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Schroder ISF[1] Global Gold Fund update

March 2024

Fund performance:

The fund posted a return of 23.60% for March. This compared to the FTSE Gold Mines UCITS Capped Net Tax Index benchmark return of 21.31%.

I shares gross

US$ %	Mar 2024	Q1	Annualised performance				Cumulative Since Inception
			1 Yr	3 Yr	5 Yr	Since inception[1]	
Fund	**23.60**	**1.41**	**3.26**	**1.66**	**8.92**	**4.14**	**37.02**
Benchmark[2]	21.31	-0.62	-0.37	-0.59	7.83	2.22	18.57

Calendar year performance

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.

US$ %	2014	2015	2016[1]	2017	2018	2019	2020	2021	2022	2023
Fund	-	-	**-17.6**	**11.3**	**-13.9**	**51.1**	**31.5**	**-17.1**	**-10.5**	15.5
Benchmark[2]	-	-	-23.1	10.2	-10.4	42.7	25.0	-10.4	-12.8	12.4

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 1.07%.

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. **Derivatives risk:** Derivatives 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 volatile as it may take higher risks in search of higher rewards. **IBOR risk:** The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund. **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. **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:

The fund added to producer positions through the month. Most notably Endeavour's completion of its internal investigation following the CEO termination in January clears an overhang and will allow the stock to re-rate as it ramps up impressive new projects and free cash flow inflects. Alamos' acquisition of Argonaut (also owned in the fund) shows strong synergies and will further cement Alamos as a premium quality producer. We have added to both.

Elsewhere, we also added to St Barbara (officially a producer but in our view a very undervalued developer given all the value lies in project potential). Even after the recent share price bounce the valuation (currently trading with a negative enterprise value) is far too low.

Overall fund strategy remains focused on producers with unjustifiably cheap valuations, clear paths to free cash inflections and/or other value surfacing optionality. The whole space continues to trade at historically low valuation levels. The fund continues to see the clearest opportunities in the mid-tier and junior part of the market cap spectrum however underperformance of large cap names (Newmont in particular) has also improved risk/reward there especially in the context of a market that is yet to attract any generalist interest - this increases the logic of a more barbell approach to the sector.

Gold market outlook:

Gold has continued to make new all-time highs in US dollars, breaching US$2,300/oz in early April (chart 1).

We recently wrote in detail on the macro backdrop and outlook for gold (Gold's Bull Market: Just the Start?) and re-attach that report here. In the short term the question of who in particular has been the primary driver of recent moves higher remains a debating point with no clear answer. Anyone who claims to know for sure is lying! What can be said clearly is that the move has not been driven by the re-emergence of a large western institutional bid - that is still to come. Our own instinct remains that the strength of eastern buying is still being underestimated.

Chart 1: Log chart of monthly gold prices (2000 – present) - we see the recent break out as significant for the gold market from a technical perspective.

