NO17

**SEE THE OPPORTUNITY**

## 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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## 28 February 2025

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

NO17 Gold finished February down 0.8% (in Australian dollars, or down 1.6% in US dollars). Gold miners consolidated during the month with the gold bullion price near to all-time highs and following the sector's very strong performance in January. While this was the catalyst for some profit taking in a number of stocks, at sector level, numerous dips were decisively bought, which we believe is a bullish signal. Gold bullion (+2.1%) strengthened on lower real yields, the weaker US dollar, and its safe haven status against a backdrop of falling risk appetite as a result of tariffs and worries about the US economy.

From a fundamental perspective, gold bullion-backed ETFs experienced a demand surge during February, recording net inflows of 99.9 tonnes (more than double January's net inflow). We estimate ETFs are likely to have accounted for approximately 24% of total demand for the month, which is comparable to other periods of elevated financial market demand (such as the beginning of the COVID-19 pandemic in 2020. ETFs averaged 20% of total gold demand for the entire year during 2020 and peaked at 42% during the second quarter of that year). Should the current level of gold demand be sustained (or accelerate), coincident with central banks continuing to buy at historically significant volumes, we would see the potential for a powerful short term upward move in the gold price (i.e. US$400-500/oz), all else being equal. The price of gold bullion finished January at US$2,858 per ounce (+2.1%) and silver at US$31 per ounce (-0.5%). Both metals remain in established uptrends.

Within our portfolio, the critical by-products and emerging mid-caps were the key detractors at segment level. At stock level, Coeur Mining (CDE US -22.0%), New Gold (NGD US -9.9%) and Eldorado Gold (EGO US -9.6%) were the main detractors following market updates which were slightly softer than market expectations. While the negative performance of each was significant in percentage terms, we observe that the negative issues were short term in nature. This kind of negative reaction to short term, stock specific news is not unusual at a time when broader equity markets are weakening against a backdrop of below average risk appetite and above average volatility. There is no change to our positive medium to long term outlook for any of these stocks. We have published more detailed commentary on our website.

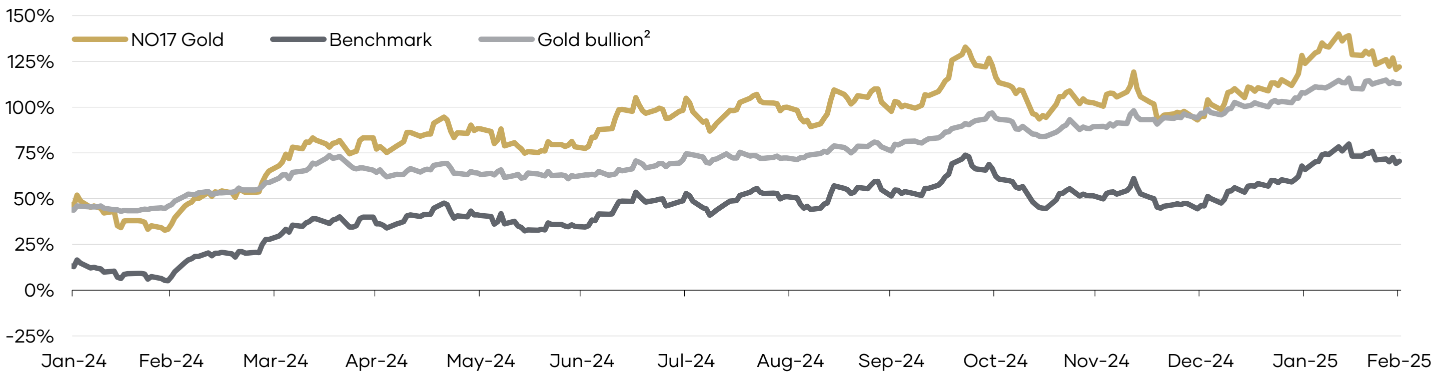
**Outlook**

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'**

| Major Producers | Royalties and Streaming | Senior Mid-caps | Emerging Mid-caps | Critical By-products |
|---|---|---|---|---|

