

Schroder ISF* Global Gold



Fund update: May 2025

Marketing material for professional clients only.

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 7.62% for May. This compared to the FTSE Gold Mines UCITS Capped Net Tax Index benchmark return of 5.43%.

I shares gross

US\$ %	May 2025	YTD	Annualised performance				Cumulative Since Inception
			1 Yr	3 Yr	5 Yr	Since inception ¹	
Fund	7.62	57.13	58.51	25.41	12.45	10.94	152.70
Benchmark ²	5.43	58.04	60.02	20.72	10.25	8.73	111.16

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:** 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

*Schroders ISF is referred to as SISF throughout.

Current strategy and portfolio activity

Recent fund additions have been Aya Gold & Silver (funded from MAG Silver) and Bellevue Gold. Aya has de-rated significantly following teething issues with the ramp-up of their Zgounder mine in Morocco but is now set up to perform very strongly across the balance of the year as the ramp-up continues and they are able to showcase further upside potential at Boumadine, a nearby very substantial greenfield discovery.

Bellevue Gold, an Australian single asset producer, has not been held in the fund for a long period. Operational disappointments (two guidance downgrades in 2025 alone) and financing constraints (particularly the hedge book) have been such that management credibility is beyond repair (in our view), and we see a sale process as inevitable. We expect interest to be high from well valued Australian producers and have initiated an opportunistic position.

Elsewhere in the developer space we participated in a Goldshore Resources placing. Goldshore are developing the large-scale Moss gold project in British Columbia, Canada. It did not directly impact the decision to participate but we note a positive sea-change in expectations around Canadian permitting timelines following Mark Carney's election.

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

May saw gold prices consolidate below recent highs, ending the month at US\$3,300/Oz, roughly flat on the month and up 30% YTD.

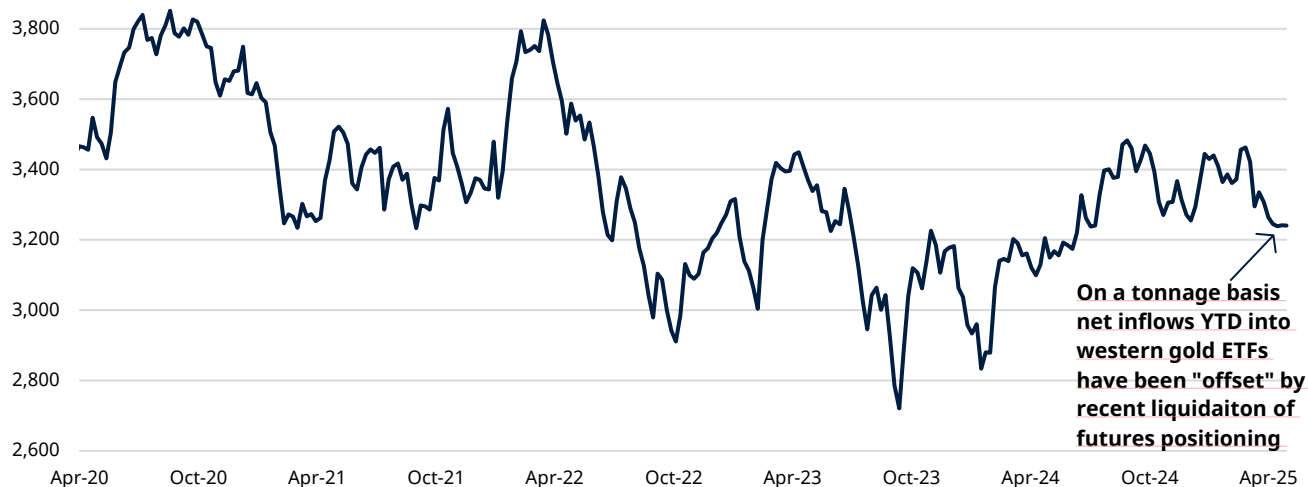
Dire fiscal trends, particularly in the US but also in Japan and the UK, have been front and centre recently following the US debt downgrade (not important in isolation) and the surging US treasury issuance (important).

This has clearly had some impact on recent gold price trends, particularly with the USD again showing marked weakness and unusual divergence from US treasury yields.

Given US fiscal risks are now well known, the question we have been getting is, isn't this therefore reflected or discounted into gold prices?

