

Schroder ISF¹ Global Gold

Fund update

March 2025

Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

Fund performance:

The fund posted a return of 19.44% for March. This compared to the FTSE Gold Mines UCITS Capped Net Tax Index benchmark return of 17.87%.

I shares gross

US\$ %	Mar 2025	YTD	Annualised performance				Cumulative Since Inception
			1 Yr	3 Yr	5 Yr	Since inception ¹	
Fund	19.44	38.81	62.92	13.66	19.42	9.60	123.23
Benchmark ²	17.87	37.80	55.28	8.59	15.09	7.22	84.12

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. ¹Inception 29 June 2016. ²FTSE 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:** The fund may lose value as a result of movements in foreign exchange rates, otherwise known as 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.

Current strategy and portfolio activity:

During March the fund took advantage of the ongoing valuation dislocation in Coeur Mining to build a larger position. Absolute and relative valuation metrics are strong. M&A risk has past (Las Chispas bought last year) and the ramp-up of Rochester provides a strong FCF inflection as well as strong torque to precious metal prices. Elsewhere in the producer space we also initiated a small position in Anglo Platinum ahead of the upcoming demerger from Anglo American.

We continue to see compelling valuations in the developer space and added to our existing position in Freegold via a placing. Freegold has a large resource base of 23Moz in Alaska (close to Fort Knox, a Kinross asset) and is trading at US\$12/oz per ounce of gold resource. Given that technical work over the last six months has significantly improved the credibility of the project, that is an absurd valuation in today's gold price environment. 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.

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:

Gold prices continue to trade strongly at the time of writing, breaching US\$3,200/Oz in early April even as US and European sovereign bond markets have taken fright at the fiscal implications of Trump's trade war. Gold's outperformance of long dated bonds (chart 1) has accelerated.

Chart 1: Ratio of gold prices (US\$/oz) to iShares 20+ Year Treasury Bond ETF normalised – outperformance of gold over long dated bonds has accelerated



Source: Schroders; Bloomberg

Anecdotally central banks continue to buy. Western investors have started to add sharply to ETF holdings (+5.8Moz inflows YTD). Chinese onshore prices are trading at a premium to London prices indicating that Chinese investor, retail and potentially insurance flows are simultaneously leaning into the market even as we make new highs.

We wrote early last year that we expected to see a "global simultaneous monetary bid" for gold emerge at some point over the balance of the decade driven by long-cycle global geopolitical (death of Pax Americana) and fiscal (ballooning sovereign debt, deficits) trends.

That simultaneous bid feels very much like it is starting to occur now. "Trump tariffs" have been the trigger.