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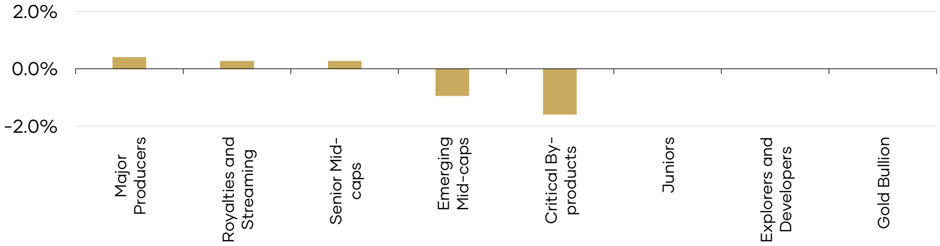
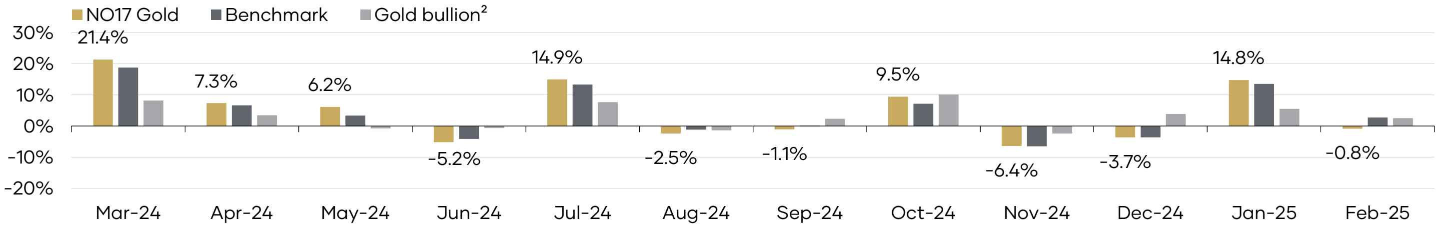
## Monthly contribution by 'building block' (US$)




## Key stock contribution (bps, last month)

| Company | 'Building block' | Contribution |
|---|---|---|
| *Top-3* | | |
| GFI US | Senior Mid-caps | +68 |
| GOLD US | Major Producers | +41 |
| AEM US | Senior Mid-caps | +27 |
| *Bottom-3* | | |
| CDE US | Critical By-products | -157 |
| NGD US | Emerging Mid-caps | -80 |
| EGO US | Emerging Mid-caps | -41 |

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




## Monthly performance (A$, since inception)

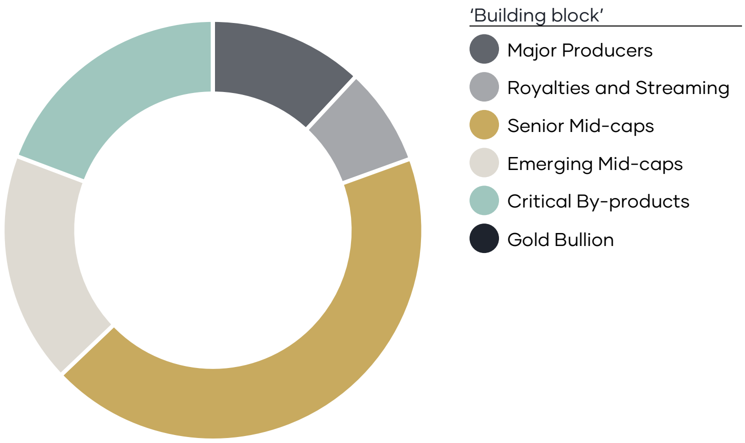
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total | Benchmark | Gold bullion[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | | | | | | | | 17.7% | -11.5% | 8.4% | 1.3% | 6.1% | 21.3% | 7.8% | 4.9% |
| 2020 | 4.4% | 2.9% | -12.0% | 30.9% | 3.6% | 3.7% | 12.4% | -3.8% | -1.9% | 2.2% | -11.4% | 5.8% | 35.1% | 12.4% | 13.2% |
| 2021 | -2.1% | -6.2% | 4.1% | 3.0% | 16.3% | -11.2% | 4.2% | -7.6% | -7.3% | 0.5% | 4.4% | -1.3% | -6.0% | -5.5% | 1.0% |
| 2022 | -3.3% | 7.9% | 6.7% | -2.2% | -10.1% | -10.9% | -4.0% | -7.5% | 11.1% | 2.0% | 10.4% | -1.9% | -4.8% | -3.4% | 5.1% |
| 2023 | 9.1% | -12.4% | 19.1% | 3.6% | -7.9% | -5.5% | 4.4% | -2.2% | -9.5% | 9.8% | 7.1% | -3.5% | 7.6% | 9.1% | 11.8% |
| 2024 | -7.4% | -6.9% | 21.4% | 7.3% | 6.2% | -5.2% | 14.9% | -2.5% | -1.1% | 9.5% | -6.4% | -3.7% | 23.6% | 21.1% | 39.7% |
| 2025 | 14.8% | -0.8% | | | | | | | | | | | 13.8% | 16.7% | 8.3% |

