

AMG Gold - Mines & Metals

Report as of January 31, 2019

Review January

To start, precious metal stocks had to digest the strong performance of the December in January. In addition, many companies have already published their production figures for Q4, which in some cases triggered large share price movements. Positive developments were rewarded with big price jumps, negative developments were brutally punished. The gold price, which over the last few months correlated negatively with the global stock markets, held up extremely well despite the bull market and even managed to overcome the psychological hurdle of USD 1,300. This advance will have a very positive impact on gold producers' margins for the new quarter.

The white metals also stood out, especially palladium, which reached another all-time ever high this month.

Sibanye Gold (SBGL) is one of the largest palladium producers in our portfolio. SBGL produced 1.3 million ounces of palladium last year and will increase production to over 1.5 million ounces this year with the integration of the Lonmin business. SBGL will also produce 1.6 million ounces of platinum, 1.3 million ounces of gold and over 2 million tonnes of chrome. The costs of the South African gold production are unfortunately high and the miners are currently on strike. According to talks with the CEO, Neal John Froneman, there will be a solution with the unions. Negotiations will not only focus on wages, but also on further modernisation and job cuts. With a P/NAV of 0.5x and a PE of 7x for 2019, the valuation of this company is extremely low. For 2020 the profit dynamic looks even better and SBGL will probably start to pay dividends again. In the spotlight this month was **Newmont Gold (NEM)** and **Goldcorp (G)**, which announced a merger in mid-month to form the world's largest gold mining company. Goldcorp shares will be exchanged for Newmont shares (at an 18% premium to the closing price prior to the announcement). The synergies are expected to result in cost savings of USD 100 million. As with the Barrick/Randgold merger, also the "new" Newmont will have assets for USD 1-1.5 billion for sale. Production is now estimated at 6-7 million ounces and the focus is on generating free cash flow (FCF) and dividends. We are not happy with the severance pay of the Goldcorp managers, as the CEO, David Garofalo, had already received a double-digit million amount for his services in 2016 & 2017. We still had a small Goldcorp position, which we sold after the announcement. The rumour mill is now boiling after this merger. **Anglogold Ashanti (AU)** and **Goldfields (GFI)** were passed around as a possible combination, which GFI immediately denied. It is obvious that large companies (senior producers) are being eyed because this is where the biggest savings in "General & Administrative" (G&A) costs lie. The M&A carousel is finally coming into action, as the Barrick/Randgold and Newmont/Goldcorp combination already offers 12 potential assets worth about USD 5.5bn as growth opportunities for the competition in the market. We are curious to see what will be announced next.

With a gold price above USD 1,300, the prospects for precious metals equities have improved. If we take the year 2016 as our yardstick, then there is a significant equity price upside potential.

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	0.0%	USD	54.0%
GBP	2.5%	Silver	0.0%
AUD	10.3%	Gold	0.0%
CAD	33.2%	Palladium / Platin	0.0%
GBP	0.0%		

Distributions

Until now none

Key Figures

Net Asset Value (Tranche A):	CHF 72.00
Number of Shares Issued:	359'442
Net Asset Value (Tranche C):	CHF 74.21
Number of Shares Issued:	1'184'817
Net Asset Value (Tranche H, FX hedged):	CHF 73.45
Number of Shares Issued:	69'605
Total Net Asset Value:	CHF 119.1mn

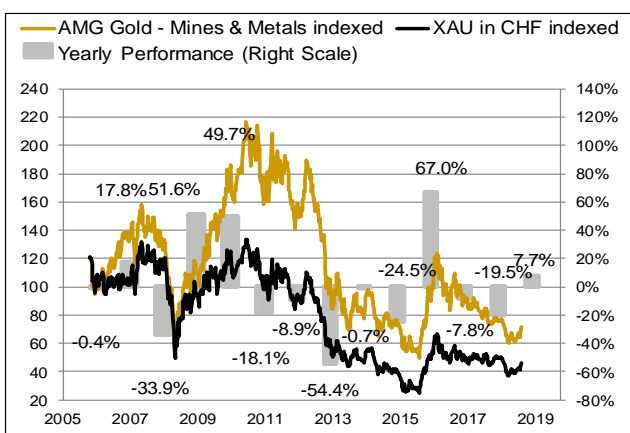
Performance - Tranche A, since inception 18.4.2006

	1 Mt	3 Mt	12 Mt	3 Years*	5 Years*	since inception*
Fund	7.7%	15.1%	-9.9%	8.8%	-2.7%	-3.9%
XAU	8.7%	17.1%	-7.1%	17.1%	-1.6%	-7.2%

*p.a.

XAU = The Philadelphia Stock Exchange Gold & Silver Index

	2019	2018	2017	2016	2015	since inception
Fund	7.7%	-19.5%	-7.9%	67.0%	-24.5%	-40.0%
XAU	8.7%	-16.2%	3.7%	76.8%	-33.7%	-56.1%



Please find the detailed performance overview under www.amg.ch

Risk Ratios (rolling over the last 3 Years)

Volatility (p.a.):	32.2%
Sharpe Ratio (-0.74% Risk Free Rate)	0.32
Beta (vs. XAU)	0.91

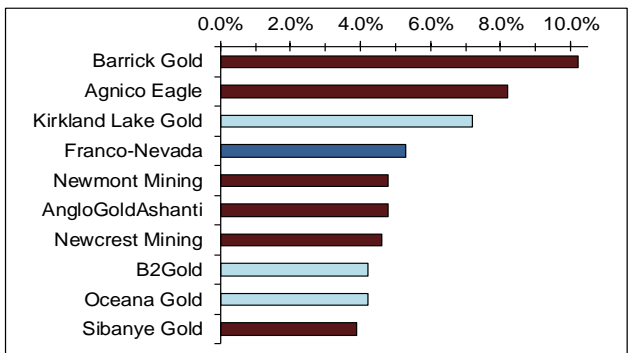
Breakdown by Sectors

Seniors	49.6%
Intermediates	26.2%
Juniors	2.8%
Silver Stocks	7.1%
Explorers	7.2%
Royalties	7.1%
Gold Bullion	0.0%
Silver metal account	0.0%
Palladium/Platin	0.0%
Cash	0.0%

Engagement

Long Position:	100.0%
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Largest Positions



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