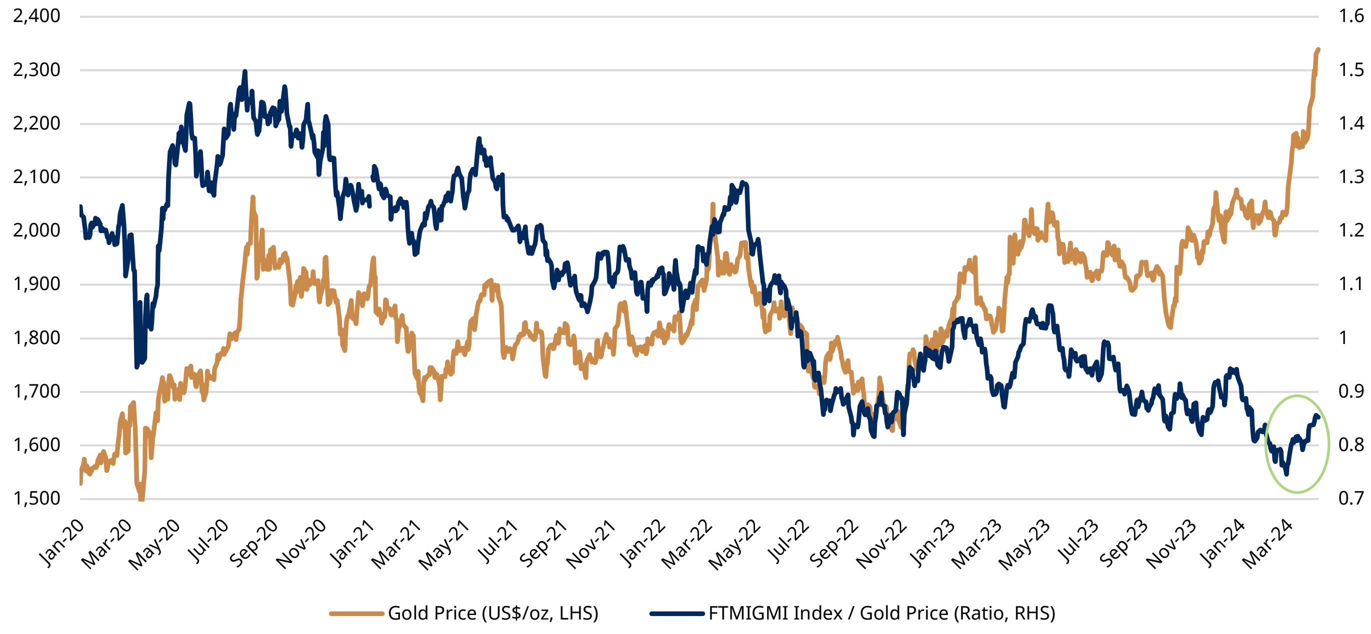
Source: Bloomberg, Schroders

Gold equities:

Gold equities rebounded sharply in March rallying ~20% and showing the first signs of significant outperformance of the bullion price (chart 2). However, there is a long way to go.

The eastern-led demand backdrop we describe in our report has pushed gold bullion to new all-time highs leaving gold miners with strong financial fundamentals but still close to 40-year low equity valuations. Weak valuations have been driven by dismal western sentiment on gold and even worse investor sentiment on gold producers. That seems an entirely unsustainable disconnect to us.

Chart 2: FTSE Gold Mines Index plotted as a ratio against gold prices



Source: Schroders, Bloomberg.

With gold prices averaging ~US$2,070/oz in the first quarter we think substantial beats to 1Q financial forecasts are likely while forward looking earnings upgrades will be meaningful as analysts play catch up with bullish gold fundamentals.

Importantly we think the inflation environment is now much more under control (see table 1 and attached detailed report) and the producers are in an excellent position to deliver very strong free cash flow.

Table 1: Year on Year % change in All in sustaining costs (AISC) since 2021 for select producers - FY24 guidance shows inflation has slowed considerably since 2022 peak

Company	AISC % YoY			FY24 Guidance vs. FY23 actual
	FY21	FY22	FY23	
Agnico Eagle	1%	5%	6%	4%
Barrick	6%	19%	9%	3%
Newmont	2%	14%	19%	-3%
Kinross	15%	12%	3%	3%
Goldfields	9%	4%	17%	11%
B2Gold	13%	16%	17%	16%
Endeavour	4%	5%	4%	3%
Alamos	9%	6%	-4%	-1%
Centerra	-11%	34%	19%	9%
Eldorado	16%	19%	-5%	2%
IAMGOLD	16%	12%	11%	-10%
Equinox	32%	20%	-1%	5%
Torex	0%	9%	19%	-6%
Lundin	-1%	6%	6%	0%
SSR	-20%	42%	8%	10%
Centamin	21%	12%	-13%	5%
OceanaGold	-2%	13%	14%	-4%
Dundee	0%	33%	-3%	2%

Company	AISC % YoY			FY24 Guidance vs. FY23 actual
	FY21	FY22	FY23	
Argonaut	4%	31%	0%	16%
Wesdome	8%	38%	11%	-18%
Hummingbird	34%	16%	-23%	10%
Resolute	28%	9%	-2%	-8%
Average	**8%**	**16%**	**4%**	**2%**

Source: Company reports, Schroders, March 2024.

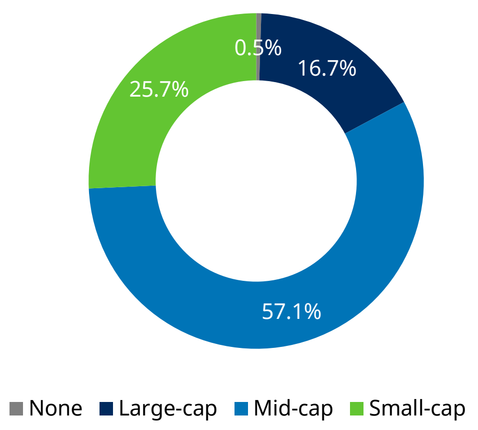
In sector specific news M&A activity has been on the rise. Most recently with the announced acquisition of Argonaut's Magino asset by Alamos Gold. We see the acquisition as very positive for Alamos who are taking advantage of their premium valuation to increase their production in a high-quality jurisdiction. With the Magino asset right next door to Alamos' Island Gold asset there is potential for strong operational synergies for the processing plant and tailings facilities.

