

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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31 January 2025

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

NO17 Gold finished January up 15.5% (in Australian dollars, or up 16.1% in US dollars), outperforming its benchmark (+14.9%) and gold bullion (+6.6%). Gold rebounded after cooler than expected inflation data triggered a reversal in bond yields. Markets were rattled by multiple left field factors (US Presidential executive orders, DeepSeek and tariffs – which we have covered in a separate [paper](#)) which increased the appeal of gold and gold miners as a safe haven.

From a fundamental perspective, gold markets saw inflows to gold bullion-backed ETFs continue in January (34.5 tonnes) and central banks continued on the established trend of buying gold in elevated volumes (based on data reported so far, central banks accounted for approximately 21% of total gold demand in 2024, more than double the post-financial crisis average of around 10%). This trend may be gaining momentum with China reporting gold purchases (5 tonnes) for the third consecutive month in January. You will recall that China was the largest purchaser of gold among central banks in 2023 and first quarter of 2024 until it sat out of the market for six months from May 2024. We believe China's continued gold buying is a very strong signal especially with the gold price near to all-time highs.

The price of gold bullion finished January at US\$2,798 per ounce (+6.6%) and silver at US\$31 per ounce (+8.3%). Both metals remain in established uptrends. The stronger gold price combined with an improvement in equity risk appetite resulted in gold mining equities (+14.9%) posting solid gains and outperforming gold bullion.

Within our portfolio, the senior mid-caps segment (+898 basis points) was the standout contributor. This was reflected at stock level with AngloGold Ashanti (+264 basis points), Goldfields (+249 basis points) and Agnico Eagle (+199 basis points), the top-3 contributors, accounting for the majority of the contribution of senior mid-caps. We have published more detailed commentary on our [website](#).

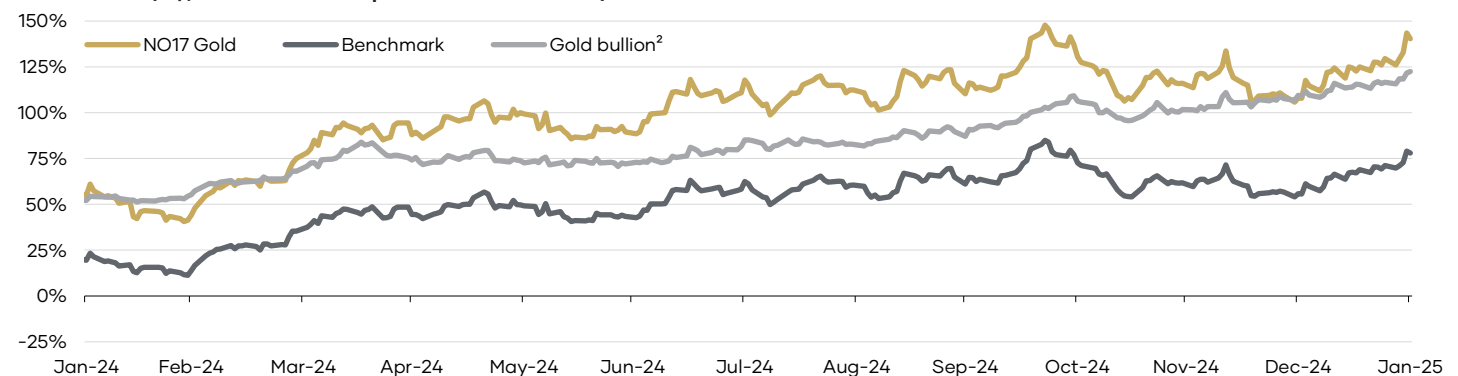
Outlook

There is no change to our belief that gold bullion ETFs are in an accumulation cycle at the same time as central banks are buying gold in volumes not seen since the 1960s. Add to this the potential for a global trade war (trade wars are inflationary) at a time when inflation is already elevated and proving sticky. President Trump declaring an 'energy emergency', makes the backdrop sound eerily like the late 1970s when an energy crisis (an oil shock following the Iranian revolution) and a second inflation shock resulted in the gold price spiking by 179% in the 12 months following January 1979. All bets are off in the event of a genuine inflation shock.