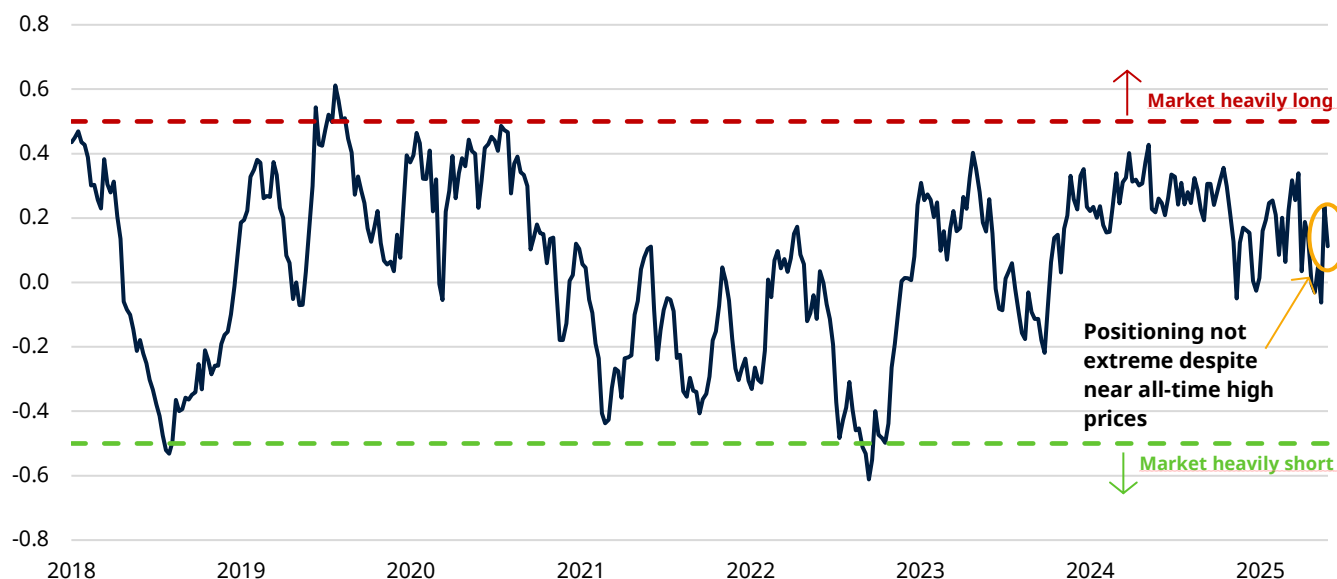
It is very hard to come to that conclusion, at least from our data. Given the momentum and overall scale of gold's move higher, if the western market's imagination had been really captivated by a bullish gold thesis based primarily on sharply increasing fiscal risks, we would expect to see western positioning and sentiment in gold to be max bullish. Neither is at all the case on our metrics (chart 1 and 2).

Chart 1: US and EU ETF holdings + Comex net managed money (tonnes)



Source: Schroders, Bloomberg.

Chart 2: Schroder gold sentiment indicator (represents a z-score of multiple investor surveys)



Source: Schroders.

Interest from the west has improved but remains largely theoretical. As Jonathan Haycock partner at Von Greyerz noted in a recent update, of 40+ family office guests at a west coast US lunch presentation focused on gold, only 3 had any holdings.

In reality, while fiscal stress is a real issue and the US now looks particularly exposed, there has been no “Liz Truss” moment in US treasury markets that would shake the markets theoretical gold bullishness into actual buying (in the way that G7 freezing of Russian FX assets shook central bank demand to more vigorous life in late 2022).

The fiscal frog continues to boil slowly, for now.

This is not the place for a long essay, but we can’t help but point out just how quickly the Trump administration has flipped from promising fiscal austerity (and world peace) to, well, where we are today.

Recall gold initially sold off after Trump’s victory last November as hype around the MAGA administration’s ability to force both Federal Government spending cuts and drive ceasefires in Ukraine and Gaza (somehow) captured the markets imagination.

Chart 3: Gold initially sold off post 2024 election on the back of Trump induced fiscal and geopolitical optimism



Source: Schroders, Bloomberg.