## Performance and risk metrics (A$)

| Returns | Portfolio | Benchmark | Gold bullion[2] |
|---|---|---|---|
| 1 month | -0.8% | 2.7% | 2.6% |
| 3 months | 9.7% | 12.5% | 12.5% |
| 6 months | 11.0% | 12.8% | 23.7% |
| 12 months | 63.3% | 58.6% | 45.1% |
| Year to Date | 13.8% | 16.7% | 8.3% |
| Since Inception | 122.0% | 70.5% | 113.0% |
| Annualised | 15.4% | 10.0% | 14.5% |

| Risk metrics (12 months) | Portfolio | Benchmark | Gold bullion[2] |
|---|---|---|---|
| Volatility | 29% | 25% | 15% |
| Sharpe Ratio | 2.2 | 2.3 | 3.1 |
| Gold Correlation | 0.7 | 0.7 | 1.0 |
| Gold Beta | 1.4 | 1.2 | 1.0 |
| Up-capture | 130% | 116% | 100% |
| Down-capture | 126% | 110% | 100% |
| Up/Down Ratio | 1.0 | 1.1 | 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 | 13.0% |
| AU US | Senior Mid-caps | 12.9% |
| NGD US | Emerging Mid-caps | 10.8% |
| CDE US | Critical By-products | 10.6% |
| PAAS US | Critical By-products | 10.6% |
| KGC US | Senior Mid-caps | 9.4% |
| AEM US | Senior Mid-caps | 7.4% |
| AG US | Critical By-products | 6.0% |
| EGO US | Emerging Mid-caps | 4.9% |
| GOLD US | Major Producers | 4.8% |

## Portfolio characteristics

| | Portfolio | Benchmark | Gold bullion[2] |
|---|---|---|---|
| Earnings growth rate *(Forecast 3-year CAGR)* | 14% | 18% | n/a |
| 1-year est. P/E *(Median forecast)* | 13 | 15 | n/a |
| Dividend yield *(Median, trailing 12 months)* | 1.6% | 1.6% | n/a |
| 1-year leverage ratio *(Forecast Net Debt/EBITDA)* | -0.1 | -0.2 | n/a |
| Market cap *(Median)* | US$17B | US$16B | n/a |
| Number of holdings | 14 | 14 | n/a |

## Company research and engagement dashboard (last 12 months)

Company meetings (one-on-one)

PRU AU, EDV CN, FNV US, OGC CN, KGC US, GROY 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, RMS AU, EQX AU

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.

## Fund details

| | |
|---|---|
| Distributions | *Annual* |
| Trustee | *Paradigm* |
| Custodian | *JPMorgan* |
| Administrator | *Apex* |
| Auditor | *EY* |
| Management Fees | *1.25%* |
| Benchmark | *Gold Miners Index*[1] |

## 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
*Portfolio management*


Tonya Payne
*Research*


Christopher Hayes
*Portfolio management*


Hedley Widdup
*Investment Committee*


Robin Widdup
*Investment Committee*


Selva Freigedo
*Research*


Timothy McIntyre
*Research*

Alvin Zhou
*Research*

## Advisory Board


Leigh Clifford AC
*Engineering and infrastructure*


Jim Askew
*Gold mining*


Liza Maimone
*Sustainability*

*Industry technical analysts*


Alex Zadnik
*Engineering*

## Administration and operations


Georgia Widdup
*Co-Managing Director*

Martine Fraser
*Financial controller*


Nicki Zehntner
*Investor relations*


Maddison Stewart-Rice
*Accounting*


Ian Brown
*AI Process Innovation*

## Distribution


Andrew Aitken
*Financial advisers*


Adam Wright
*Financial advisers*


Anna Sayer
*Institutional and family office*


Leighton Thomas
*International*


Noel Corley
*Financial advisers*


Rob Tandy
*Philanthropic foundations*

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

## Important notice



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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