Schroder ISF* Global Gold

Fund update: July 2025

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Fund performance

The fund posted a return of 0.00% for July. This compared to the FTSE Gold Mines UCITS Capped Net Tax Index benchmark return of -1.80%.

I shares gross

US$ %	Jul 2025	YTD	Annualised performance				Cumulative Since Inception
			1 Yr	3 Yr	5 Yr	Since inception[1]	
Fund	**0.00**	**59.63**	**53.91**	**36.05**	**7.85**	**10.93**	**156.73**
Benchmark[2]	-1.80	59.90	49.63	31.82	5.57	8.71	113.64

Calendar year performance

US$ %	2015	2016[1]	2017	2018	2019	2020	2021	2022	2023	2024
Fund	-	**-17.6**	**11.3**	**-13.9**	**51.1**	**31.5**	**-17.1**	**-10.5**	**15.5**	**19.0**
Benchmark[2]	-	-23.1	10.2	-10.4	42.7	25.0	-10.4	-12.8	12.4	12.0

Source for performance: Bloomberg I shares gross USD. Performance is on a NAV to NAV basis. [1]Inception 29 June 2016. [2]FTSE Gold Mines UCITS Capped Net Tax Index. The benchmark changed on 15 March 2024. FTSE Gold Mines Index was used prior to this. Typical ongoing charges for I shares are 0.06%.

Risk Considerations:

Capital risk / distribution policy: As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested. **Counterparty risk:** The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole. **Currency risk:** If the fund's investments are denominated in currencies different to the fund's base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in currency rates. **Currency risk / hedged share class:** The currency hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes. **Derivatives risk:** Derivatives, which are financial instruments deriving their value from an underlying asset, may be used to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund. **Emerging markets & frontier risk:** Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets. **Higher volatility risk:** The price of this fund may be more volatile as it may take higher risks in search of higher rewards, meaning the price may go up and down to a greater extent. **Liquidity risk:** In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares, meaning investors may not be able to have immediate access to their holdings. **Market risk:** The value of investments can go up and down and an investor may not get back the amount initially invested. **Operational risk:** Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund. **Performance risk:** Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

Schroders

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Current strategy and portfolio activity

The most notable changes in positioning through July have been further small additions to pre-production baskets including participation in placings for Mithril (Mexican gold/silver), Silver Mountain (Peruvian silver) and Asara (Guinean gold). As we discuss in the gold equity section below, we continue to see a disconnect between pre-production equity valuations and the producer universe. The fund does look to rotate within those baskets, with significant reductions to Founders and Greatland Resources the largest year to date changes, both post strong share price runs.

As a reminder, individual developer positions are small as a percentage of fund NAV but offer explosive upside optionality to fund investors unobtainable in passive vehicles.

Elsewhere the fund re-enforced positions in Pan American Silver and Coeur into upcoming earnings as well as taking profit in our Valterra position amid what we saw as borderline disorderly and (near term) unsustainable moves higher in platinum prices.

Overall fund strategy remains focused on producers with unjustifiably cheap valuations, clear paths to free cash inflections and/or other value surfacing optionality. The fund holds zero bullion and zero royalty/streamer exposure given current valuations and market environment.

Gold market outlook

Spot gold ended July at US$3,385/Oz and traded rangebound through most of the month. Technically we are struck by gold's ability to consolidate horizontally post making major new all-time highs in April. Major tops (which many people still think - wrongly in our view - this was) are usually reversed much more impulsively (chart 1).

Chart 1: Monthly logarithmic gold chart. 2001 – present.

