

# AMG Gold - Mines & Metals

Report as of December 31, 2018

## Review December

December was a conciliatory month for precious metal stocks, which had a strong year-end rally. We like the relative strength of this sector compared to the global equity markets (MSCI World Index), which corrected sharply in December. In late summer, investors were too tempted to sell the gold mining sector due to a lack of upside potential and to run after the high-flyers in the technology sector. In particular, we like the fact that the price of gold rightly moved up with rising stock market volatility, and that precious metal stocks uncoupled themselves from global stock market turbulence.

The gold price rose by 4.9% in December and closed the year with a modest minus of 1.6%. At first glance, the performance of the gold mining sector looks meager against the gold price again this year. The fact is, however, that over three years the mines have performed around three times better than physical gold. We explain this in detail in our annual report.

The December performance brings the average gold selling price for the mining industry for the fourth quarter (Q4) to USD 1,228, only marginally higher than in Q3 (USD 1,217). This is an important price for the quarterly results of the sector, which will be published from the end of January 2019 onwards. We are a little cautious about the earnings relative to the positive stock price movements for the Q4 period. At first glance earnings might disappoint once again on several occasions. At the same time, however, we are optimistic that the companies will provide a positive outlook with their results. A \$50 higher gold price has currently an enormous leverage effect on the profitability of gold mines.

On the news front, there was not much new in December. **Kirkland Lake Gold (KL)** has announced its production outlook for the next few years. The company has greatly increased its drilling program at its producing mines over the past 12 months and has now reported further positive results. Production will continue to increase through higher grades. For 2019 the range is 740-800k ounces (compared to 665k for 2018) and further production growth with existing mines is expected for 2020 and 2021. You have to admit to the management of this company, that they are doing everything the right way. Accordingly, we have further increased our portfolio position in the stock. **Wheaton Precious Metals (WPM)** was able to settle its tax dispute with the Canadian tax authorities without any subsequent payments. This is extremely positive for the company as they have put a lot of money aside for it. After the news announcement, the share price has risen sharply. We did not expect an outcome before 2019 and hence, did not have the stock in our portfolio, as it lagged behind the sector in relative comparison before the announcement. The stock is still trading with a large discount to its competitors in the royalty business and so we will consider a possible positioning in the event of share price setbacks.

The gold price has a high negative correlation to the USD. We have long been of the opinion that the cycle of interest rate hikes by the US central bank (FED) will sooner rather than later come to an end in 2019 and that this will have an effect to the USD. For this reason, we are quite optimistic for the precious metals sector in 2019.

## 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	0.2%	USD	50.6%
GBP	2.6%	Silver	0.0%
AUD	10.5%	Gold	5.2%
CAD	30.9%	Palladium / Platin	0.0%
GBP	0.0%		

## Distributions

Until now none

## Key Figures

<b>Net Asset Value (Tranche A):</b>	<b>CHF 66.85</b>
Number of Shares Issued:	359'903
<b>Net Asset Value (Tranche C):</b>	<b>CHF 68.88</b>
Number of Shares Issued:	1'205'967
<b>Net Asset Value (Tranche H, FX hedged):</b>	<b>CHF 69.73</b>
Number of Shares Issued:	61'105
Total Net Asset Value:	CHF 111.4mn

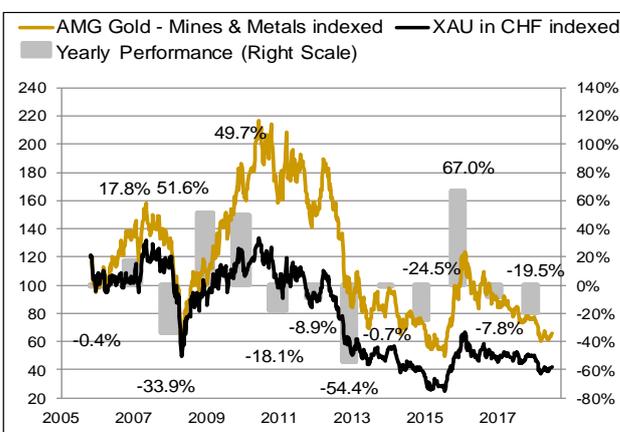
## Performance - Tranche A, since inception 18.4.2006

	1 Mt	3 Mt	12 Mt	3 Years*	5 Years*	since inception*
Fund	10.3%	7.1%	-19.5%	7.4%	-1.5%	-4.5%
XAU	8.1%	9.4%	-16.2%	15.4%	-1.4%	-7.9%

\*p.a.

XAU = The Philadelphia Stock Exchange Gold & Silver Index

	2018	2017	2016	2015	2014	since inception
Fund	-19.5%	-7.9%	67.0%	-24.5%	-0.7%	-44.3%
XAU	-16.2%	3.7%	76.8%	-33.7%	-8.7%	-64.7%



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.):	32.7%
Sharpe Ratio (-0.74% Risk Free Rate)	0.21
Beta (vs. XAU)	0.90

## Breakdown by Sectors

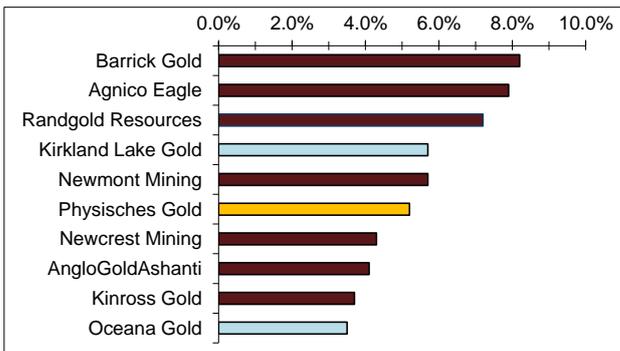
Seniors	50.8%
Intermediates	21.3%
Juniors	3.3%
Silver Stocks	9.3%
Explorers	7.7%
Royalties	1.9%
Gold Bullion	5.2%
Silver metal account	0.0%
Palladium/Platin	0.0%
Cash	0.5%

## Engagement

Long Position: 99.5%

Cash: 0.5%

## Largest Positions



**Disclaimer:** While AMG Fondsverwaltung AG has made every effort to ensure that the information on this document is correct at the time of publication, AMG can make no representation or warranty (including liability to third parties) either expressly or by implication as to the accuracy, reliability or completeness of the said information. The future performance of an investment cannot be deduced from previous market value, i.e. the value of an investment may fall as well as rise. Performance was calculated without commissions and fees for subscription or redemption.