

Opportunity in 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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29 February 2023

Commentary (all movements in this commentary are expressed in US dollar terms, unless otherwise stated)

T8 Gold finished February down 7.3% (in Australian dollars, or down 8.4% in US dollars), underperforming the broader index of gold miners. The key detractor was SSR Mining (SSRM US) which experienced a tragic collapse of its heap leach (a widely used mineral extraction process which involves stacking ore on a specially constructed leach pad and using solution extraction techniques to separate valuable minerals from waste rock) on 13 February at its Çöpler mine (located in Erzincan Province, eastern Turkey). The landslide displaced an estimated 10 million tonnes of ore and is believed to have tragically killed nine mine workers. We had been attracted to the stock based on a compelling valuation driven by its expected production growth profile over the medium term and a moderate risk profile (considering a range of relevant factors). Having engaged thoroughly with our advisory board and industry technical analysts, we elected to exit our position in SSRM US on the basis that this tragic and unforeseeable event has introduced significant additional risks and uncertainties and as a result, reward relative to risk was no longer compelling.

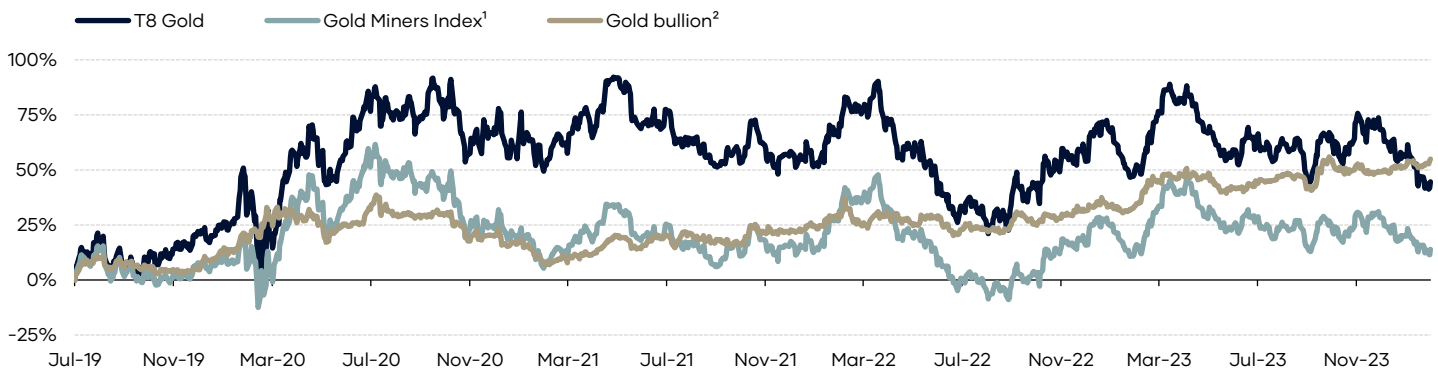
Gold bullion (+0.2%) was under pressure during February, trading down 2.3% intra-month before rallying to finish more or less where it started. The key driver was macroeconomic factors, led by bond yields (US 10-year Treasuries +34bps) which drove real yields (the nominal yield on a 10-year US Treasury minus expected inflation) to increase 19bps. Combined with a strengthening US dollar (the trade weighted US dollar index +0.9%), both factors were headwinds for the gold price during the month. We have published more detailed commentary on our [website](#).

Outlook

We believe an interest rate cut from the US Federal Reserve would be a catalyst for the formation of cyclical macroeconomic tailwinds for gold. Inflection points in the bank's monetary policy 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 previously provided examples on our [website](#)). The index of gold mining stocks remains at valuations that we believe is a 25-year discount to gold bullion (based on the spread between the spot gold price and the gold price implied by the market price of the equities). 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, elevated risk of recession, and central bank gold buying) creates significant asymmetry (considerably more upside than downside) in both gold and gold mining equities.

While the gold price is near its all-time high in nominal terms (achieved in December last year), it remains well off its all-time high in real terms (achieved in January 1980). We note that various economists attempt to adjust for structural inflation factors (inflation not captured in government inflation data). Adjusting for these structural inflation factors would imply the all-time high gold price in 2023 dollars would be US\$3,000-3,500 per ounce.