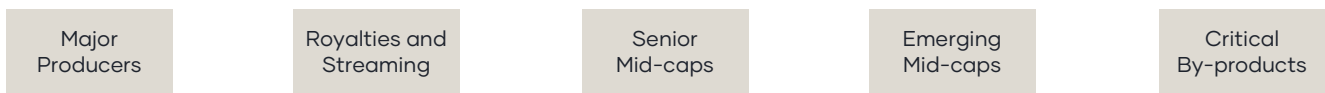
Our base case forecast is for the gold bullion price to strengthen by 25% on a 12-month view. While gold is already near to all-time-high prices in nominal terms, valuing gold in nominal terms overlooks structural inflation to the cost of gold production over time. Adjusting for structural inflation factors, we estimate the all-time-high gold price at closer to US\$3,500/oz.

The recent strengthening of the gold price and coincident expansion of profit margins has not been reflected in stock prices in the gold mining sector. For example, during 2024, the gold price strengthened by 26.7%, whereas the index of gold mining stocks appreciated by only 9.2%. Going further back to the peak of the last gold cycle in August 2011, the gold bullion price has appreciated 49.6% while the gold miners index has actually declined 40.4%. This has resulted in valuations on gold mining stocks sitting at what we believe is a 25-year low (in terms of their 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). Further, we observe that gold equities have rarely been cheaper than the present time over the last 40 years. We see this dislocation as a significant opportunity which markets haven't yet recognised. We believe a normalisation is inevitable driven by gold sector momentum becoming impossible for equity investors to ignore and mergers and acquisitions chasing gold mining equities' strong fundamentals and compelling valuations (we published an insight in relation to this on our [website](#)). History suggests that the normalisation of such a dislocation is likely to be rapid (as opposed to gradual).

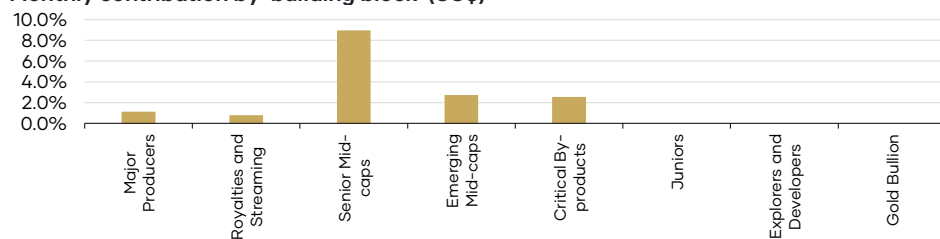
Performance (A\$, return since inception – last 12 months)



NO17 Gold's key 'building blocks'



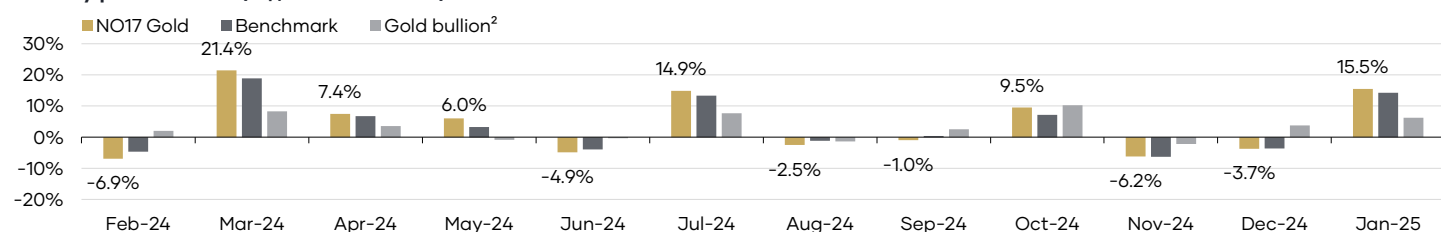
Monthly contribution by 'building block' (US\$)