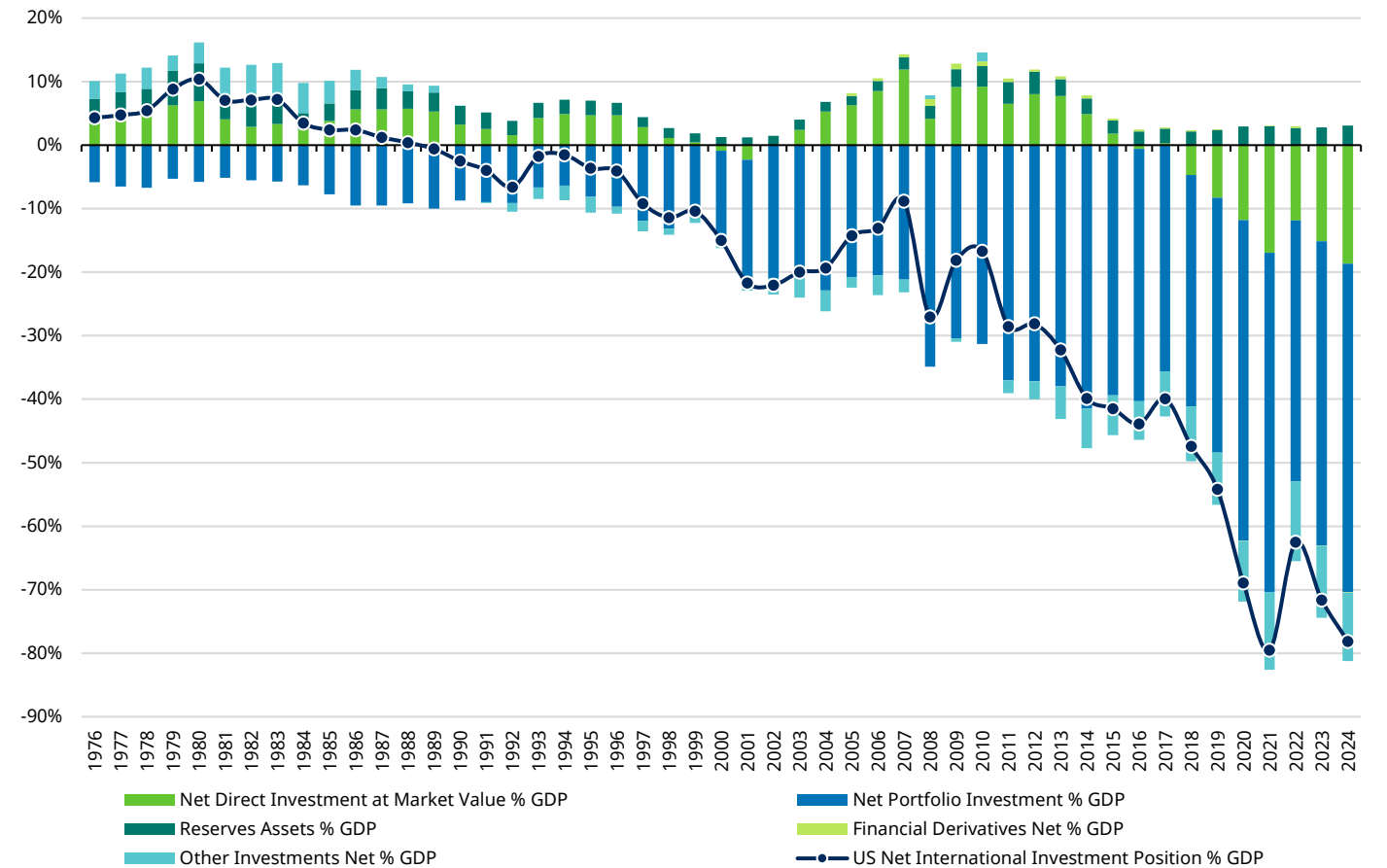
Much market reaction has been naturally focused on the cyclical impact of tariffs. These are stagflationary (particularly for the US) and gold tends to do well in stagflation environments as we and many others have documented before. However, it is the secular implications, not the cyclical implications, that are driving an emerging global bid for gold. The architecture of the post 1971 global monetary order is being rejected by the MAGA administration in Washington.

That is a seismic rupture, and it is worth a quick simplified trot through history again to highlight why. 1971 saw the world move from the post WWII Bretton Woods system (where US dollars were the reserve currency but were still convertible into gold at US\$35/Oz) to a pure fiat system back-stopped by the US as the reserve currency issuer and the guardian of the post war economic order (including the dominant force behind the World Bank, the IMF and the World Trade Organisation). This US embrace of global liberal economic idealism led in time, post the end of the Cold War in 1989, to the full absorption of China into the global trading system in 2002 via WTO membership. It is really from that point that US debt/GDP and trade deficits began to rise and, as a result, aggregate foreign accumulation of US assets accelerated as dollar surpluses were recycled into US "safe" assets (chart 2 below). The current US\$26tn net international investment position (NIIP) is 80% of US GDP and compares to a positive NIIP in the early 1980s.

Trump referenced this US\$26tn figure in his "liberation day" speech as wealth that previous administrations had "given away", as evidence that other countries have taken advantage of the US, rather than as a key source of cumulative US financial might and prosperity. This rejection of foreign ownership of US assets (and the need to service them) is exactly the type of end game scenario discussed by Warren Buffet and Charlie Munger when asked about the sustainability of US deficits way back in 2005 [\(link\)](#).

