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Quarterly Update

SVS Sanlam Global Gold and Resources Fund

Q1 2024

Market Review - Resources

Against a turbulent backdrop of 2023, the first quarter of 2024 can be described as a somewhat more "settled context" from a macroeconomic perspective. Higher, but importantly stable, interest rates continued to be absorbed around the globe, while inflation has continued to subside against high base effects year on year.

However, the inflation picture varies across countries and sectors. Manufacturing economies have seen input and output cost inflation normalize at a faster pace than service sectors in Europe and the US.

On balance, while the evolution of the US economy remains a key call this year and broad-based geopolitical risks remain extremely elevated and pose a potential unwanted wildcard, we continue to see evidence of the global economy slowly turning a corner to a more positive economic growth trajectory. With expected interest rate cuts across developed markets later this year, the necessary building blocks of a potential recovery continue to unfold slowly, in our view.

This shift to interest rate cuts will not only affect bonds, currencies, and equities but will also provide further support for sustained demand recovery and alleviate pressure on mining company margins squeezed by inflation and interest rate pressures. However, this transition is not expected to be swift due to variations in inflationary pressures globally. The adverse effects of inflation on demand have been most pronounced in economies heavily reliant on elevated energy prices and with a significant portion of construction activity and household wealth tied to the housing sector. Interestingly, in China, where deflationary pressures have been more apparent than inflationary pressures, the global cessation of the rate tightening cycle will enable further relaxation of monetary conditions and expand the policy toolkit for monetary, if not fiscal, stimulus. This will aid in further bolstering domestic demand recovery while mitigating the negative impact of the residential housing market downturn on broader growth performance.

Demand improvements are expected to be the main driver of metal prices in 2024, but there are significant upside and downside risks due to continued disruptions across the industry. The ongoing supply squeeze, attributed to a lack of investment, could further skew the risk/reward for most metals to the upside. Suspension of production at certain mines and supply additions from others have varied impacts on different metals, leading to fluctuations in market dynamics. Despite some investment in mine extensions and asset refurbishments, sector capital expenditure remains below the peak seen in 2012. Further investment may be necessary to increase aggregate capacity across the sector and alleviate supply constraints.

We anticipate that commodities with cyclical exposure will continue to perform well in the short term. This expectation is supported by investor demand, driven by a broader risk-on sentiment, prospects for policy easing, and signs of stabilization in US manufacturing indicators. Additionally, there are several supply concerns as well as logistical disruption risks, along with generally low inventory levels, particularly in oil and copper. Bullish momentum from stronger-than-expected demand, especially in the

Fund Information

Fund AUM (GBP)	26,264,572
Fund Launch Date	03 December 2004
Base Currency	Pound Sterling
Benchmark	S&P/TSX Global Gold TR USD
IA Sector	Specialist
Morningstar Category	Sector Equity Resources / Precious Metals
Fund Type	OEIC
Management Company	Sub IM: SIM Limited
Administrator	Evelyn Partners Fund Solutions Limited (EPFL)
Fund Manager (1-Dec-23)	Andrew Snowdowne Derrick Deale Siphelele Mhlongo
Dealing Deadline	11:59
Valuation Point	12:00
Settlement Period	T+4
Risk Reward Indicator	7
3yr Volatility	26.96

oil market, further contributes to this outlook. However, we do not foresee a runaway commodity bull market for 2024. While easing monetary policy is likely to provide some bullish support for commodities, it is expected to be offset by headwinds such as sharply rising debt service burdens, potential recessionary conditions in mature economies, and only moderate policy easing in China amid weaknesses in its private and housing sectors.

Looking ahead to the medium term, we maintain the view that there is a continued need for additional supply, both new and replacement, across various sectors in the Resources industry. Following a multi-year period of capital discipline by the miners and further exacerbated by factors such as COVID-19, the Ukraine conflict, and global inflationary pressures, we foresee the necessity for higher-cost production to enter the supply chain as the decade progresses. The anticipated secular trend of certain industry cost curves steepening, possibly accentuated by factors like resource nationalism, supply chain diversification, localization, carbon pricing, and other aspects of "greenflation", is likely to favour disciplined and sustainable owner-operators with high-quality assets featuring efficient capital options.