Key stock contribution (bps, last month)

Company	'Building block'	Contribution
Top-3		
AU US	Senior Mid-caps	+264
GFI US	Senior Mid-caps	+249
AEM US	Senior Mid-caps	+199
Bottom-3		
TFPM US	Royalties and Streaming	+2
WPM US	Royalties and Streaming	+12
EGO US	Emerging Mid-caps	+15

Monthly performance (A\$, last 12 months)



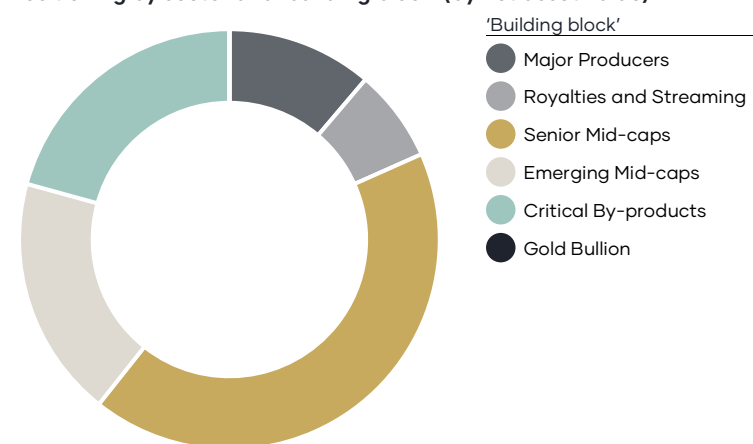
Monthly performance (A\$, since inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Benchmark	Gold bullion²
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%	-9.4%	9.8%	7.2%	-3.1%	9.4%	10.8%	13.5%
2024	-7.7%	-6.9%	21.4%	7.4%	6.0%	-4.9%	14.9%	-2.5%	-1.0%	9.4%	-6.2%	-3.5%	24.3%	21.5%	40.2%
2025	15.5%												15.5%	14.3%	6.2%

Performance and risk metrics (A\$)

Returns	Portfolio	Benchmark	Gold bullion²	Risk metrics (12 months)	Portfolio	Benchmark	Gold bullion²
1 month	15.5%	14.3%	6.2%	Volatility	29%	25%	14%
3 months	4.3%	3.1%	7.8%	Sharpe Ratio	1.9	2.0	3.2
6 months	10.3%	9.6%	20.1%	Gold Correlation	0.7	0.7	1.0
12 months	55.2%	49.0%	46.2%	Gold Beta	1.4	1.2	1.0
Year to Date	15.5%	14.3%	6.2%	Up-capture	135%	121%	100%
Since Inception	140.3%	78.0%	122.5%	Down-capture	142%	127%	100%
Annualised	17.3%	11.1%	15.6%	Up/Down Ratio	1.0	1.0	1.0

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



Top holdings (by contribution to risk)

Company	'Building block'	Risk weight
GFI US	Senior Mid-caps	13.2%
AU US	Senior Mid-caps	12.9%
CDE US	Critical By-products	12.2%
NGD US	Emerging Mid-caps	11.0%
KGC US	Senior Mid-caps	10.9%
PAAS US	Critical By-products	9.1%
AEM US	Senior Mid-caps	7.3%
AG US	Critical By-products	5.4%
EGO US	Emerging Mid-caps	4.7%
GOLD US	Major Producers	4.0%

Portfolio characteristics

	Portfolio	Benchmark	Gold bullion²
Earnings growth rate (Forecast 3-year CAGR)	42%	37%	n/a
1-year est. P/E (Median forecast)	15	16	n/a
Dividend yield (Median, trailing 12 months)	1.5%	1.4%	n/a
1-year leverage ratio (Forecast Net Debt/EBITDA)	0.1	0.0	n/a
Market cap (Median)	US\$17B	US\$22B	n/a
Number of holdings	14	18	n/a

