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Quarterly Update

SVS Sanlam Global Gold and Resources Fund

Q4 2024

Market Review – Macro Backdrop

The year 2024 was marked by instability, uncertainty, and change across markets, economies, and politics, setting the stage for a challenging 2025.

Global political dynamics experienced significant upheaval as elections across numerous countries produced unpredictable outcomes and major shifts in power among political factions. This has introduced heightened potential for instability as societies adjust to these changes.

Geopolitically, 2024 was turbulent. The Ukraine-Russia conflict continued unabated, while the Middle East remained volatile. Clashes in Gaza, tensions between Israel and Iran, conflicts involving Israel and Lebanon, and ongoing fighting in Yemen painted a grim picture. Additionally, an uprising in Syria resulted in the overthrow of the Assad dynasty after five decades of rule. Despite international calls for peace, most of these conflicts remain unresolved.

From an economic perspective, the United States demonstrated resilience, with continued growth and no tangible signs of a recession. Conversely, the Eurozone and China struggled under declining growth and mounting economic pressures, despite intervention from monetary and fiscal authorities. Global economic growth remained positive but uneven, leaving the outlook for 2025 increasingly uncertain.

According to the December 2024 JP Morgan Global Manufacturing PMI, the global manufacturing sector contracted at year-end, with both output and new orders declining. Regional variations were notable, with business conditions heavily influenced by the possibility of U.S. tariffs in 2025. While global manufacturing stagnated in Q4-24, the accelerated decline in international new orders was particularly concerning.

While core inflation is easing globally, monetary policy responses are becoming increasingly differentiated:

- United States: Fewer rate cuts are expected in 2025 due to persistent service-sector inflation, a tight labour market, and inflationary pressures from potential tariffs.
- Eurozone: Growth challenges, particularly in manufacturing, are likely to accelerate the easing cycle.
- China: Additional rate cuts and broader monetary policy reforms are anticipated.
- Japan: Further rate hikes toward the Bank of Japan's 1.0% normalization target are expected, supported by recovering growth.

A more hawkish Federal Reserve and divergent interest rate cycles are likely to sustain U.S. dollar strength in 2025. While this could dampen raw material demand in countries with weaker currencies, depreciation of the euro, renminbi, and yen may boost export competitiveness, partially offsetting the impact of U.S. tariffs.

Market Review - Metals & Mining Ex Gold

The outlook for the Resources sector in early 2025 is fraught with challenges, including potential demand destruction from increased U.S. tariffs on global trade, slowing growth in China, and the delayed effects of high interest rates on demand for manufactured goods in Europe and North America.

Fund Information

Fund AUM (GBP)	22,146,886
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 Derick Deale Siphelele Mhlongo
Dealing Deadline	11:59
Valuation Point	12:00
Settlement Period	T+4
Risk Reward Indicator	7
3yr Volatility	25.46

Though U.S. tariffs are expected to exert a net negative effect on import demand, other factors—such as falling interest rates outside the U.S., weaker currencies boosting exports, and foreign direct investment (FDI) workarounds—could mitigate these effects. If successful, Q4-24 may have marked the cyclical low for industrial raw material demand, with prospects for recovery gaining momentum.

However, demand recovery is likely to remain uneven. Growth in manufacturing and industrial production across Asia and emerging markets, particularly in India, Brazil, and ASEAN economies, will be crucial. China's infrastructure and high-tech manufacturing initiatives will also play a significant role in shaping demand dynamics.

Key Risks we are watching

- U.S. Tariffs: Aggressive measures could strengthen the U.S. dollar, slow global growth, and pressure industrial metals.
- Chinese Stimulus: The scale and timing of stimulus measures will heavily influence demand for commodities.
- Geopolitical Conflicts: A resolution to the Ukraine-Russia war could lower energy prices, impacting commodities like coal and aluminium.

In summary, while the fundamentals for the Resources sector show promise, navigating the intersecting risks of geopolitical tensions, protectionist policies, and uneven economic recoveries will be critical to shaping outcomes in 2025.