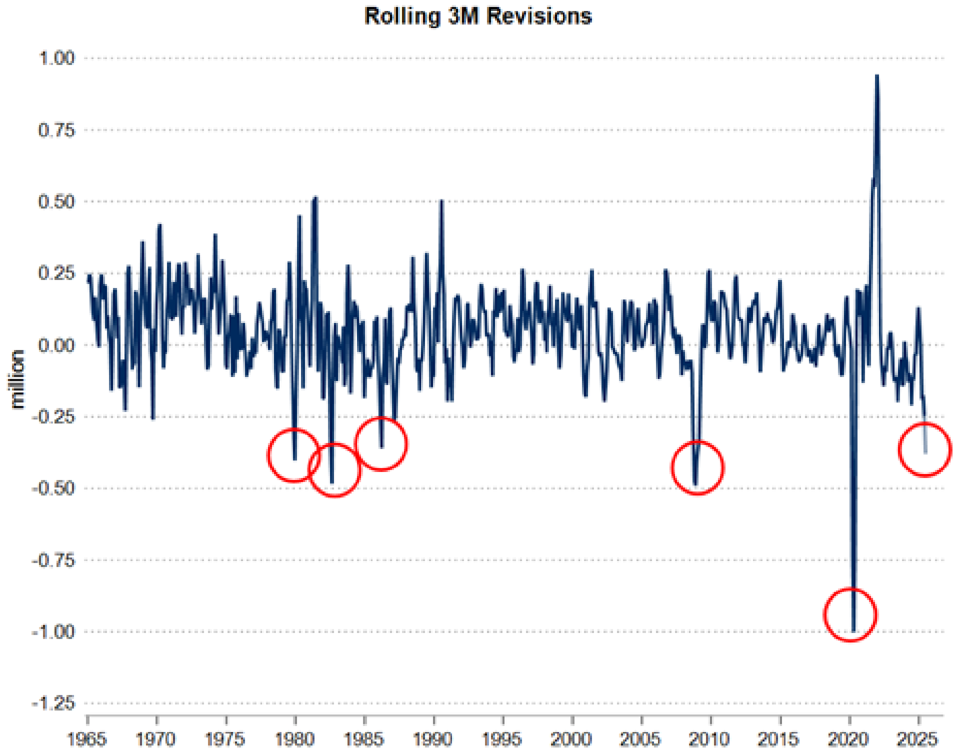
Source: Schroders. EMD and Commodities.

A key question for the gold outlook, because it will impact the path of both Federal reserve interest rates as well as domestic US deficits, is whether the US economy can really absorb the highest import tariffs since 1909-1910 (Fitch), as well as a stifling immigration crackdown, and not suffer any material economic consequences.

In late July, as the White House finished up trade deals implementing tariffs ranging from 10% (UK) to 41% (Syria), US labour market and an array of other data suggested the answer to the above question was a resounding "yes".

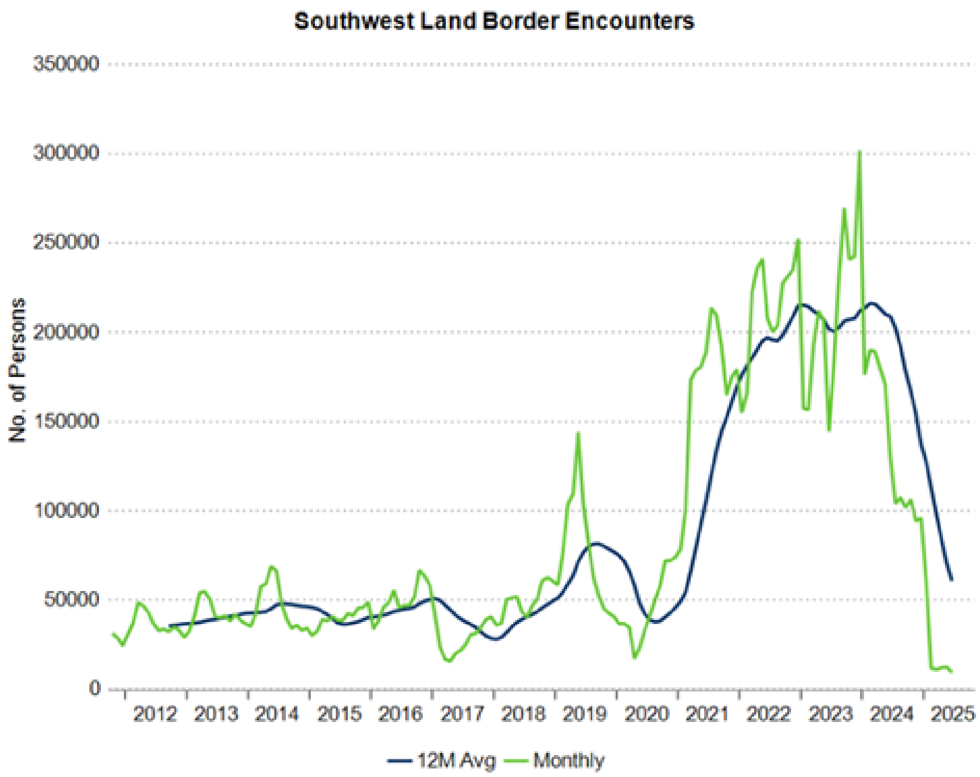
Fast forward to the latest payrolls data issued last Friday and the picture has flipped. Headline job growth was quite weak versus consensus (73k vs 110k consensus with job losses clear in cyclical sectors like manufacturing and business services). More striking were net revisions. On a 3-month rolling basis these are now as weak as the early 1980s, 2008 and 2020 (charts 2 and 3).