Company research and engagement dashboard (last 12 months)

Company meetings (one-on-one)
EGO US, PRU AU, EDV CN, FNV US, OGC CN, KGC US, GROU US, KNT CN, NEM US, VZLA CN, TFPM CN, NGEX CN, KGC US, ARIS CN, AG US, PAAS US, AG US, GOLD US, EGO US, ERO US, FNV US, CS CN, CDE US, HBM US, CDE US
Shareholder meetings (ballots cast)
NEM US, AEM US, GOLD US, FNV US, KGC US, PAAS US, WPM US, NGD US, AU US, GFI US, PRU AU, CDE US

NO17 Gold

Fund overview

- Global equities fund focused on gold miners, prioritising responsible gold miners.
- Deep in-house research, risk management, direct company engagement, and reporting.
- 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. This is an achievement we expect it to repeat over the next 10 to 20-years.
- Gold's appeal as a long-term investment relates to the vital role it plays in our financial system as an 'always liquid' asset with genuine intrinsic value (i.e. its value is not predicated on future cashflows and is supported by a replacement cost which increases with inflation).
- NO17 Gold is designed to deliver 1.5-2.5 leverage to gold bullion (i.e. if the gold bullion price moves by one unit, we would expect NO17 Gold to move by two units) via the profit margins and reserve ounces of gold miners.
- We believe prioritising responsible gold miners will result in better risk adjusted returns over time.




About NO17 Gold

- NO17 Gold is dedicated to responsible investment. We believe that positive environmental and social benefits can be achieved without sacrificing investment returns. NO17 Gold's responsible investment policy is available on our [website](#).
- Our process is built on fully independent research, overseen by our Advisory Board which also provides deep industry insights.

Investment

 Roscoe Widdup <i>Portfolio management</i>	 Tonya Payne <i>Research</i>	 Christopher Hayes <i>Portfolio management</i>
 Hedley Widdup <i>Investment Committee</i>	 Robin Widdup <i>Investment Committee</i>	 Selva Freigedo <i>Research</i>
 Timothy McIntyre <i>Research</i>	 Alvin Zhou <i>Research</i>	






Advisory Board

 Leigh Clifford AC <i>Engineering and infrastructure</i>	 Jim Askew <i>Gold mining</i>	 Liza Maimone <i>Sustainability</i>
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Industry technical analysts

 Alex Zadnik <i>Engineering</i>		
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Administration and operations

 Georgia Widdup <i>Co-Managing Director</i>	 Martine Fraser <i>Financial controller</i>	 Nicki Zehntner <i>Investor relations</i>
 Maddison Stewart-Rice <i>Accounting</i>	 Ian Brown <i>AI Process Innovation</i>	

Distribution

 Andrew Aitken <i>Financial advisers</i>	 Adam Wright <i>Financial advisers</i>	 Anna Sayer <i>Institutional and family office</i>
 Leighton Thomas <i>International</i>	 Noel Corley <i>Financial advisers</i>	 Rob Tandy <i>Philanthropic foundations</i>

¹NYSE Arca Gold Miners Index ² Gold bullion as tracked by the SPDR Gold Shares

Important notice

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References to responsible gold mining 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. NO17 Gold considers these standards in its assessment methodology. NO17 Gold believes that responsible gold mining has the potential to create net socio-economic benefits for host countries and associated local communities through job creation, tax revenue and community investment. Responsible investment risks and issues that create the greatest concern for us in our portfolio include (but are not limited to): GOLD US – community unrest at Porgera (Papua New Guinea), human rights grievances at Tanzanian operations, and governance risks at Mali operations; FNV US – exposure to and willingness to actively invest in oil and gas production, high fatality rates at certain South African operations that company has royalty/streaming agreements with; PAAS US – concerns regarding impacts on indigenous rights at Guatemalan Project; NEM US – marine disposal of waste materials at Lihir (Papua New Guinea). Please email info@t8cap.com for more information.

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