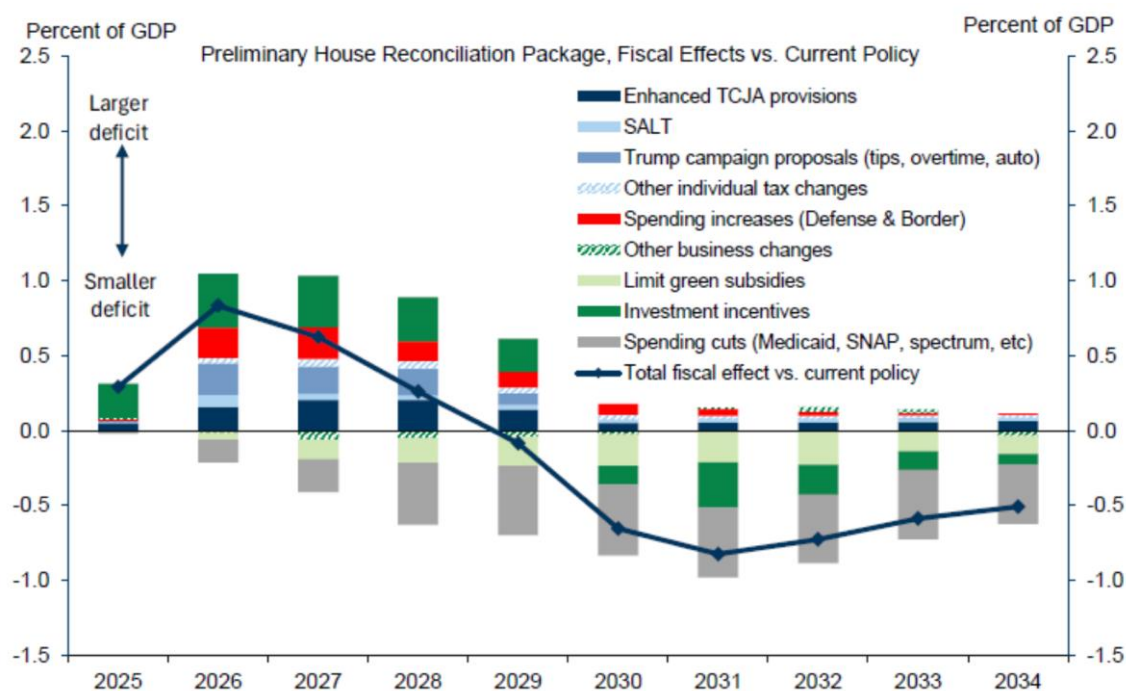
Less than five months on from the January 2025 inauguration Mr Musk has quit DOGE having delivered <US\$150bn of promised US\$1tn spending cuts. Meanwhile nominal fiscal outlays are up 7.4%YoY (within that social security payments are up 17% YoY).

Treasury secretary Bessent is on record saying deficits need to be reduced to 3% of GDP. Meanwhile President Trump has introduced a spending bill which adds US\$2.5tn to the deficit over the next 10 years, with tax cuts front loaded and spending cuts back loaded. (Exhibit 1). According to Goldman Sachs this would add c.0.75% of GDP to the deficit in 2026 and 2027 taking it to over >7% assuming no US recession and lower interest rates than current.

The bill has been publicly labelled an “abomination” by Mr. Musk, who for good measure suggested Trump may be caught up in the Epstein scandal. America’s international credibility and reputation for good governance are clearly in safe hands.

Somewhat unsurprisingly both Mr. Musk and Mr. Bessent are now saying the only way to fix the debt problem is to grow out of it.

Exhibit 1: Deficit outlook with front loaded tax cuts and back loaded spending cuts



Source: Goldman Sachs.

For governments addicted to deficit spending, fiscal realities are very difficult to accept. A view metaphorically well illustrated by this meme shared by Marc Saliba of CLSA:

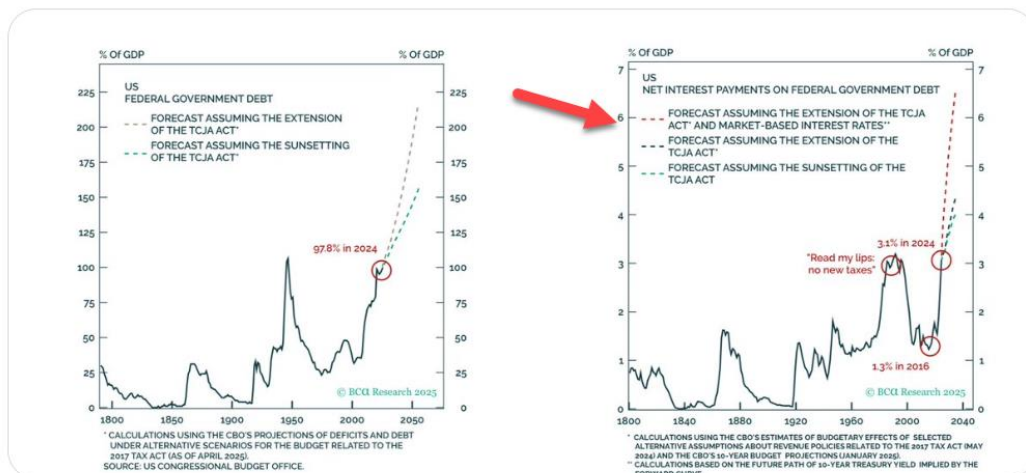


With debt >100% of GDP the US is going to have great difficulty wrestling its way out of the current fiscal trap.

If growth and inflation are strong and rates stay high then interest expenses will themselves widen the deficit, as Peter Berezin illustrated very clearly recently in the below X post.



