

# AMG Gold, Mines & Metals

Report as of March 29, 2019

## Review

The consolidation of share prices in the gold mining sector continued in the first half of March. The subsequent advances were promising until shortly before the end of the month, confirming that the sector is increasingly attracting the attention of many investors. The physical gold price traded little changed in March, but failed to hold the psychologically important USD 1,300 level. For Q1 2019, the average selling price of gold is USD 1,302 (compared to 1,228 in Q4 2018), which represents a nice increase in the margin for the gold mining industry. For 2019, we expect further cost reductions in the sector, so cash flow margins will increase disproportionately. We are curious to see how the Q1 figures of the companies present themselves.

The news front remained quite busy. **Newmont Mining (NEM)** has vehemently rejected **Barrick Gold's (GOLD)** takeover bid. Barrick also immediately rejected NEM's counterproposal to combine only the Nevada assets, as Newmont initially claimed the chair for this JV. But in the end they agreed on a deal with a 62% Barrick, 38% Newmont structure for this region, which will generate cost savings of USD 500 million per year. The Barrick share price benefited greatly. At Barrick, we see great potential for profit growth through CEO Mark Bristow's new strategy. Newmont will push ahead with the **Goldcorp (G)** acquisition as planned and has therefore promised a special dividend of USD 0.88 if the Goldcorp deal goes through. **Franco-Nevada (FNV)** showed its Q4 2018 figures in March, which included a USD 75 million write-down. Adjusted earnings per share were USD 0.24, two cents below expectations. The outlook for "GEO" ("gold equivalent ounces") had to be slightly revised downwards, which was not well received by the market. We sold the entire FNV position before the figures because we expected a disappointment. However, the initial 6% price loss was soon made up. **Wheaton Precious (WPM)** also reported Q4 figures in the same segment. Adjusted earnings per share were USD 0.08, in line with expectations. The outlook for the period 2019-2023 was raised to 750,000 "GEOs" (690,000 in 2018). Accordingly, WPM's share price also changed positively in March. We further increased our position in the portfolio in WPM. **B2Gold (BTO)** also reported a Q4 net profit of zero. However, the cost outlook for 2019 has been lowered and free cash flow (FCF) will rise to over USD 100 million in 2019. The company is growing and is known as a good mine builder. Production will soon exceed one million ounces per year. We have held a position in BTO for some time.

As palladium has risen above USD 1,600 during the month, the **platinum** price seems too low with a discount of almost 50% to palladium. That's why we bought platinum. According to 2019 analysts' estimates, there will be a supply overhang in platinum, but we think that financial investors will compensate with investments.

The prospects for precious metals have brightened in the first quarter of 2019 as a weakening of the global economy may trigger a loosening of central banks' monetary policy. The devaluation of paper money is unfolding according to plan.

## Facts

Domicile of Fund:	Switzerland
Fund Management Company:	LLB Swiss Investment Ltd, Zurich
Custodian Bank:	Bank J. Safra Sarasin Ltd, Basel
Investment Manager:	AMG Fondsverwaltung AG, Zug +41 41 726 71 71, <a href="http://www.amg.ch">www.amg.ch</a>
Launch date:	18.04.2006 (A) / 10.01.2013 (C) / 08.08.2018 (H)
ISIN:	CH0024686773 (A) / CH0197484386 (C) CH0420487941 (H)
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 226.47
Management Fee:	1.5% (A); 1.0% (C + H)
TER (31.12.2018):	1.73% (A); 1.23% (C); 1.25% (H)

## Breakdown by Currencies

USD	63.8%	CAD	23.6%
AUD	10.2%	HKD	2.4%

## Distributions

Until now none

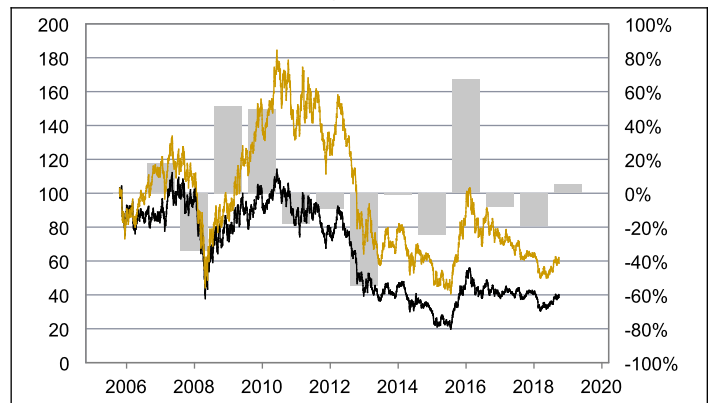
## Key Figures

<b>Net Asset Value (Tranche A):</b>	<b>CHF 70.32</b>
Number of Shares Issued:	351'652
<b>Net Asset Value (Tranche C):</b>	<b>CHF 72.54</b>
Number of Shares Issued:	1'212'036
<b>Net Asset Value (Tranche H, FX-hedged):</b>	<b>CHF 71.66</b>
Number of Shares Issued:	70'645
Total Net Asset Value:	CHF 117.7 Mio.

## Performance - Tranche A

	1 Month	3 Months	12 Months	3 Years*	5 Years*	since inception*
Fund	-2.1%	5.2%	-6.3%	-1.2%	-3.1%	-4.0%
XAU	0.6%	9.2%	-2.1%	4.6%	-1.1%	-7.1%
						*p.a.
	2019	2018	2017	2016	2015	since inception
Fund	5.2%	-19.5%	-7.9%	67.0%	-24.5%	-41.4%
XAU	9.2%	-16.2%	3.7%	76.8%	-33.7%	-61.4%

XAU = The Philadelphia Stock Exchange Gold & Silver Index



Legend: AMG Gold, Mines & Metals indexed (yellow line); XAU in CHF indexed (black line); Yearly performance (right scale) (grey bars)

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

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

Volatility (p.a.):	28.8%
Sharpe Ratio (-0.74% Risk Free Rate):	n/a
Beta (vs. XAU):	0.96

## Breakdown by Sectors

Seniors	46.5%
Intermediates	26.6%
Explorers	7.6%
Royalties	6.6%
Juniors	4.2%
Palladium/Platin	2.9%
Cash	5.6%

## Exposure

Long Position:	94.4%
Cash:	5.6%

## Largest Positions