Market Review - Gold

Gold prices exhibited significant volatility in Q4 2024, ending the quarter down 1.5% after trading in a wide range between US$2,550/oz and US$2,800/oz. This follows an impressive rally earlier in the year, where gold surged by over US$700/oz from March lows to nearly US$2,800/oz—setting a new record high—driven by pre-election uncertainty in the U.S. Post-election, gold prices consolidated as market expectations for inflationary fiscal policies prompted an upward shift in rate projections, increasing the opportunity cost of holding gold. The December FOMC minutes further reflected this sentiment, with some participants advocating for maintaining the current rate range due to heightened risks of persistently elevated inflation. Projections for the Fed funds rate were revised upward by 50 basis points for both 2025 and 2026 compared to September estimates, with slight increases in the long-term outlook.

ETF gold holdings mirrored price trends, showing a 1-million-ounce build leading up to the elections, followed by a near-complete reversal by the end of the quarter.

Despite rising rates, gold exhibited resilience. Over the quarter, 10-year TIPS yields—traditionally a key driver of gold prices—rose by almost 70 basis points, yet gold prices experienced only a marginal decline. This divergence may reflect:

- A crowded trade unwinding: Heavy pre-election gold buying likely reversed post-election.
- Seasonal physical demand: Robust Indian demand during the festive season supported prices.
- Central bank activity: China's central bank resumed gold purchases in November after a six-month hiatus, adding to global demand.

Gold mining stocks underperformed the metal in Q4 2024, as mixed Q3 operational results and negative guidance revisions weighed on investor sentiment. Several miners missed expectations, leading to a broad de-rating of valuation multiples. Many companies face pressure to deliver strong Q4 results to meet annual guidance. Additionally, geopolitical risks—including disputes between mining firms and host governments in higher-risk jurisdictions—have dampened investor enthusiasm. On a positive note, mergers and acquisitions within the sector continue to gain traction as miners seek to enhance portfolio quality, bolster reserves, and strengthen growth pipelines.

Outlook and Risks for 2025

We maintain a positive outlook on gold and silver for 2025, supported by a favourable monetary environment. While rate cut expectations have been tempered, concerns over rising global public debt partially offset the opportunity cost of higher yields.

Key drivers of demand include:

- Geopolitical tensions: Elevated risks and potential global conflict resolutions under a Trump presidency.
- Trade and fiscal policies: Risks of enduring inflation from loose fiscal policy and potential trade wars.

- Central bank and retail demand: Sustained central bank buying and robust Chinese retail demand, particularly during the Lunar New Year, as gold remains attractive compared to underperforming local investment options such as real estate.

Downside risks include:

- Declining safe-haven demand: Reduced geopolitical or economic uncertainty could weigh on investor interest.
- Price-driven demand constraints: Elevated gold prices might limit physical demand.
- Interest rate uncertainty: A prolonged or shallower rate-cutting cycle could restrict price appreciation.

While risks remain, gold's role as a hedge against inflation, currency devaluation, and geopolitical instability ensures it will remain a cornerstone of investor portfolios in 2025.

Current Fund Positioning

Gold currently remains one of our preferred exposures within the Resources sector. Consequently, we are deliberately taking a measured approach in reallocating the portfolio toward non-gold mining companies, consistent with our stated strategy. This approach prioritizes maintaining more than 50% of the fund's exposure to gold and precious metals while also incorporating high-quality resource companies. These companies are selected for their alignment with favorable long-term commodity fundamentals, allowing the portfolio to deliver sustainable growth while effectively managing associated risks.

Annualised Performance*

	QTD	YTD	1 Year	3 Year	5 Year
B GBP Inc	-6.9	9.8	9.8	1.0	1.9
S&P/TSX Global Gold £	-7.7	12.7	12.7	5.4	6.3

Discrete Performance

12 months to	Dec-24	Dec-23	Dec-22	Dec-21	Dec-20
B GBP Inc	9.8	-3.0	-3.3	-14.3	24.3
S&P/TSX Global Gold £	12.7	1.4	2.4	-3.6	20.4

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

Source: Morningstar as at 31 December 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 are traded at ruling prices and can engage in borrowing and scrip lending. 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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