Chart 2: US net 3m payroll revisions have dipped below -250k jobs for the 6th time since 1980. Outside the early 80s recession the two other occurrences were 2008 and 2020.



Source: Schroders.

Chart 3: Collapsing US immigration could be having an impact on the labour market

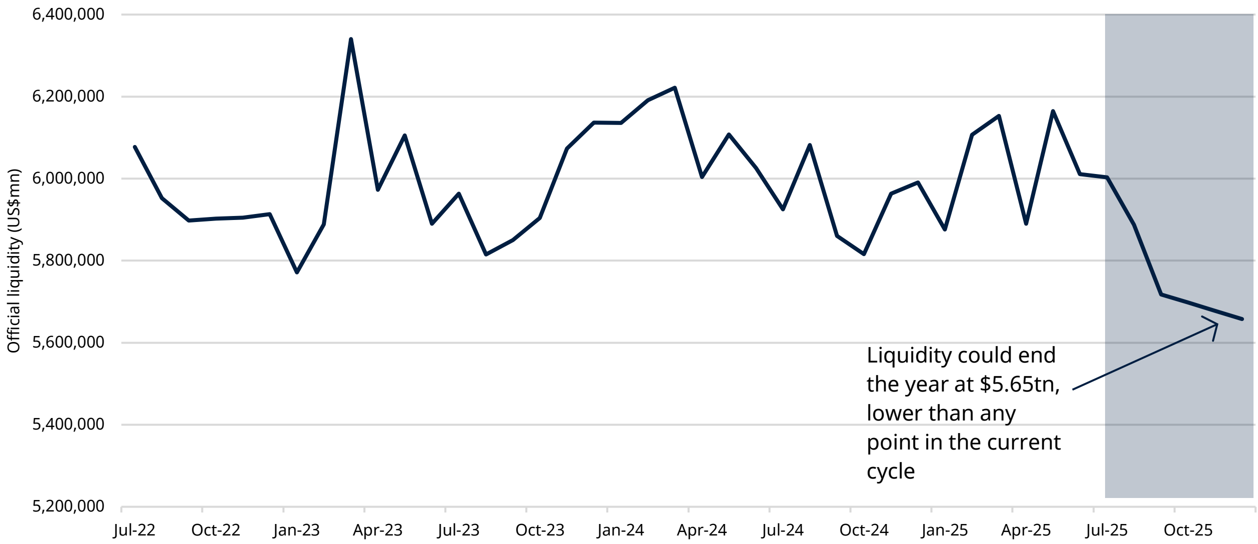


Source: Schroders.

On our desk two other factors stand out. First are ongoing vocal attacks on Governor Powell from President Trump (a de facto attack on Fed independence) which are unlikely to die down (exhibit 1). This comes alongside the firing of Erika McEntarfer from the Bureau of Labour statistics for "politicising" statistical releases (a de facto attack on broader institutional independence). Second, and something we scrutinise closely, is a material worsening in the US liquidity environment which does not bode well for risk asset performance into year-end (chart 4).

Exhibit 1: Trump truth social attack on Powell.

