

# AMG Gold - Mines & Metals

Report as of November 30, 2018

## Review November

Precious metal stocks have been trading roughly sideways since August. In detail, however, it is a great deal more complex, since the divergence of the share price performance of the individual stocks is great and can only be explained in isolated cases. Many shares, which were still in the investors' favour until mid-year, were trading down by 30-40% by the dozen for no plausible reason. The lack of liquidity, the acceleration of the downward trend by algotraders and an increasing reluctance on the part of investors to invest in this sector are putting more and more pressure on the mood. Even a stable gold price (+0.7% in November) could not contribute to a widespread buying of precious metal stocks. In our portfolio, 17 equities closed the month positive, 18 negative. The performance winners were the large index heavyweights, the losers the smaller stocks. In November, the "GDX" ETF (large stocks) outperformed the "GDXJ" (smaller stocks) by 3.5%. We have not seen such a discrepancy for a long time.

The average gold selling price for 2018 will be in the region of USD 1,265 (USD 1271 for the first 11 months), a small increase over 2017. Nobody really cares.

Companies were very quiet on the news front. **Pan American Silver** (PAAS) has acquired the long-suffering **Tahoe Resources** (THO). Unfortunately, a high premium of 45% (compared to the closing price before the announcement) was paid for the company. Accordingly, PAAS was immediately punished with 10% share price drop after the announcement. We cannot understand why PAAS paid a premium for a company like Tahoe. We have now a perfect example with **Barrick Gold** (ABX) and **Randgold** (GOLD), which shows us how much value a merger with a 0% premium deal can generate (+26% since announcement). Mark Bristow (CEO of the "new" Barrick) had several investor days in November (London, New York). The previous Randgold criteria will also apply in the newly formed company, i.e. a project (production) must have a minimum IRR of 15% at a gold price of USD 1,000 with reserves of >5 million ounces of gold or 20% at reserves of 3 million ounces (less reserves need a higher return). Accordingly, Barrick will have a few "assets" in their portfolio for sale. Bristow puts profitability in the foreground - which is absolutely quite right so. In addition, the decentralisation of management structures will lead to massive cost savings. Each mine must prove itself as an independent company, which plays a particularly important role in capital allocation.

Almost without exception, the break-even costs of gold producers have risen this year due to various cost components (higher taxes and royalties as examples). The 65 largest companies together have now a market capitalization of less than USD 200 bn. We have increased our focus in the large senior producers, which currently simply have the better prerequisites to generate profits. We hope that the positive gold price forecasts of some of the brokers for 2019 (BMO USD 1,285, Bo-AML 1,296) will come true. A higher valuation of precious metal stocks would be the logical consequence.

## Facts

Domicile of the Fund:	Switzerland
Fund Management Company:	LLB Swiss Investment AG, Zürich
Custodian Bank:	Bank J. Safra Sarasin Ltd., Basel
Investment Manager:	AMG Fondsverwaltung AG, Zug Fritz Eggimann, Bernhard Graf
Launch date:	18.04.06 Tranche A / 10.01.13 Tranche C 08.08.18 Tranche H
Tranche A (ISIN, Swiss Sec. No.):	CH0024686773, 2468677
Distributions:	Dividend & Capital Gain distributing
Tranche C (ISIN, Swiss Sec. No.):	CH0197484386, 19748438
Distributions:	Dividend & Capital Gain distributing
Tranche H (ISIN, Swiss Sec. No.): FX hedged	CH0420487941, 42048794
Distributions:	Dividend & Capital Gain distributing
Subscription / Redemption:	Daily / no fees
Performance Fee:	8% over 5% Hurdle, with High Water Mark
High Water Mark and Hurdle:	CHF 226.74 - Tranchen A / C / H
Management Fee:	1.50% - Tranchen A; 1.0% - Tranche C + H
TER (Total Expense Ratio) as of 31.12.2017:	1.75% - Tranchen A; 1.25% - Tranche C n/a - Tranche H

## Breakdown by Currencies

CHF	0.1%	USD	50.8%
GBP	2.5%	Silver	0.0%
AUD	9.0%	Gold	7.5%
CAD	30.1%	Palladium / Platin	0.0%
GBP	0.0%		

## Distributions

Until now none

## Key Figures

<b>Net Asset Value (Tranche A):</b>	<b>CHF 60.63</b>
Number of Shares Issued:	394'708
<b>Net Asset Value (Tranche C):</b>	<b>CHF 62.47</b>
Number of Shares Issued:	1'231'942
<b>Net Asset Value (Tranche H, FX hedged):</b>	<b>CHF 61.93</b>
Number of Shares Issued:	68'110
Total Net Asset Value:	CHF 105.2mn

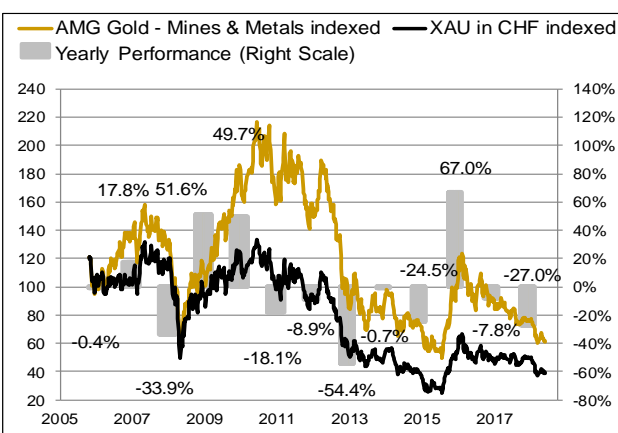
## Performance - Tranche A, since inception 18.4.2006

	1 Mt	3 Mt	12 Mt	3 Years*	5 Years*	since inception*
Fund	-3.1%	-4.7%	-24.3%	3.0%	-4.4%	-5.3%
XAU	-0.4%	0.6%	-17.4%	10.7%	-3.8%	-8.5%

\*p.a.

XAU = The Philadelphia Stock Exchange Gold & Silver Index

	2018	2017	2016	2015	2014	since inception
Fund	-27.0%	-7.9%	67.0%	-24.5%	-0.7%	-49.5%
XAU	-22.5%	3.7%	76.8%	-33.7%	-8.7%	-67.4%



Please find the detailed performance overview under [www.amg.ch](http://www.amg.ch)

## Risk Ratios (rolling over the last 3 Years)

Volatility (p.a.):	33.0%
Sharpe Ratio (-0.74% Risk Free Rate)	0.13
Beta (vs. XAU)	0.90

## Breakdown by Sectors

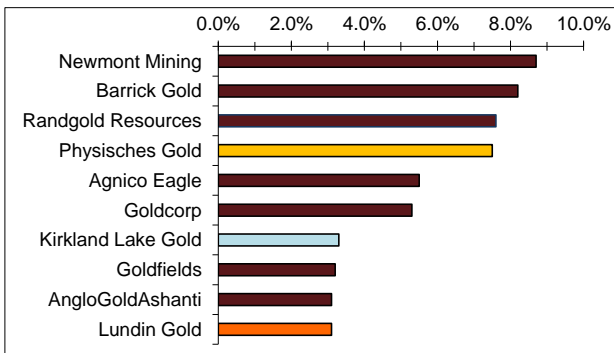
Seniors	51.2%
Intermediates	19.2%
Juniors	3.1%
Silver Stocks	8.7%
Explorers	7.2%
Royalties	2.0%
Gold Bullion	7.5%
Silver metal account	0.0%
Palladium/Platin	0.0%
Cash	1.1%

## Engagement

Long Position: 98.9%

Cash: 1.1%

## Largest Positions



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