Given Trump rejects the running of large trade deficits by the US, seems bent on isolating China from the global trading system and has clear isolationist geopolitical leanings, it feels a pretty large understatement to say we could see a meaningful erosion of global confidence in US dollar "safe" assets. It also seems very apparent that the Chinese bid for gold, even if Trump continues to water down policy in the short-term, is likely to stay very strong. US fiscal tail-risks have also grown significantly. While there will be ebbs and flows and periods of de-escalation, it is hard to imagine that this generational trade out of US dollar assets is finished a fortnight after April 2nd.

Chart 2: US Net International Investment position at a staggering -80% of GDP or -US\$26tn as Trump pointed out in his April 2nd speech.



Source: Schroders; Bloomberg; LSEG Data & Analytics

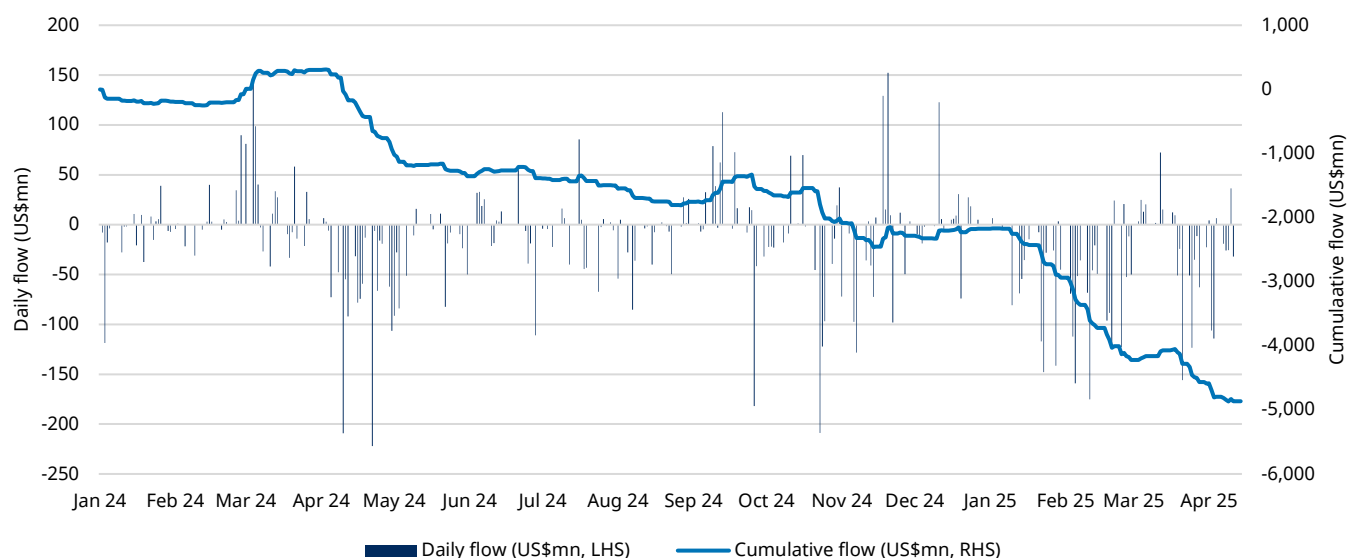
In a scenario where central banks, investors (pensions funds, endowments, family offices) and households are simultaneously demanding gold for its monetary characteristics at anywhere close to peak levels it is obvious that jewellery demand would need to be suppressed/destroyed, and recycling supply incentivised to balance markets. Much higher gold prices would be needed to do that. "Gold at US\$5,000/Oz by the end of the decade" now feels conservative.

Gold equities:

Gold equities outperformed bullion in March with the benchmark up 18% vs. a 9% return for gold bullion. While this is a welcome development, the disconnect between equities and bullion remains very large and the set up from a margin perspective remains very bullish.

The operating cost inflation outlook is benign and record gold prices are improving the margin picture further into record territory. Record margins will translate into the largest YoY earnings and free cash flow growth of any sector in the broad equity market, and we think that will be hard to ignore. Coupled with the start of a return of western interest in gold it is (surely) only a matter of time before we see flows come into the sector. Despite US\$16.8bn of inflows into bullion ETFs, outflows from passive gold equity vehicles have been relentless. Cumulative outflows stand at US\$2.7bn YTD (chart 3).

