

## Opportunity through the world's most strategic asset class

Gold's 'store of wealth' characteristics have made it the best performing asset class of the last 20 years. This is a feat we expect it to repeat. Gold producers are naturally leveraged via their operating margin and reserve ounces.

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### 31 December 2023

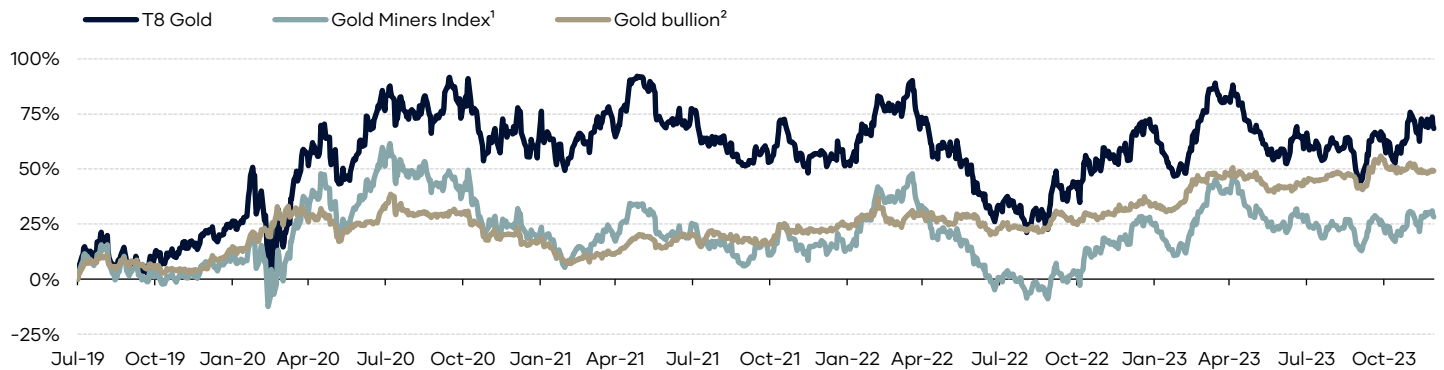
#### Commentary

T8 Gold finished December -3.0% (-0.2% in US dollars. All other movements in this commentary are expressed in US dollar terms, unless otherwise stated), consolidating after two consecutive months of strong returns aggregating to +20.2%. At building block level, the positive contribution by major producers (+79bps) was offset by senior (-10bps) and emerging mid-caps (-54bps). Gold bullion's positive momentum continued in December (+1.3%) after rallying by +10.1% in the previous two months. While the rally in gold started due to heightened geopolitical risks (the conflict between Israel and Hamas), it was sustained through November and December by investors positioning for possible interest rate cuts in 2024 (a 'Fed pivot') which saw yields on 10-year US Treasury bonds fall and the US dollar retreat. Falling US Treasury yields, and a weakening US dollar are fundamental tailwinds for the gold price. Gold finished 2023 just below its peak at US\$2,063 per ounce, generating a return of 13.1%. Notably, gold miners lagged bullion in 2023, posting a return of +8.8%. This is unusual (because commodity producers typically exhibit leverage to their underlying commodity, related to their operating margin and ore reserves), however it is the continuation of a longer-term characteristic which has created an extraordinary dislocation between the valuation of gold mining equities and the gold price. Since the peak of the last gold cycle in 2011, the gold bullion price has appreciated by 8.6% while the Gold Miners Index has declined by 53.5%. While there are various potential explanations, we see no reason why this should persist in the long term, creating an extremely attractive entry point into gold mining equities. This view is shared by investment bank BMO, which recently reported that gold mining stock valuations are at 25-year lows (based on the spread between the spot gold price and the gold price implied by the market price of the equities). We have published more detailed commentary on our [website](#).