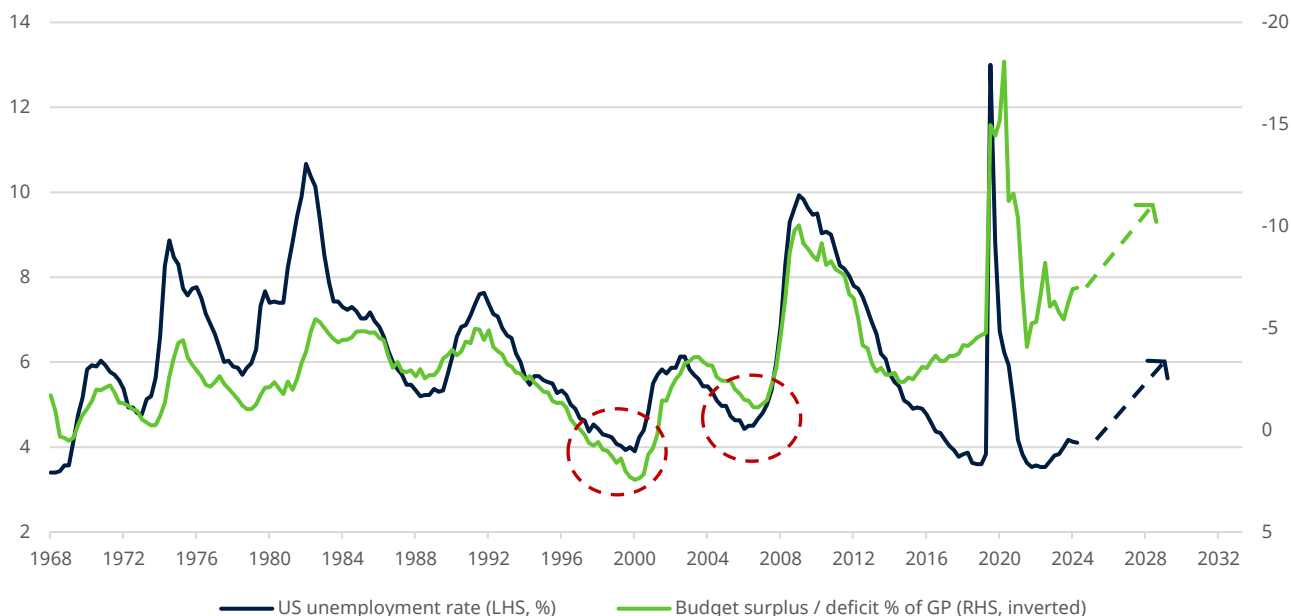
The CBO's projections are arguably too optimistic because they assume lower interest rates than what the market is expecting. Using market rates, interest expense is set to double to 6% of GDP over the next 10 years. That's why the Moody's downgrade matters: In game theory, it's called a "focal point".



Last edited 8:36 AM · May 19, 2025 · 16K Views

If growth is weak or there is a recession, then revenue contraction/outlay expansion will lead to the same destination. Deficits are already unbelievably high given close to full employment (chart 4).

Chart 4: US deficits vs. US unemployment – current deficits are already far higher than other points when unemployment was this low



Source: Schroders, Bloomberg.

Jamie Dimon seems to agree, hence his recent prediction at the Reagan National Economic Forum that: "You're going to see a crack in the bond market. It is going to happen. And I tell this to my regulators, some of you who are in this room, I'm telling you it's going to happen, and you're going to panic."

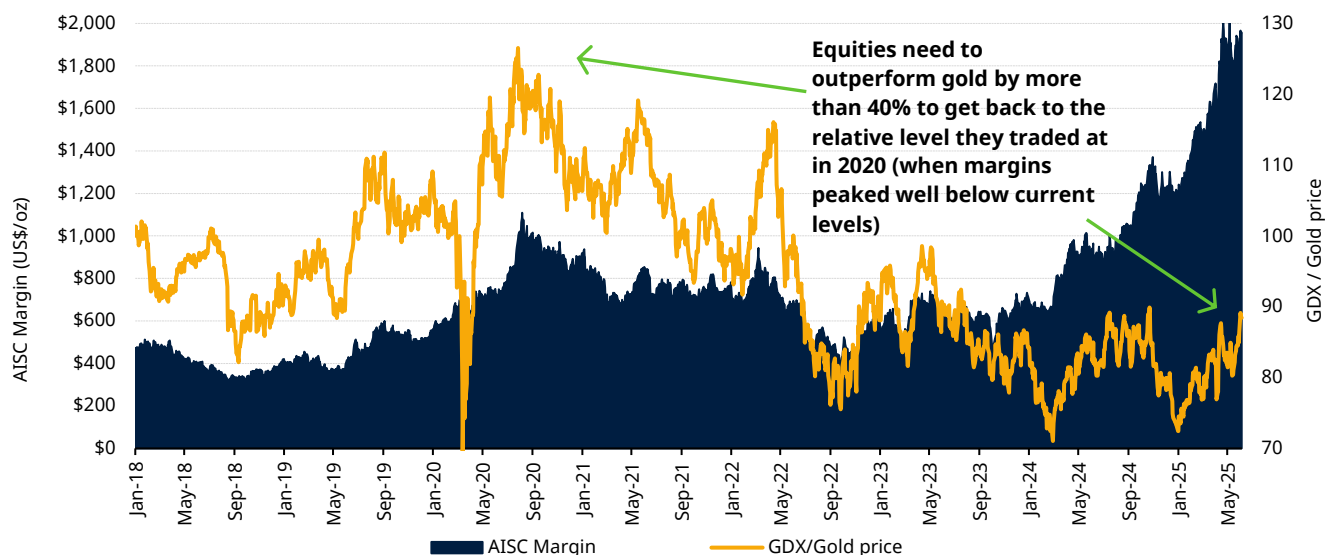
To us it will be that crack, and the inevitable central bank policy response to it, that really fires the starting gun on western investment demand for gold and ushers in the truly global monetary bid for gold that we have long expected will make this bull market ultimately incomparable to prior bulls.