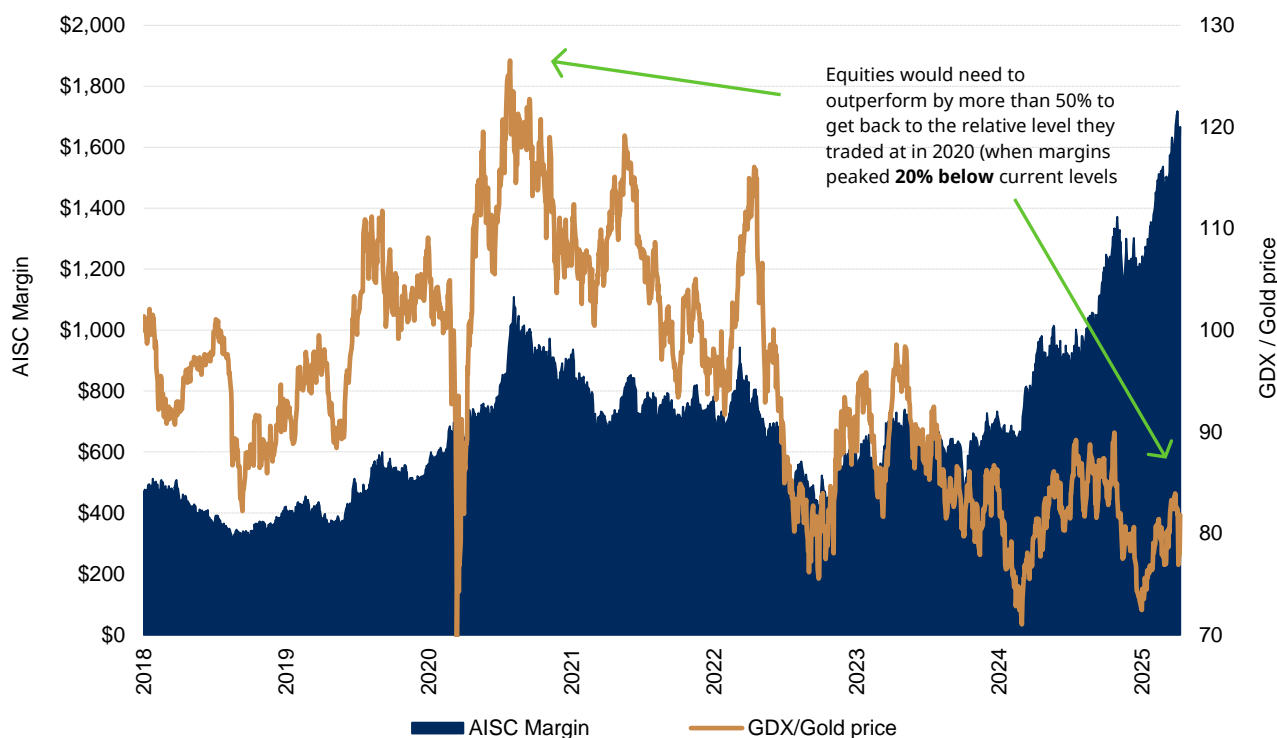
Chart 3: Passive Gold equity ETFs daily and cumulative flow since 2024



Source: Schroders, Bloomberg. Flows based on Vaneck (GDX, GDXJ), iShares (IAUP, RING) and Sprott (SGDM, SGDJ) Gold Miner ETFs

Even with recent strong performance gold producers have not performed in line with margins. If they had, as chart 4 below shows, gold equity prices would be at least 50% higher than today.