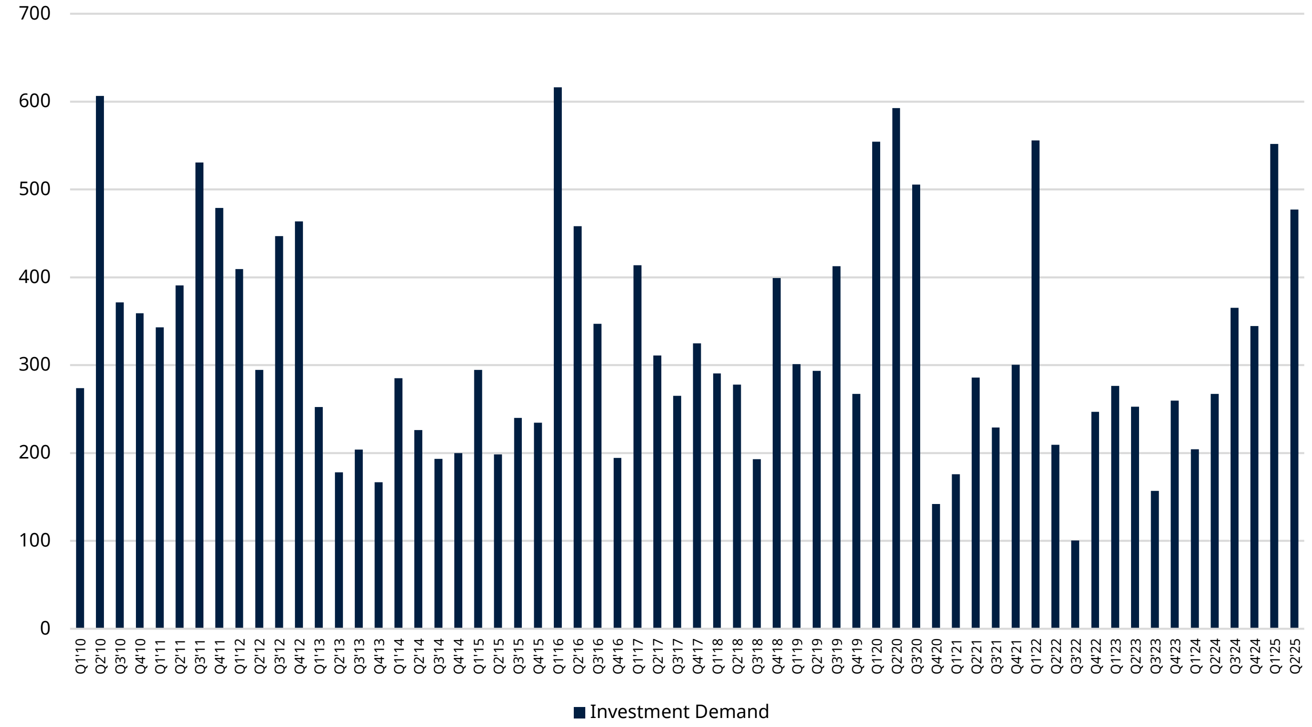
Chart 4: Official US liquidity projected to drain in coming months, acting as a headwind for asset prices



Source: Schroders. EMD and Commodities.

Have these risks not already been discounted by elevated investment demand for gold? The 78% YoY increase in global investment demand (ETFs + bar and coin demand) highlighted in The World Gold Council 2Q quarterly demand update seems to support that sentiment. Factually correct, but some context is helpful. Firstly, aggregate quarterly investment demand is still within the post 2010 range (chart 5). Part of our secular thesis is that we will see meaningful increases in investment demand to well above prior highs in aggregate tonnage terms through this cycle.

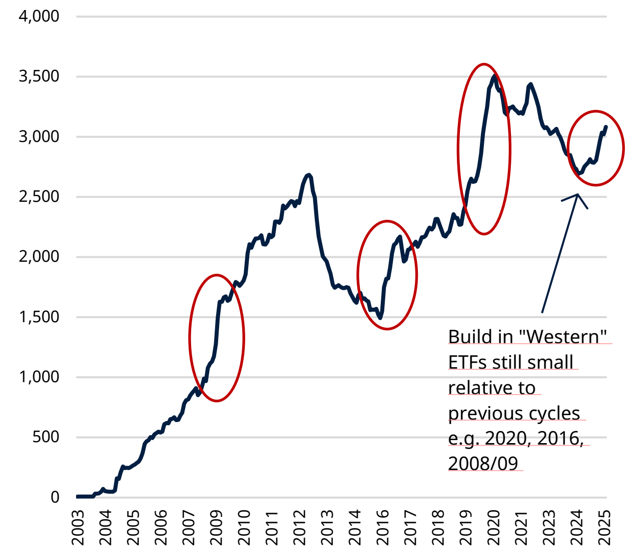
Chart 5: Quarterly investment demand (tonnes) – within the post-2010 range



Source: World Gold Council.

