Ninety One

Global Gold

Market context

The price of gold touched new highs in Q3, rising another 13% over the quarter to US$2,634 per Troy ounce. That brought its gain over the first nine months of 2024 to +28%. The precious metal continued to be supported by the shift into a declining interest-rate cycle and a desire for perceived safe-haven investments amid geopolitical tensions. Uncertainty over US debt and strong buying also supported gold. The shares of gold-producing companies, as represented by the NYSE Arca Gold Miners Index, delivered similar gains, of 17% in Q3 and 29% over the year to end-Q3. Holdings of gold by exchange-traded funds (ETFs), seen as a broad indicator of desire to hold gold, increased by about 3% in Q3 to 83.33 million ounces.

Performance

The Strategy delivered a positive total return and outperformed the NYSE Arca Miners Index over the quarter, in USD, gross and net of fees*. At the stock level, the main contributors to relative returns included an above-benchmark weighting in Evolution Mining, which outperformed after markets welcomed expectations-beating results released in August. It is also more leveraged to the gold price. Not holding Franco-Nevada also contributed, with the stock underperforming due to its energy sector exposure and because it is a royalty and streaming company, which are typically less leveraged to the physical gold price. Other contributors included an overweight in Centamin, which has operations in Egypt and Côte d'Ivoire and which outperformed after agreeing to be acquired by AngloGold Ashanti for £1.9 billion. An overweight in Hecla Mining also contributed, following the release of a good production report. Finally, a zero weight in Peru-headquartered Compania de Minas Buenaventura contributed, with the company underperforming its peers in the gold-equity benchmark due to having relatively high copper exposure.

The main detractors from relative returns included an underweight in Newmont, which outperformed the benchmark as it continued to recover from a poor start to the year as the market grew more comfortable with its operational performance and as it made progress on asset sales. It is also relatively more leveraged to the gold price. An overweight in K92 was another detractor, after reporting results that missed expectations, partly following some operational challenges at a mine in Papua New Guinea. Other detractors included an overweight in Triple Flag Precious Metals, which underperformed as it is less leveraged to the price of gold, and as the market reacted cautiously to a change in leadership. An overweight in Pan American Silver also detracted, with silver-focused equities generally underperforming gold-focused stocks in the quarter. Finally, an underweight in Zijin Mining detracted, partly as the stock benefited from the strong rally in Chinese equities towards the end of the quarter following the announcement of new stimulus measures.

Portfolio activity

Significant buys

- Anglo American Platinum: we participated in a stake sale at a discount by Anglo American. We see demand increasing for

[1] Where performance is gross of fees, returns will be reduced by management fees and other expenses incurred. Net performance is net of highest institutional segregated portfolio management fee.
Not all securities held have been discussed. For further information on how the overall strategy performed during the period covered, please reference the relative performance noted in the Performance review section.

platinum group metals (PGMs) and prices bottoming due to changing forecasts on hybrid cars, as the transition to electric vehicles slows. A PGM supply rationalisation also supports the outlook.

Significant sells

- There were no full exits in the quarter.

Outlook

Gold set new records all the way through Q3. A combination of falling interest-rate expectations, uncertainty around high US government debt levels and retail/household buying drove the market higher. The precious metal reached US$2,686 intraday before consolidating between US$2,600 and US$2,650. We see gold holding its gains in the near term, and some upside risk remains through Q2 of 2025. Gold equities still looks promising, in our view, with significant margins and free cashflow now being achieved.

The portfolio remains almost entirely invested in gold equities. A large allocation to gold equities is a consistent feature of the portfolio relative to many of our peers. And while we have added some small-cap exposure this year, we remain focused on companies that are producers and that do not have what we regard as excessive levels of leverage.

Specific risks.

Geographic / Sector: Investments may be primarily concentrated in specific countries, geographical regions and/or industry sectors. This may mean that the resulting value may decrease whilst portfolios more broadly invested might grow. Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income. Equity investment: The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company. Concentrated portfolio: The portfolio invests in a relatively small number of individual holdings. This may mean wider fluctuations in value than more broadly invested portfolios. Commodity-related investment: Commodity prices can be extremely volatile and significant losses may be made.