Chart 4: Gold producer AISC Margin vs. relative performance of gold equities vs. gold bullion



Source: Schroders, Bloomberg, company reports, Cormark

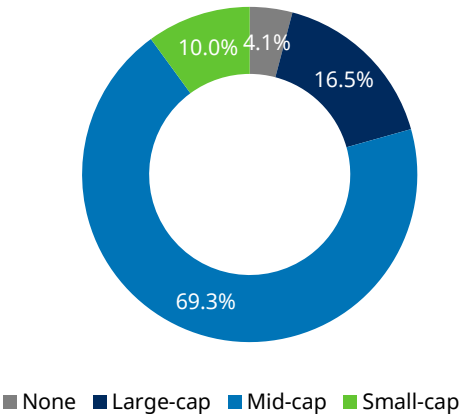
Hints at the scale of cash generation that will be exhibited in 1Q results are already starting to come through. Greatland gold, operating the recently acquired Telfer asset in Australia, generated A\$253m of FCF taking quarter end cash balance to A\$398mn,

almost double consensus estimates. Ramelius Resources, another mid-tier Australian listed unhedged producer, recently reported initial March 2025 quarter results. Quarterly production of 80.5Koz was broadly in line with consensus however underlying FCF was a record A\$223mn, a 28% increase from the prior December 2024 record quarter and annualising at >30% FCF yield. Multiple mid-tier producers generate >20% FCF yields at spot. The potential for shareholder returns via expanded buybacks and dividends as well as a rush of M&A is very clear in our view.

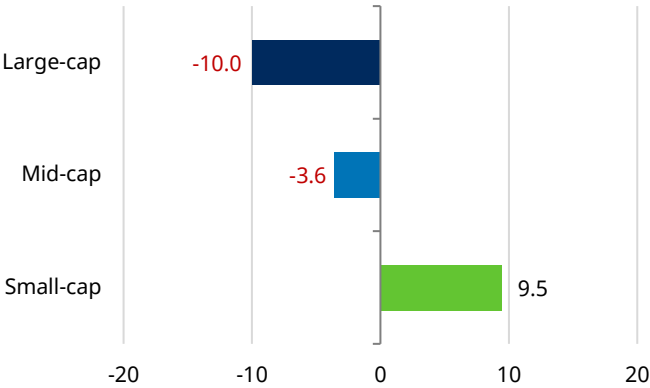
Performance attribution:

Fund performance in March was +19.44% vs. 17.87% for the benchmark. Positions in Hochschild mining and Greatland Gold were strong contributors. On the negative side our underweights in higher beta South African stocks cost us, particularly Harmony Gold. Broader equity market hedges also helped provide positive attribution.

Market cap (%)

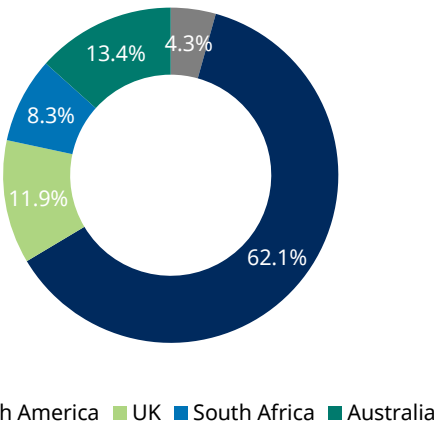


Source: Schroders, Bloomberg – March 2025.



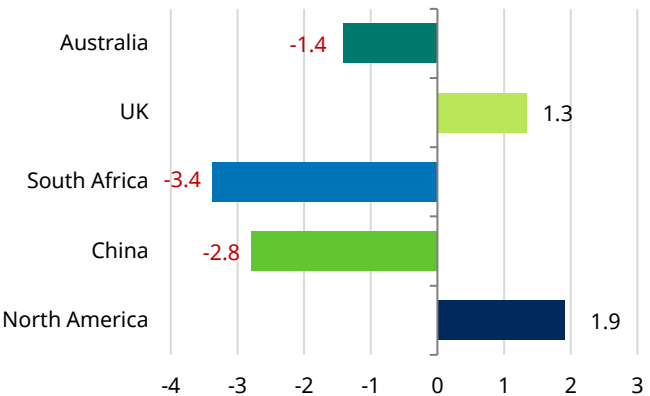
Source: Schroders, Bloomberg – March 2025.

Regional (%)



Source: Schroders, Bloomberg – March 2025.

Regional over/underweight (%)



Source: Schroders, Bloomberg – March 2025.

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