Market Review - Gold

The gold price was strong during the quarter, rising c. 5% QoQ and reaching a new all-time high in March, driven by 1) strong physical and central bank demand, 2) rising geopolitical and political risks, and 3) a more dovish tone set by the FED and other central banks. The gold price experienced high volatility during the quarter, broadly showing an asymmetrical negative relationship with movements in real rates and the dollar, rallying toward quarter end after a weak more muted January.

Strong central bank buying continued against a high base, led by China, Turkey, India and Kazakhstan. Chinese physical jewellery and investment demand also continued to be robust, given the lack of other compelling investment options in China. This has been amplified by resilience in other emerging markets such as India where economic activity has remained strong. Net speculative investor positioning as well as money managers' net positions declined in January but recovered towards quarter end, close to 12-month highs. The key disappointment has remained ETF flows, registering net outflows for a 10th consecutive month.

During the quarter gold equities tended to lag bullion's strength, driven by 2024 guidance misses due to continued high cost inflation and production growth slowing as assets mature, with inclement weather or abnormal rainfall already chipping away at fresh guidance. Despite the sector's overall lag, there has been a notable split among companies: those that surpassed expectations or stayed consistent with guidance received positive attention, while a few companies faced significant challenges due to idiosyncratic risks.

Post quarter end, gold rallied to new highs in spite of higher-than-expected US CPI and strong US employment, which has pushed out market expectations on the timing of FED rate cuts. The price movement caught many off guard, given the breakdown of longstanding traditional relationships, but can best be explained by an increase in uncertainty fuelling safe haven demand.

We foresee the gold price maintaining support over the near term as the Federal Reserve nears a potential pivot in the rates cycle, leading to a decrease in real rates and possibly a weakening of the US dollar. Ongoing conflicts, geopolitical risks, upcoming elections, and economic stress in certain sectors of the US economy are anticipated to sustain safe haven demand for gold. However, key downside risks to the gold price include a decline in safe haven demand, reduced physical demand due to higher prices, or further delays in expectations for rate cuts.

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Current Fund positioning

Given our positive outlook on gold and gold equities, we continued to adopt a slow, deliberate and balanced approach in making significant changes to the 'gold only' portfolio acquired on December 1, 2023. As of this review, the Fund's allocation stands at 87% in 'Precious Metals,' 9% in 'Other Resources,' and 4% in Cash. Our strategic goal is to achieve a more equitable distribution, aiming for a 50%-50% split between 'Precious Metals' and 'Other Resources' in the medium term. This plan involves strategically repositioning the portfolio towards commodities offering compelling long-term upside.

Annualised Performance*

	QTD	YTD	1 Year	3 Year	5 Year
B GBP Inc	-0.4	-0.4	-10.5	-1.1	4.4
S&P/TSX Global Gold $	1.1	1.1	-5.6	3.4	10.7

Discrete Performance

12 months to	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20
B GBP Inc	-10.5	-13.1	24.3	20.6	6.3
S&P/TSX Global Gold $	-5.6	-11.0	31.6	25.1	20.1

Past performance is not an indicator of future performance. **Performance beyond one year is annualized.*

Source: Morningstar as at 31 March 2024. NAV to NAV figures are used. Net of charges, assumes net income reinvested.

Important Information

The Fund invests in shares of gold mining and precious metals companies. The price of gold or other natural resources may be subject to unexpected and substantial fluctuations, this may lead to significant declines in the values of any companies developing these resources in which the Fund invests and significantly impact the Net Asset Value of the Fund. The Fund has holdings which are denominated in currencies other than sterling and may be affected by movements in exchange rates. Consequently the value of an investment may rise or fall in line with the exchange rates.

The value of this portfolio is subject to fluctuation and past performance is not necessarily a guide to future performance. The performance is calculated for the portfolio and the actual individual investor performance will differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. All terms exclude costs. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Do remember that the value of participatory interests or the investment and the income generated from them may go down as well as up and is not guaranteed, therefore, you may not get back the amount originally invested and potentially risk total loss of capital. Therefore, the Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Manager has the right to close any Portfolios to new investors to manage them more efficiently in accordance with their mandates. Collective Investment Schemes (CIS) are generally medium to long term investments. A schedule of fees and charges and maximum commissions is available on request free of charge from the Authorised Corporate Director, the Investment Manager or at www.sanlam.co.uk.

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