Coming shortly after month end Westgold announced a merger with Karora Resources continuing the consolidation trend in Western Australia that we have been expecting for some time, after Silver Lake and Red 5 also announced a merger earlier this year. Although, operational synergies are not immediately obvious we think Western Australia in particular is an area where there are far too many management teams for too few assets. We expect M&A to continue in 2024 and has the potential to be a significant catalyst for shareholder value.

Performance attribution:

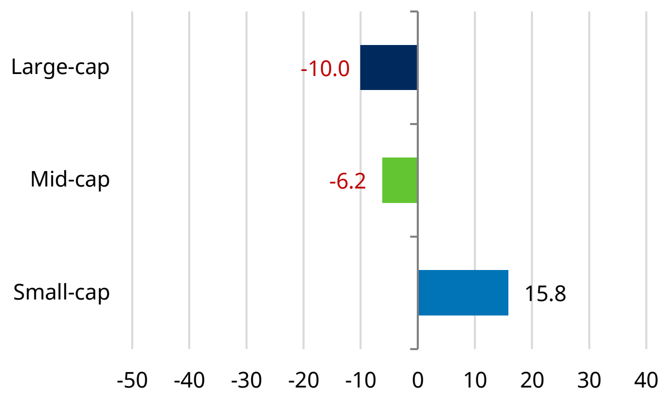
Fund performance in March was 23.60% vs. 21.31% for the benchmark. Significant positive attribution came from our position in Hochschild which has continued to perform strongly following the announcement of first gold at their Mara Rosa project in late February. Elsewhere positive attribution also came from Argonaut which outperformed following the bid from Alamos Gold. This offset the negative attribution we saw primarily from our small position in Hummingbird, which sold off significantly following the suspension of operations at their Kouroussa asset in Guinea amidst a contractor dispute, raising financing concerns.

Market cap (%)



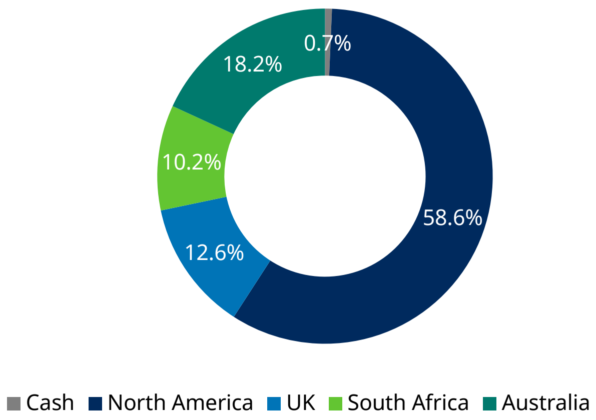
Source: Schroders, Bloomberg – March 2024.

Market cap over/underweight (%)



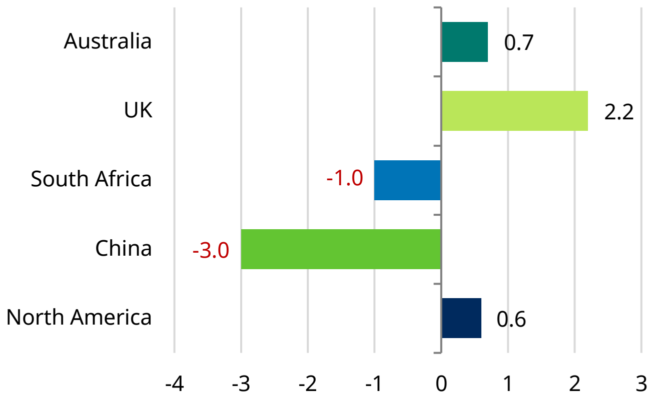
Source: Schroders, Bloomberg – March 2024.

Regional (%)



Source: Schroders, Bloomberg – March 2024.

Regional over/underweight (%)



Source: Schroders, Bloomberg – March 2024.

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