Gold equities

After weakness into mid-month gold equities rebounded sharply closing May up 3.3%. At the time of writing major gold equity benchmarks are up between 49% (Phil gold and silver) and 59% (FTSE gold index) for the YTD vs. 29% for gold bullion, so decent outperformance reflective of the strong margins we have been discussing for a while now.

Though not close to reflecting record margin generation (chart 5), gold equity performance (relative to gold bullion) is finally showing signs of breaking out vs the downtrend that has been firmly in place since summer 2020.

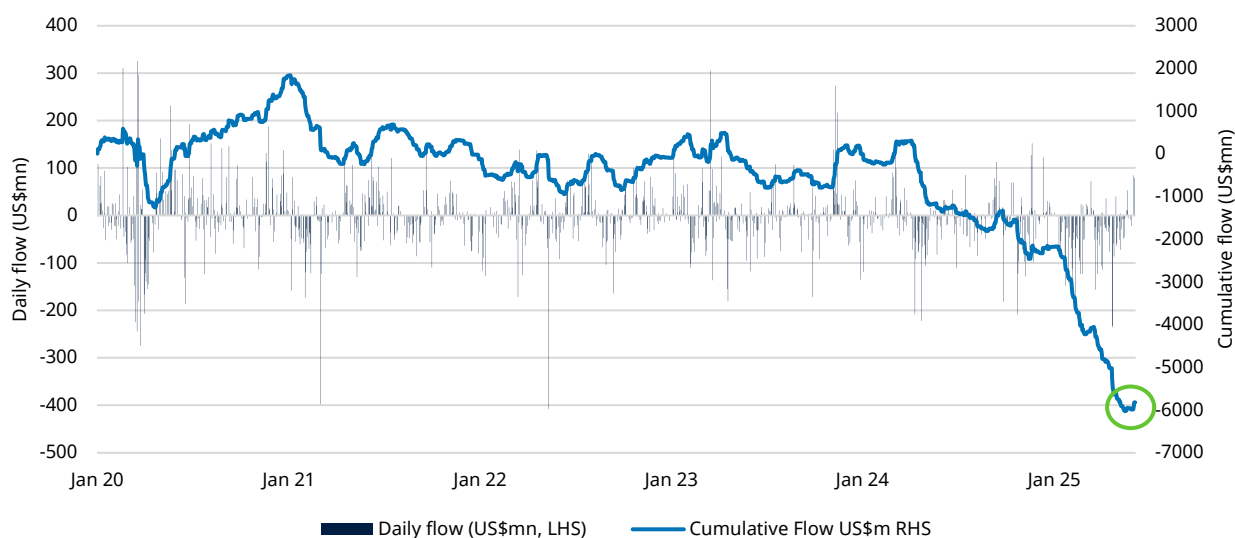
Chart 5: Gold producer AISC Margin vs. relative performance of gold equities vs. gold bullion



Source: Schroders, Bloomberg, company reports, Cormark.

Interestingly, flows into the sector have also showed the first signs of stabilising after very heavy liquidations over the past six months (chart 6), though maybe we are being a little optimistic given you can barely see it on the chart!

