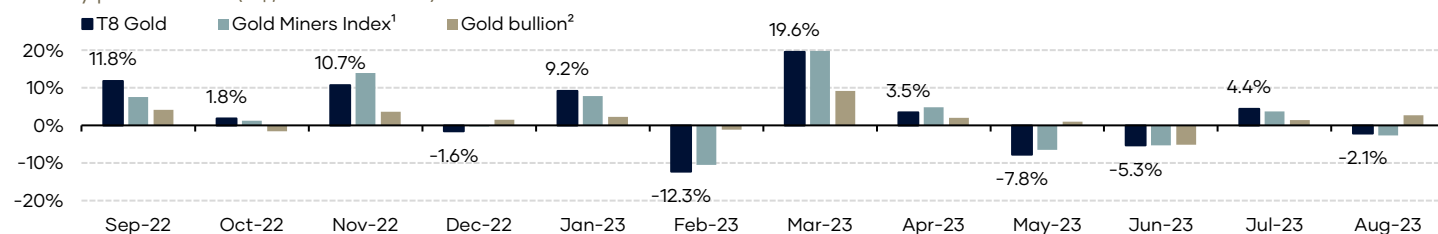
Monthly contribution by 'building block'



Key stock contribution (bps, last month)

Company	'Building block'	Contribution
Top-3		
PRU AU	Emerging mid-caps	+36
KGC US	Senior mid-caps	+16
SSRM US	Critical by-products	+13
Bottom-3		
AU US	Senior mid-caps	-133
GFI US	Senior mid-caps	-117
NEM US	Major producers	-93

Monthly performance (A\$, last 12 months)



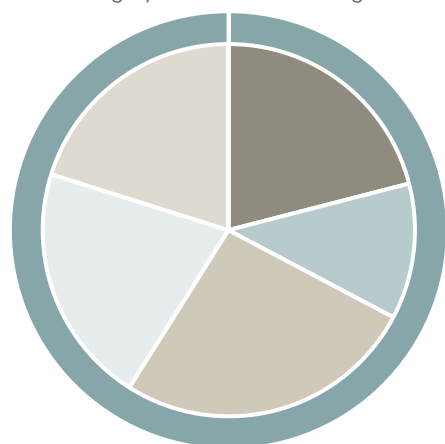
Monthly performance (A\$, since inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Gold Miners Index ¹	Gold bullion ²
2019								17.6%	-11.4%	8.5%	1.3%	6.1%	21.5%	8.0%	5.1%
2020	4.5%	2.5%	-11.2%	31.2%	3.3%	4.2%	12.5%	-3.7%	-1.8%	2.1%	-11.2%	5.8%	37.1%	14.1%	14.8%
2021	-2.0%	-5.9%	4.0%	3.0%	16.4%	-11.1%	4.2%	-7.5%	-7.2%	0.5%	4.6%	-1.0%	-4.9%	-4.5%	2.1%
2022	-3.3%	8.0%	6.8%	-1.8%	-10.3%	-10.7%	-4.0%	-7.2%	11.8%	1.8%	10.7%	-1.6%	-3.1%	-1.6%	6.9%
2023	9.2%	-12.3%	19.6%	3.5%	-7.8%	-5.3%	4.4%	-2.1%					5.7%	8.2%	12.3%

Performance and risk metrics

Returns (A\$)	Benchmarks			Risk metrics (12 months)	Benchmarks		
	T8 Gold	Gold Miners Index ¹	Gold bullion ²		T8 Gold	Gold Miners Index ¹	Gold bullion ²
1 month	-2.1%	-2.7%	2.6%	Volatility	32%	30%	12%
3 months	-3.2%	-4.4%	-1.2%	Sharpe Ratio	1.0	1.1	1.8
6 months	10.4%	12.2%	11.1%	Gold Correlation	0.8	0.8	1.0
12 months	31.1%	33.8%	21.1%	Gold Beta	2.0	2.0	1.0
Year to Date	5.7%	8.2%	12.3%	Up-capture	171%	173%	100%
Since Inception	62.2%	25.2%	47.9%	Down-capture	202%	186%	100%
Annualised	12.6%	5.7%	10.1%	Up/Down Ratio	0.8	0.9	1.0

Positioning by sector and 'building block'



Sector	'Building block'
Materials	Major producers
	Royalties and streaming
	Senior mid-caps
	Emerging mid-caps
	Critical by-products
Other	Gold bullion

Top holdings (by contribution to risk)

Company	'Building block'	Risk weight
AG US	Critical by-products	9.6%
NEM US	Major producers	9.4%
AEM US	Senior mid-caps	9.0%
PAAS US	Critical by-products	8.9%
GOLD US	Major producers	8.2%
KGC US	Senior mid-caps	7.6%
GFI US	Senior mid-caps	6.7%
NGD US	Emerging mid-caps	6.6%
WPM US	Royalties and streaming	6.1%
EGO US	Emerging mid-caps	5.9%

Portfolio characteristics

	T8 Gold	Gold Miners Index ¹	Gold bullion ²
Earnings growth rate (3-year est. CAGR)	22%	25%	n/a
1-year est. P/E (Median)	13	18	n/a
Dividend yield (Median, trailing 12 months)	2.4%	1.9%	0%
1-year est. leverage ratio (Net Debt/EBITDA)	0.3	0.1	n/a
Market cap (Weighted average)	US\$13B	US\$15B	n/a
Number of holdings	15	58	n/a

ESG dashboard (year-to-date)

Company meetings (one-on-one)
GROY US, FCX US, WPM US, FIL CN, LUN CN, TFPM CN, RGLD US, LUG CN, MDI CN, SVM US, PRU AU
Shareholder meetings (ballots cast)
PAAS US, AUU US, GOLD US, DPM CN, AU US (x3), NGD US, PAAS US, KGC US, CDE US, AG US, GFI US, EGO US
ESG assessments (new or updated)
PAAS US, GROU US
Direct company engagement
FCX US

About T8

Triple Eight Capital (T8) specialises in managing unique investment products. We are dedicated to responsible investment and believe that positive environmental and social benefits can be achieved without sacrificing investment returns. T8's responsible investment policy is available [here](#).

Our process combines fully-independent research of fundamental, ESG (environmental, social and governance) and macro factors. Our Advisory Board oversees our research process and investment decisions and provides deep industry insights.

Investment management



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Timothy McIntyre
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Engineering

Advisory Board



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Gold mining



Leigh Clifford AC
Engineering

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Noel Corley – Daruka Capital
David Cook – Daruka Capital
Adam Wright – Investor relations and distribution
Rob Tandy – Foundations
Leighton Thomas – International

Operations

Martine Fraser – Accounting
Maddison Stewart-Rice – Accounting

Footnotes

¹NYSE Arca Gold Miners Net Total Return Index (GDM Index) ²Gold bullion as tracked by the SPDR Gold Shares (GLD US) ³FX rate source is Bloomberg BGN taking input from market contributors to reflect a fair market consensus bid/ask rate

Important notice

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References to responsible gold production refer to the term as defined by the World Gold Council, whereby responsible gold mining is conducted with good governance as well as respect for the environment, human rights and the wellbeing of employees, contractors and members of associated communities. These issues are addressed using the World Gold Council's Responsible Gold Mining Principles which, together with the Mining Association of Canada's Towards Sustainable Mining standard, set out frameworks and expectations as to what constitutes responsible gold mining. T8 has integrated these standards into its ESG assessment methodology. T8 believes that responsible gold production creates socio-economic benefits for host countries and associated local communities through job creation, tax revenue and community investment. Please email info@t8cap.com for more information.