#### Outlook

A 'pivot' from the US Federal Reserve would be a catalyst to see these macroeconomic tailwinds for gold be sustained and most likely intensify. It is worth remembering history in relation to Fed pivots (when the Fed signals a reversal of its existing monetary policy stance, e.g. from contractionary to expansionary). The 'Fed pivot' at the present time, will be when rate cuts finally materialise. Fed pivots (both expansionary and contractionary) over the last 20 years have resulted in significant downward movements in real yields as well as significant appreciation in the value of gold bullion and gold mining equities (we have provided examples in the more detailed commentary on our [website](#)). We strongly believe that gold mining equity valuations at quarter-century lows combined with strong macroeconomic fundamentals for gold (persistent, elevated inflation and the abovementioned emerging cyclical tailwinds) and what appears to be limited downside (driven by a combination of safe haven support from various geopolitical flashpoints, rising recession risk, and central bank gold buying) creates considerable asymmetry (considerably more upside than downside) in gold mining equities.

#### Performance (A\$, since inception)



#### 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

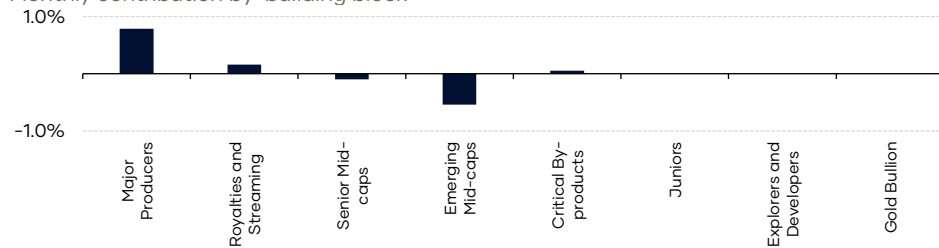
Royalties and Streaming

Senior Mid-caps

Emerging Mid-caps

Critical By-products

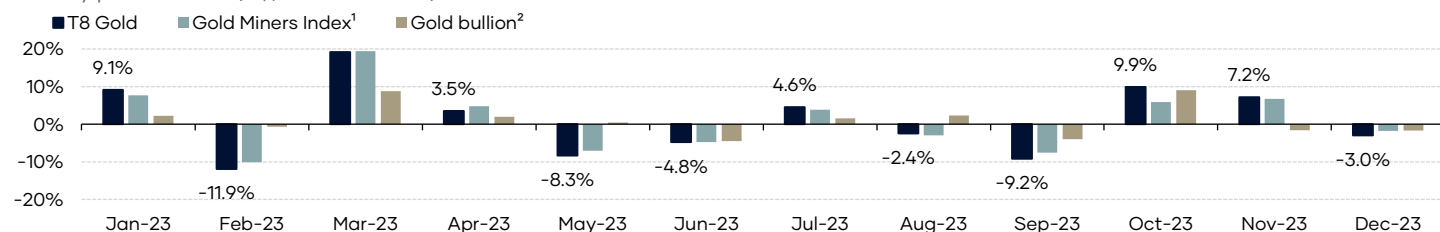
### Monthly contribution by 'building block'



### Key stock contribution (bps, last month)

Company	'Building block'	Contribution
<b>Top-3</b>		
NEM US	Major Producers	+53
PAAS US	Critical By-products	+31
GOLD US	Major Producers	+26
<b>Bottom-3</b>		
SSRM US	Critical By-products	-47
DPM CN	Emerging Mid-caps	-43
GFI US	Senior Mid-caps	-31

### Monthly performance (A\$, last 12 months)



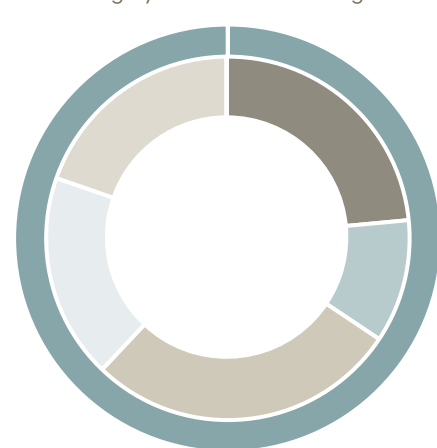
### Monthly performance (A\$, since inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Gold Miners Index <sup>1</sup>	Gold bullion <sup>2</sup>
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%	-9.0%	10.1%	7.2%	-3.0%	9.4%	10.8%	13.5%