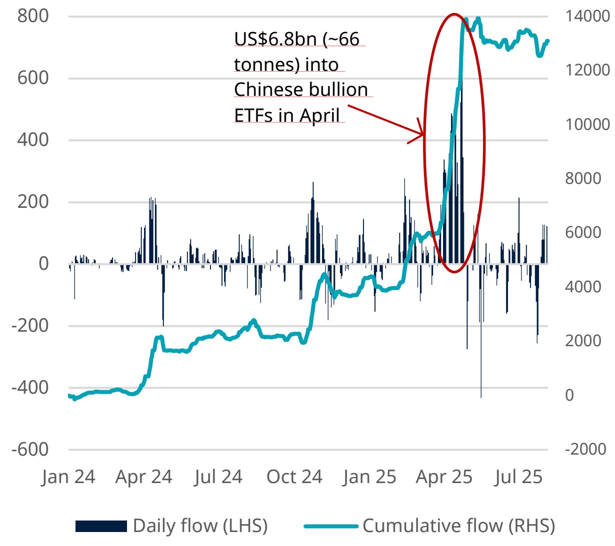
Additionally, the contrast between East and West remains very striking. US and European aggregate ETF flows have been muted compared to past cycles (chart 6) with a large chunk of global ETF growth this year (c.40%) coming from China in April (chart 7).

Chart 6: Aggregate North American and European Gold ETF holdings (metric tonnes)



Source: World Gold Council.

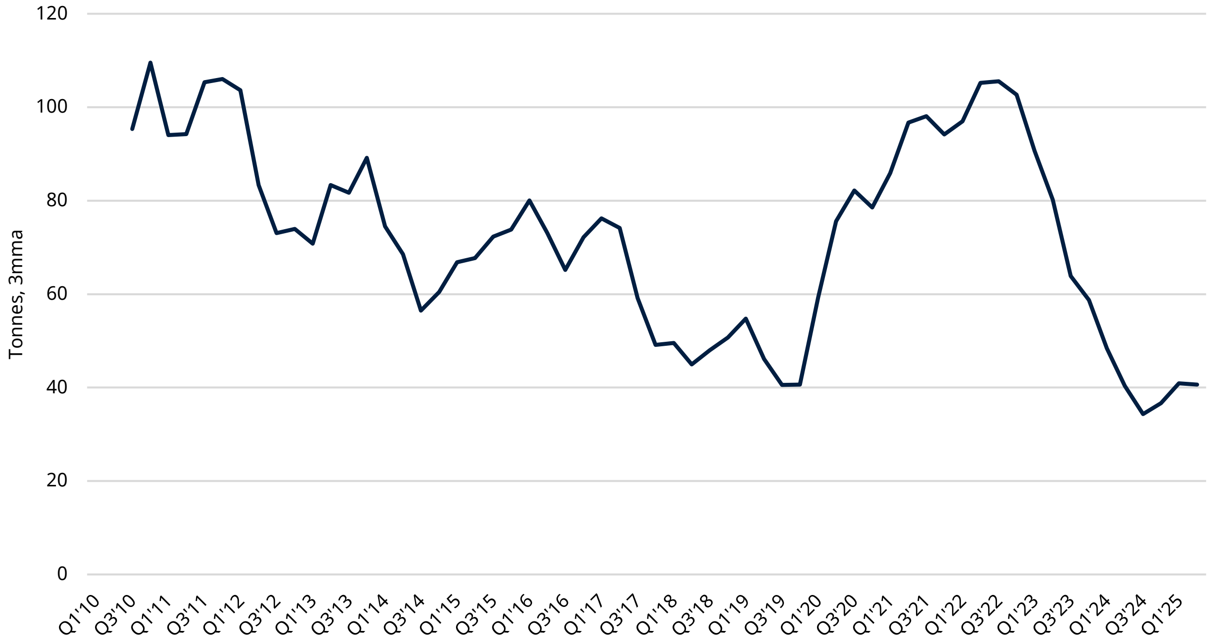
Chart 7: Chinese gold bullion ETF flows (daily and cumulative, US$mn)



Source: Schroders, Bloomberg.

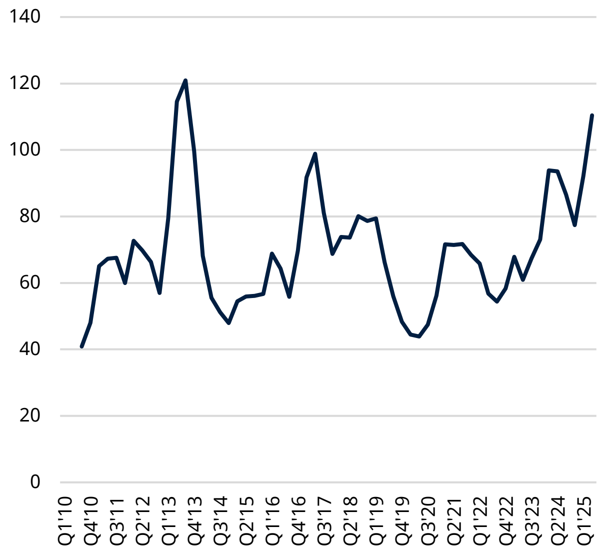
Meanwhile US and European aggregate bar and coin demand is heavily depressed (->60% from peak, chart 8). Again, the contrast to China and the Middle East remains striking (chart 9 and 10). In short, we are nowhere close to seeing the type of truly global bid for gold that we expect to see emerge.