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

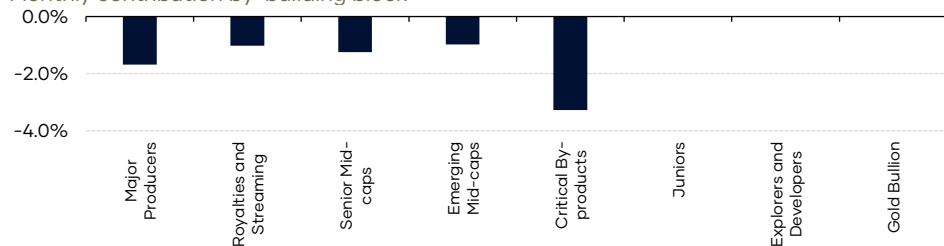
Royalties and Streaming

Senior Mid-caps

Emerging Mid-caps

Critical By-products

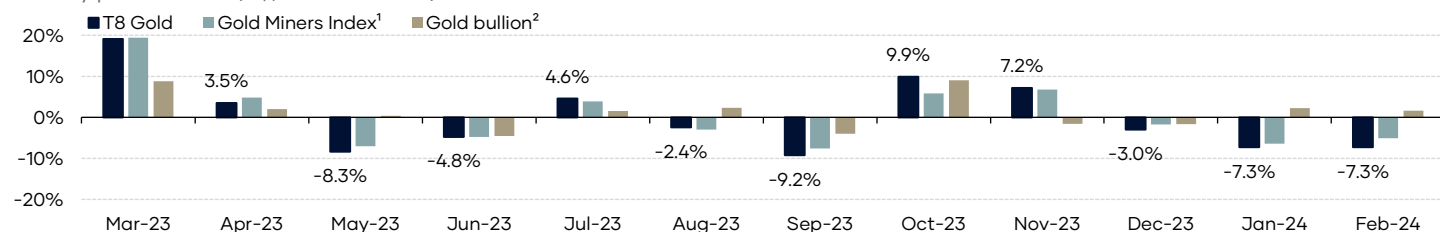
Monthly contribution by 'building block'



Key stock contribution (bps, last month)

Company	'Building block'	Contribution
Top-3		
AU US	Senior Mid-caps	+38
NGD US	Emerging Mid-caps	+8
AEM US	Senior Mid-caps	-13
Bottom-3		
SSRM US	Critical By-products	-259
NEM US	Major Producers	-124
EGO US	Emerging Mid-caps	-83

Monthly performance (A\$, last 12 months)



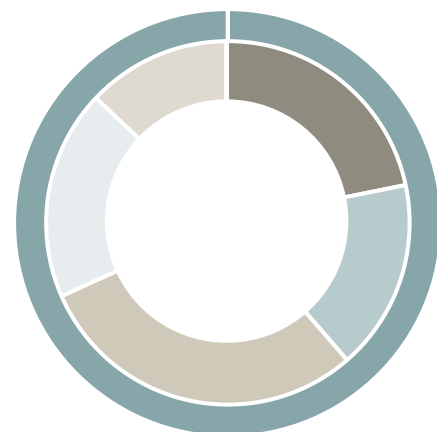
Monthly performance (A\$, since inception)

	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%	-9.0%	10.1%	7.2%	-3.0%	9.4%	10.8%	13.5%
2024	-7.3%	-7.3%											-14.1%	-11.2%	3.9%

Performance and risk metrics (A\$)

Returns	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	-7.3%	-5.1%	1.6%	Volatility	30%	28%	15%
3 months	-16.6%	-12.8%	2.1%	Sharpe Ratio	-0.1	0.1	1.1
6 months	-10.9%	-8.9%	5.2%	Gold Correlation	0.7	0.7	1.0
12 months	-2.2%	1.7%	16.2%	Gold Beta	1.4	1.2	1.0
Year to Date	-14.1%	-11.2%	3.9%	Up-capture	42%	44%	100%
Since Inception	44.7%	13.9%	54.9%	Down-capture	83%	62%	100%
Annualised	8.4%	2.9%	10.0%	Up/Down Ratio	0.5	0.7	1.0

Positioning by sector and 'building block' (by net asset value)



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	13.5%
AG US	Critical By-products	10.3%
GFI US	Senior Mid-caps	9.9%
AU US	Senior Mid-caps	8.9%
PAAS US	Critical By-products	8.6%
GOLD US	Major Producers	8.2%
AEM US	Senior Mid-caps	7.8%
FNV US	Royalties and Streaming	7.4%
NGD US	Emerging Mid-caps	7.3%
KGC US	Senior Mid-caps	6.4%

Portfolio characteristics

	Portfolio	Benchmarks	
		Gold Miners Index ¹	Gold bullion ²
Earnings growth rate (Forecast 3-year CAGR)	19%	19%	n/a
1-year est. P/E (Median forecast)	17	18	n/a
Dividend yield (Median, trailing 12 months)	1.9%	1.7%	n/a
1-year leverage ratio (Forecast Net Debt/EBITDA)	0.3	0.1	n/a
Market cap (Median)	US\$15B	US\$16B	n/a
Number of holdings	14	51	n/a

ESG dashboard (last 12 months)

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, EGO US
Shareholder meetings (ballots cast)
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, GROU 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.

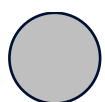
About T8

- 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



Christopher Hayes
Portfolio management



Timothy McIntyre
Research



Dimitri Tsangalis PhD
Portfolio management



Tonya Payne
Research



Georgia Widdup
Co-Managing Director

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 Index¹</i>

¹NYSE Arca Gold Miners Net Total Return Index (GDM Index) ² Gold bullion as tracked by the SPDR Gold Shares (GLD US) ³The 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 for more information.