### Performance and risk metrics

Returns (A\$)	Benchmarks			Risk metrics (12 months)	Benchmarks		
	T8 Gold	Gold Miners Index <sup>1</sup>	Gold bullion <sup>2</sup>		T8 Gold	Gold Miners Index <sup>1</sup>	Gold bullion <sup>2</sup>
1 month	-3.0%	-1.8%	-1.7%	Volatility	32%	29%	15%
3 months	14.2%	11.0%	5.5%	Sharpe Ratio	0.3	0.4	0.9
6 months	5.8%	3.4%	5.2%	Gold Correlation	0.7	0.7	1.0
12 months	9.4%	10.8%	13.5%	Gold Beta	1.6	1.4	1.0
Year to Date	9.4%	10.8%	13.5%	Up-capture	135%	120%	100%
Since Inception	68.3%	28.2%	49.1%	Down-capture	173%	140%	100%
Annualised	12.5%	5.8%	9.5%	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
NEM US	Major Producers	14.2%
AG US	Critical By-products	10.8%
PAAS US	Critical By-products	9.2%
GFI US	Senior Mid-caps	9.0%
AU US	Senior Mid-caps	8.5%
NGD US	Emerging Mid-caps	7.4%
AEM US	Senior Mid-caps	7.2%
GOLD US	Major Producers	7.1%
KGC US	Senior Mid-caps	5.9%
EGO US	Emerging Mid-caps	5.7%

### Portfolio characteristics

	Portfolio	Benchmarks	
		Gold Miners Index <sup>1</sup>	Gold bullion <sup>2</sup>
Earnings growth rate (Forecast 3-year CAGR)	33%	37%	n/a
1-year est. P/E (Median forecast)	16	19	n/a
Dividend yield (Median, trailing 12 months)	2.1%	1.4%	n/a
1-year leverage ratio (Forecast Net Debt/EBITDA)	0.4	0.2	n/a
Market cap (Median)	US\$14B	US\$16B	n/a
Number of holdings	14	51	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, PAAS US, ERO CN
Shareholder meetings (ballots cast)
PAAS US, AUY US, GOLD US, DPM CN, AU US (x3), NGD US, PAAS US, KGC US, CDE US, AG US, GFI US, EGO US, NEM US, PRU AU
ESG assessments (new or updated)
PAAS US, GROY US
Direct company engagement
FCX US

## About T8 Gold

### Fund 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).

### 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.

### About T8

- Triple Eight Capital (T8) is dedicated to responsible investment. We believe that positive environmental and social benefits can be achieved without sacrificing investment returns. T8's responsible investment policy is available on our [website](#).
- Our process combines fully-independent research of fundamental, ESG (environmental, social and governance) and macroeconomic factors. Our Advisory Board oversees our research process and investment decisions and provides deep industry insights.

### Executive team



Roscoe Widdup  
*Portfolio management*



Dimitri Tsangalis PhD  
*Portfolio management*



Tonya Payne  
*Research*



Timothy McIntyre  
*Research*



Georgia Widdup  
*Co-Managing Director*



Andrew Kellaway  
*Research intern*

### Industry technical analysts



Alex Zadnik  
*Engineering*

### Advisory Board



Jim Askew  
*T8 Gold*



Leigh Clifford AC  
*Engineering*

### Distribution

Andrew Aitken – Daruka Capital  
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

### Fund details

Distributions	<i>Annual</i>
Trustee	<i>Paradigm</i>
Custodian	<i>JPMorgan</i>
Administrator	<i>Apex</i>
Auditor	<i>EY</i>
Management Fees	<i>1.25%</i>
Benchmark	<i>Gold Miners Index<sup>1</sup></i>

<sup>1</sup>NYSE Arca Gold Miners Net Total Return Index (GDM Index) <sup>2</sup>Gold bullion as tracked by the SPDR Gold Shares (GLD US) <sup>3</sup>The Bloomberg Generic Composite rate (BGN) is used for all reporting related foreign exchange currency translation

### 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](mailto:info@t8cap.com) for more information.