Chart 6: Gold producer equity ETFs (Cumulative flows 2020 – Present) – recent turn to inflows

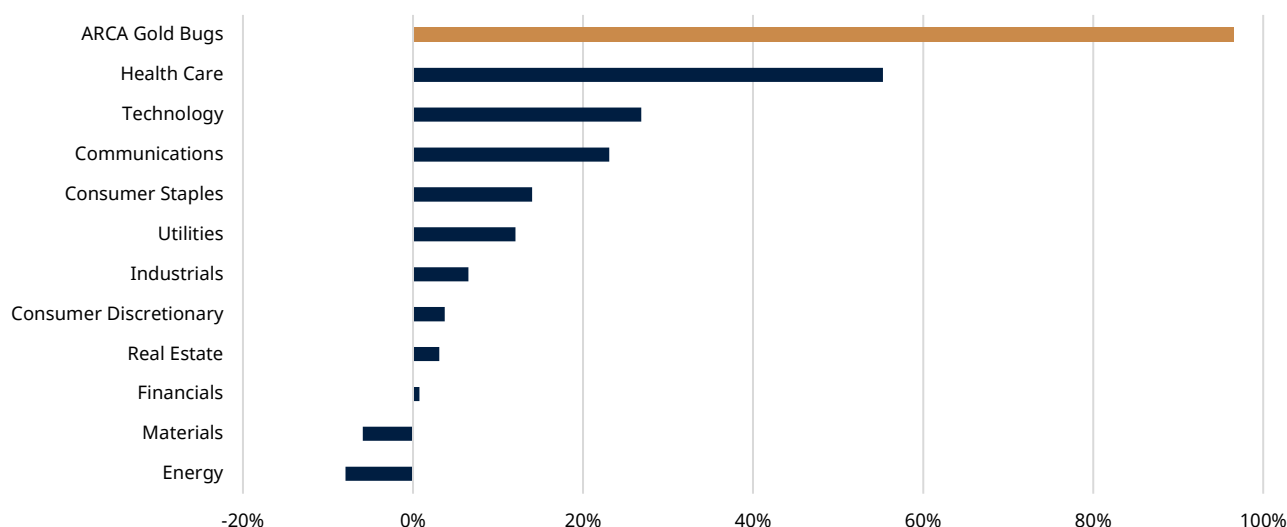


Source: Bloomberg, Schroders.

We have been flagging that record margins will translate into the largest YoY earnings and free cash flow growth of any sector in the broad equity market.

Chart 7 below demonstrates this. Basic EPS growth for the NYSE Arca Gold BUGS Index comes in at 97% YoY for 2025, almost double the next fastest growing S&P 500 sector (Health Care). Metrics for cash flow per share are similar.

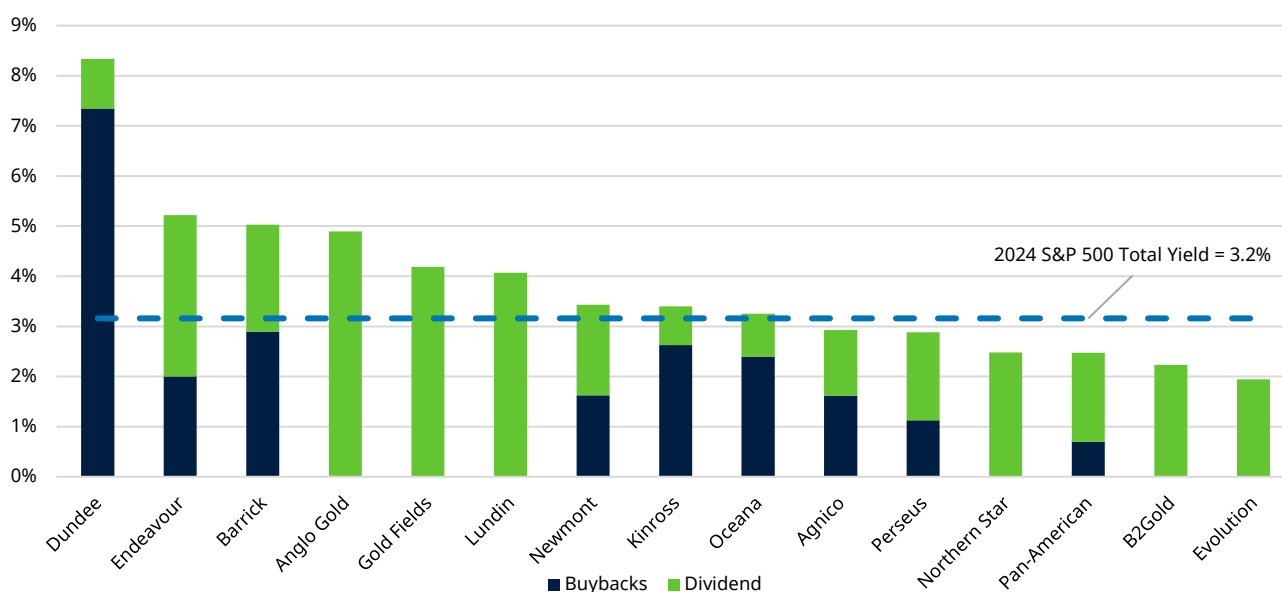
Chart 7: Basic EPS 2025 YoY% growth (S&P500 sector breakdown and HUI Index)



Source: Bloomberg, Schroders. Estimates as of 7 May 2025.