Chart 8: Aggregate US + Europe Bar and Coin Demand (3mma, metric tonnes)



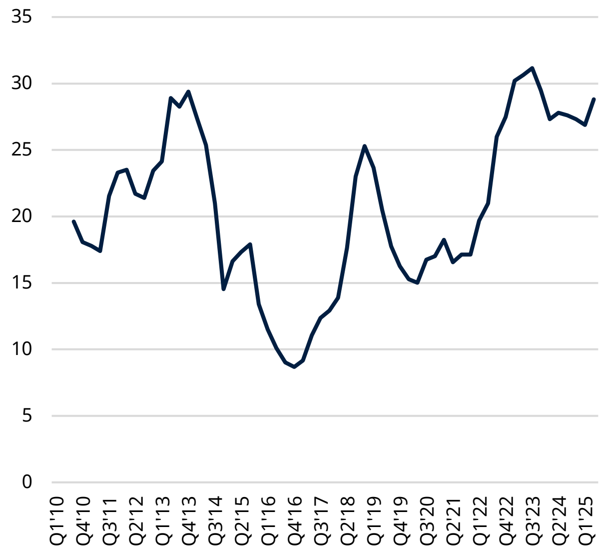
Source: World Gold Council.

Chart 9: Greater China Bar and Coin Demand (3mma, metric tonnes)



Source: World Gold Council.

Chart 10: Middle East Bar and Coin Demand (3mma, metric tonnes)



Source: World Gold Council.

Gold equities

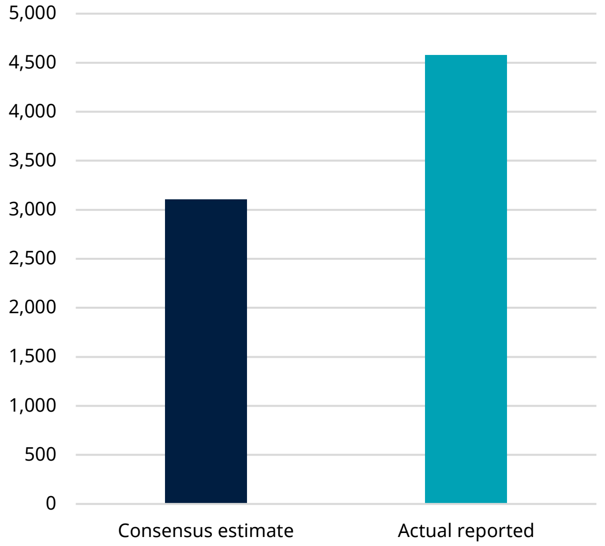
At the time of writing major gold equity benchmarks are up between 57% (Phil gold and silver) and 65% (FTSE gold miners index) for the YTD vs. 28% for gold bullion.

The thesis that margin expansions, resultant strong free cash flow generation and ongoing (aggregate) management discipline would lead to a strong period for gold equities continues to be borne out by financial results.

We are only mid-way through second quarter earnings but so far, the picture is of clear beats to consensus analyst forecasts across metrics, enlarged free cash generation and with it ample scope to increase returns to shareholders. In previous quarters, and particularly in early 2024, gold results while trending in the right direction financially have often been blighted by multiple cases of significant production or cost misses leading to downgrades to annual guidance. So far only Alamos have needed to (negatively) change cost guidance. Even in that case, a significant portion of the adjustment is accounted for by share based compensation expenses (i.e. non-cash).

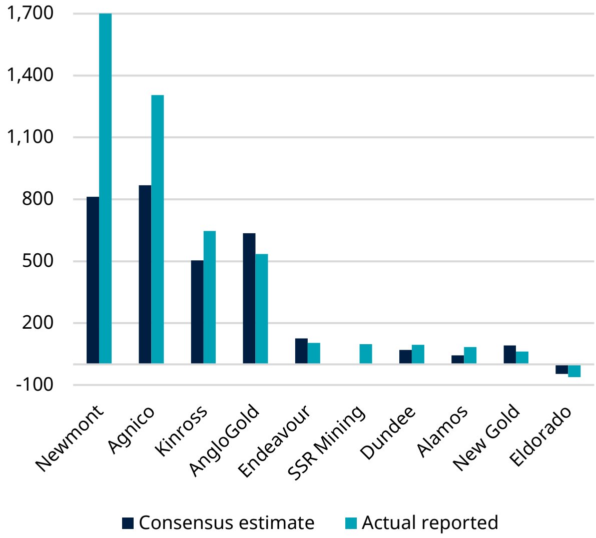
North American listed producers who have reported to date have logged free cash generation of US$4.6bn for the second quarter, 48% higher than the US$3.1bn which Bloomberg consensus expected for the same cohort two weeks ago (chart 11 and 12).

Chart 11: Consensus estimates vs. actual reported Q2 free-cash-flow (aggregate North American producers total US$mn)



Source: Bloomberg, Company reports.

Chart 12: Consensus estimates vs. actual reported Q2 free-cash-flow (North American producers breakdown US$mn)



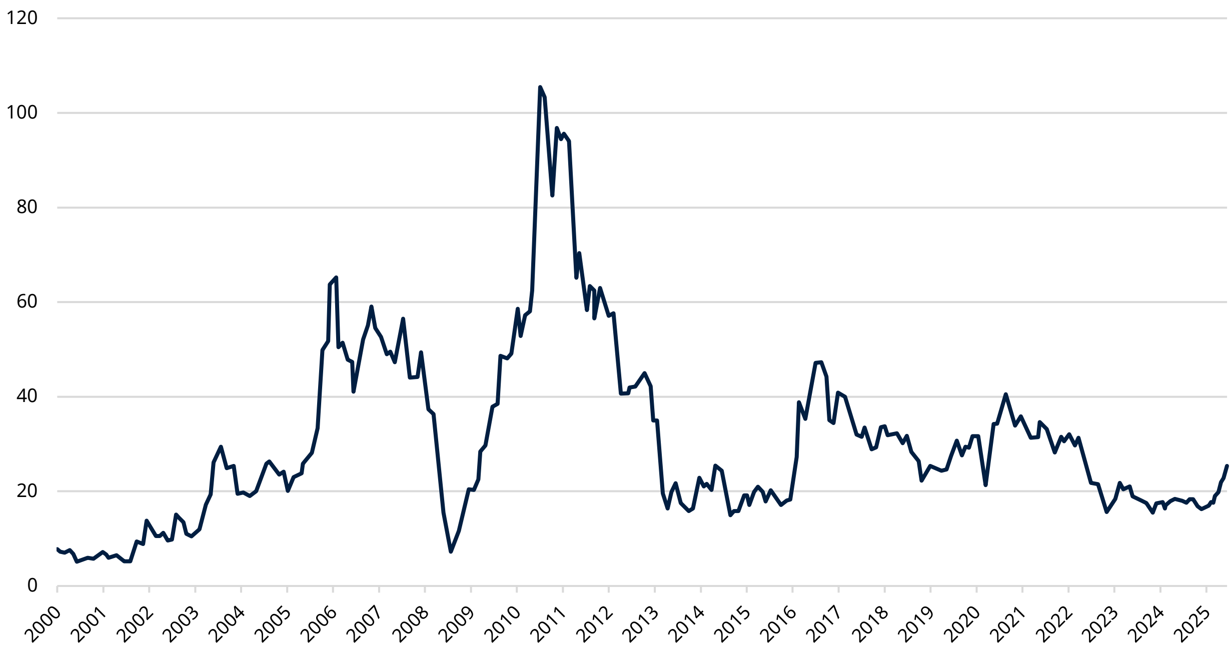
Source: Bloomberg, Company reports.

Production profiles for a significant portion of the producer universe are second half weighted (notably for Newmont, Goldfields and Pan American Silver) and as we discussed last month, we see only moderate operating cost headwinds from a producer FX perspective and expect outright tailwinds from energy prices.

The aggregate producer balance sheet has already tipped into a net cash position. Many of those that aren't currently net cash likely will be by the end of the year. Apart from creating welcome financial resilience for equity holders, we continue to believe that a likely beneficiary of fortress balance sheets will be the junior end of the market. Quality projects across regions are likely to attract increased attention from intermediate and major producers as time moves along and cash balances push higher.

Valuations remain depressed in this part of the universe (chart 13). There has been no "mania" type price action. Partly this is because the "cryptoverse" has diverted significant retail interest away from the space and partly because there simply haven't been large inflows to the broader gold equity strategies. Maintaining a widely diversified exposure to this part of the market remains a core part of our strategy.