With strong earnings and growing free cash generation the attention for investors is shifting to what producers will do with all this cash and importantly capital returns. The aggregate sector dividend yield remains above the broad equity market and in many cases, dividends are being supplemented by buybacks (chart 8).

Chart 8: 2025 estimated total returns (dividend + buyback) yield for select gold producers



Source: Bloomberg, Schroders, S&P Global. Total return yield calculated as 2025 consensus dividend yields and Schroders estimated buyback yield based on combination of minimum committed buybacks and Q1 annualised rates. 2024 S&P500 total yield based on S&P Global 2024 reported buybacks and dividends.

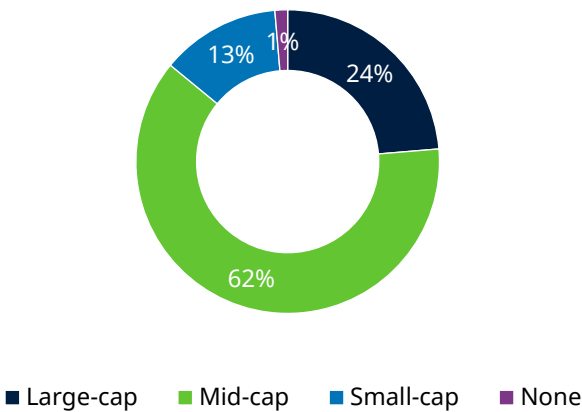
Is sector operating and financial discipline about to fall apart? We see no evidence of it. CEOs, based on the dozens of company meetings we have done year to date, remain acutely aware of the sector's checkered history. We see no rush to chase volumes, and we see no evidence of exuberant valuations in M&A transactions. The sector must invest, but for

now “boringly predictable” (to quote Mitch Krebs, Coeur Mining CEO) sums up well what the “average” sector CEO currently hopes to deliver.

Performance attribution

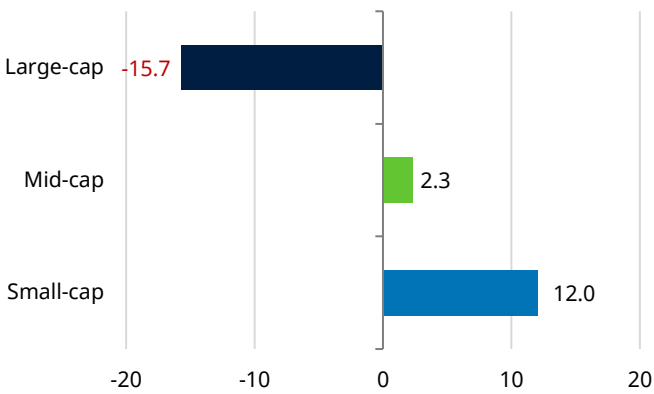
Fund performance in May was 7.62% vs. 5.43% for the benchmark. Positive attribution came from our overweight position in Coeur mining. The stock outperformed after better than expected first quarter results and the subsequent announcement of the commencement of a buyback. Coeur remains a large active position. Our positions in Endeavour and Robex also contributed positively driven by strong Q1 results in Endeavour’s case and outperformance ahead of the ASX IPO for Robex.

Market cap %



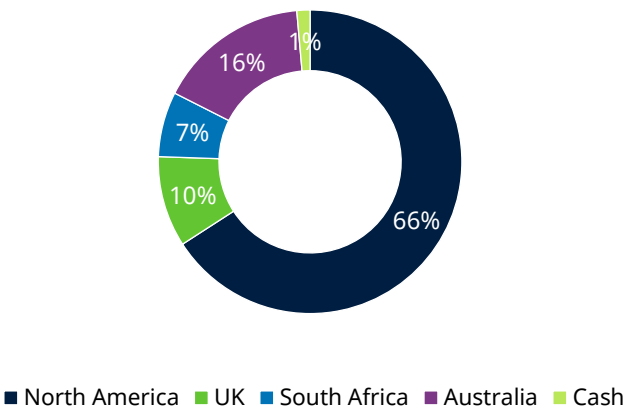
Source: Schroders, Bloomberg – May 2025.

Market cap over/underweight %



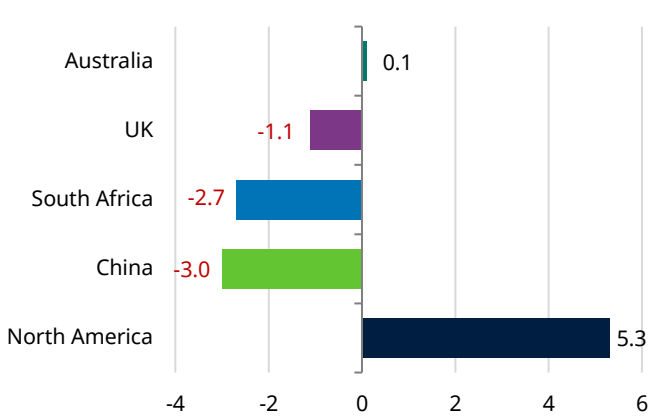
Source: Schroders, Bloomberg – May 2025.

Regional (%)



Source: Schroders, Bloomberg – May 2025.

Regional over/underweight %



Source: Schroders, Bloomberg – May 2025.

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.

High 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.

Important information

Marketing material for professional clients only.

This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. An investment in the Company entails risks, which are fully described in the prospectus.

Subscriptions for shares of the Company can only be made on the basis of its latest Key Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Europe) S.A.

For Luxembourg, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For the UK, these documents may be obtained in English, free of charge, from the following link: <https://www.schroders.com/en-gb/uk/individual/fund-centre/> and from Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU.

For Switzerland, Schroder Investment Management (Switzerland) AG is the Swiss representative («Swiss Representative») and Schroder & Co Bank AG is the paying agent in Switzerland of the Luxembourg domiciled Schroder International Selection Fund. The prospectus for Switzerland, the key information documents, the articles of association and the annual and semi-annual reports may be obtained free of charge from the Swiss Representative. Performance data does not take into account any commissions and costs, if any, charged when units or shares of any fund, as applicable, are issued and redeemed. Distributed in Switzerland by Schroder Investment Management (Switzerland) AG, Talstrasse 11, CH-8001 Zurich, Switzerland, a fund management company authorised and supervised by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern.

Schroders may decide to cease the distribution of any fund(s) in any EEA country at any time but we will publish our intention to do so on our website, in line with applicable regulatory requirements.

This fund does not have the objective of sustainable investment or binding environmental or social characteristics as defined by Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). Any references to the integration of sustainability considerations are made in relation to the processes of the investment manager or the Schroders Group and are not specific to the fund.

Any reference to regions/ countries/ sectors/ stocks/ securities is for illustrative purposes only and not a recommendation to buy or sell any financial instruments or adopt a specific investment strategy.

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.

Schroders has expressed its own views and opinions in this document and these may change.

Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy.

The data contained in this document has been sourced by Schroders and should be independently verified. Third party data is owned or licenced by the data provider and may not be reproduced, extracted or used for any other purpose without the data provider's consent. Neither Schroders, nor the data provider, will have any liability in connection with the third-party data.

This document may contain "forward-looking" information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised.

FTSE index: LSEG is the administrator of certain indices and benchmarks as detailed at <https://www.lseg.com/en/ftse-russell/benchmarks>. No other information provided, displayed or contained in any LSEG service is made available for use as a benchmark, whether in relation to a financial instrument, financial contract or to measure the performance of an investment fund, or otherwise in a way that would require the relevant information to be administered by a benchmark administrator pursuant to the Benchmarks Regulation (the "Prohibited Use"). LSEG does not grant rights for you to access or use such information for the Prohibited Use and you may breach the Benchmarks Regulation and/or any contract with LSEG if you do. In the event that you identify the Prohibited Use of information by any person, you must promptly notify LSEG and provide such details as we may reasonably request to ensure the cessation of the Prohibited Use, where appropriate. Notwithstanding the foregoing, where you have entered into a direct license with a third-party provider which permits the Prohibited Use with respect to such third party provider's information, you are solely responsible for compliance with Benchmarks Regulation and LSEG shall have no liability or responsibility for any loss or damages that arise from or in connection with the Prohibited Use. LSEG and its affiliates do not warrant that any information is provided in compliance with the Benchmarks Regulation and accept no liability and have no responsibility for any loss or damages that arise from or in connection with the Prohibited Use of the information. "Benchmarks Regulation" means, in respect of the EEA, EU Regulation 2016/1011, in respect of UK, UK benchmarks regulation and in respect of another country, the equivalent legislation. If you are in any doubt about the meaning of the Prohibited Use or your obligations under the Benchmarks Regulation, you should seek professional advice.

Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy/ or on request should you not have access to this webpage.

A summary of investor rights may be obtained from <https://www.schroders.com/en/global/individual/summary-of-investor-rights/>

For your security, communications may be recorded or monitored.

Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registration No B 37.799.

Distributed in the UK by Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU. Registration No 1893220 England. Authorised and regulated by the Financial Conduct Authority.