Chart 13: Enterprise value per ounce of resource for North American gold developers (US$/oz)

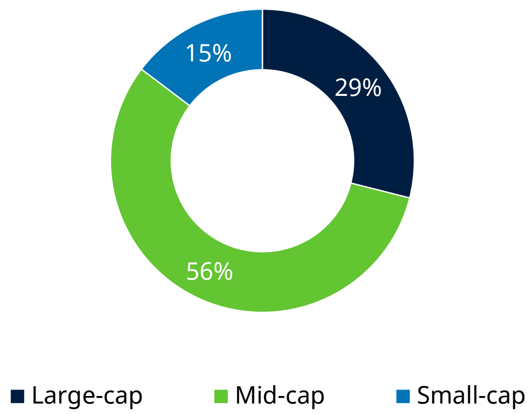


Source: Scotiabank.

Performance attribution

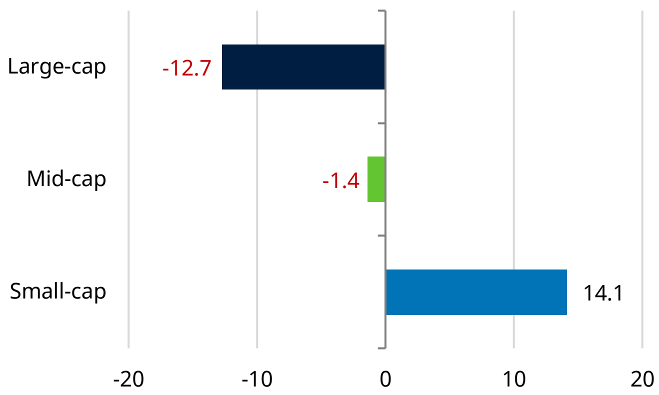
Fund performance in July was 0.00% vs. -1.80% for the benchmark. After being a strong contributor to positive attribution in the first half of the year, Greatland Resources was a negative contributor in July as the stock underperformed off the back of weaker than expected FY26 guidance. Elsewhere negative attribution also came from New Gold and G Mining Ventures, both off benchmark positions that we continue to see significant upside in (for contrasting reasons – one has sector leading free cash today, the other has a sector leading growth profile with best-in-class execution capabilities). We continue to hold a zero weight in Lundin Gold and this active underweight contributed positively in July as the stock began to underperform after a very strong run over the last year.

Market cap %



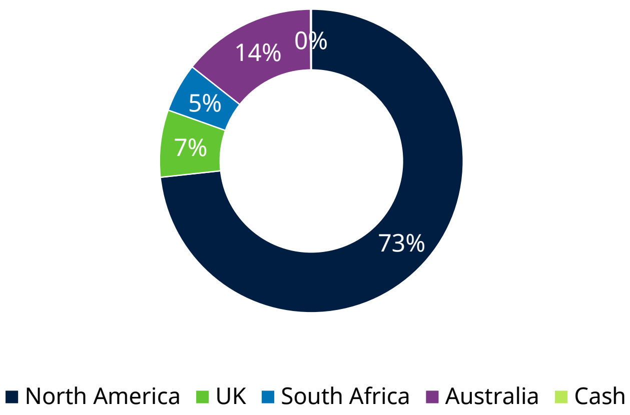
Source: Schroders, Bloomberg – July 2025.

Market cap over/underweight %



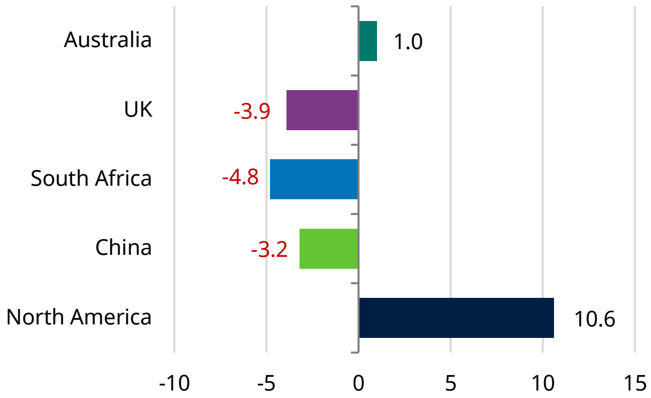
Source: Schroders, Bloomberg – July 2025.

Regional (%)



Source: Schroders, Bloomberg – July 2025.

Regional over/underweight %



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