

Schroder ISF* Global Gold



Fund update: June 2025

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Fund performance

The fund posted a return of 1.51% for June. This compared to the FTSE Gold Mines UCITS Capped Net Tax Index benchmark return of 3.03%.

C shares net

US\$ %	Jun 2025	QTD	YTD	Annualised performance				Cumulative Since Inception
				1 Yr	3 Yr	5 Yr	Since inception ¹	
Fund	1.51	14.73	58.86	66.56	32.50	10.46	9.92	134.49
Benchmark ²	3.03	18.17	62.84	70.27	28.58	9.33	9.01	117.57

Calendar year performance

US\$ %	2015	2016 ¹	2017	2018	2019	2020	2021	2022	2023	2024
Fund	-	-17.6	10.2	-14.8	49.6	29.9	-17.9	-11.4	14.4	17.9
Benchmark ²	-	-23.1	10.2	-10.4	42.7	25.0	-10.4	-12.8	12.4	12.0

Source for performance: Bloomberg C shares net 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 C shares are 1.04%.

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 change in positioning through the month of June has been the increase in our exposure to large cap producers, in particular Barrick and Newmont. For Barrick, valuations have become exceptionally distressed and the stock has become a strongly consensus short/underweight. Underperformance has been so stark that we would not be surprised to see a more activist involvement emerge.

Overall, the mid-tier and junior part of the market cap spectrum remains where upside potential is strongest however.

In this area recent additions have been Emerald Gold, a junior producer operating the Okvau gold project in Cambodia that has historically traded at a strong premium given the highly rated management team. Recent weakness has provided an opportunity to initiate a position. We expect a strong relative recovery as the highly credible management team develops two new assets that will drive growth and a FCF inflection.

Elsewhere in the developer/explorer space we participated in a Turaco gold placing and added to Montage. Turaco are developing a deposit in Cote d'Ivoire and upcoming MRE could credibly see a 3-3.5Moz supporting a potential 150-200kozpa operation.

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

Spot gold ended June at US\$3,385/Oz and averaged US\$3,290/Oz through the quarter, a record high quarterly average price (for the 7th time in the last 8 quarters).

News though June has continued to shine a floodlight on the monetary/fiscal and geopolitical thematics behind gold's secular bull market.

President Trump's One Big Beautiful Bill Act (OBBBA) and his ongoing attacks on "too late" Federal Reserve Chair Jerome Powell have dominated headlines over the month. Whether it happens quickly or slowly, the US is moving towards a politicised Central Bank and ever more unsustainable fiscal dynamics, both are hallmarks of fiscal dominance, and very supportive of gold.

Outside the hullabaloo of American politics, recent monetary messaging from China has arguably been more significant for gold, if broadly ignored in the west. People's Bank of China governor Pan Gongsheng, in a speech to the annual LujiaZui forum, noted last week for example that:

*"In the future the international monetary system may continue to evolve into a framework where a few sovereign currencies co-exist and compete with each other and check and balance each other"*¹

A banal sounding comment on the face of it but with large implications. The speech marks an "era-defining shift in Beijing's attitude toward RMB internationalization" to quote Trivium.

To us the obvious point is that securing increased international faith in the RMB as a "co-existing" reserve currency will require more than simply the "full faith and credit" of the government in Beijing given very extreme domestic Chinese debt dynamics and capital controls that are unlikely to be ever fully relaxed.

This Chinese monetary reality is, to our thinking, another reason to expect ongoing Chinese state gold accumulation and further international expansion of the Shanghai Gold Exchange footprint. Chinese buying will continue to be large with a portion of it disclosed (for now) and a portion remaining unreported.

We think increased gold ownership can provide a **monetary signalling** effect in the long run by anchoring RMB credibility to a universally recognised store of value that carries zero geopolitical risk

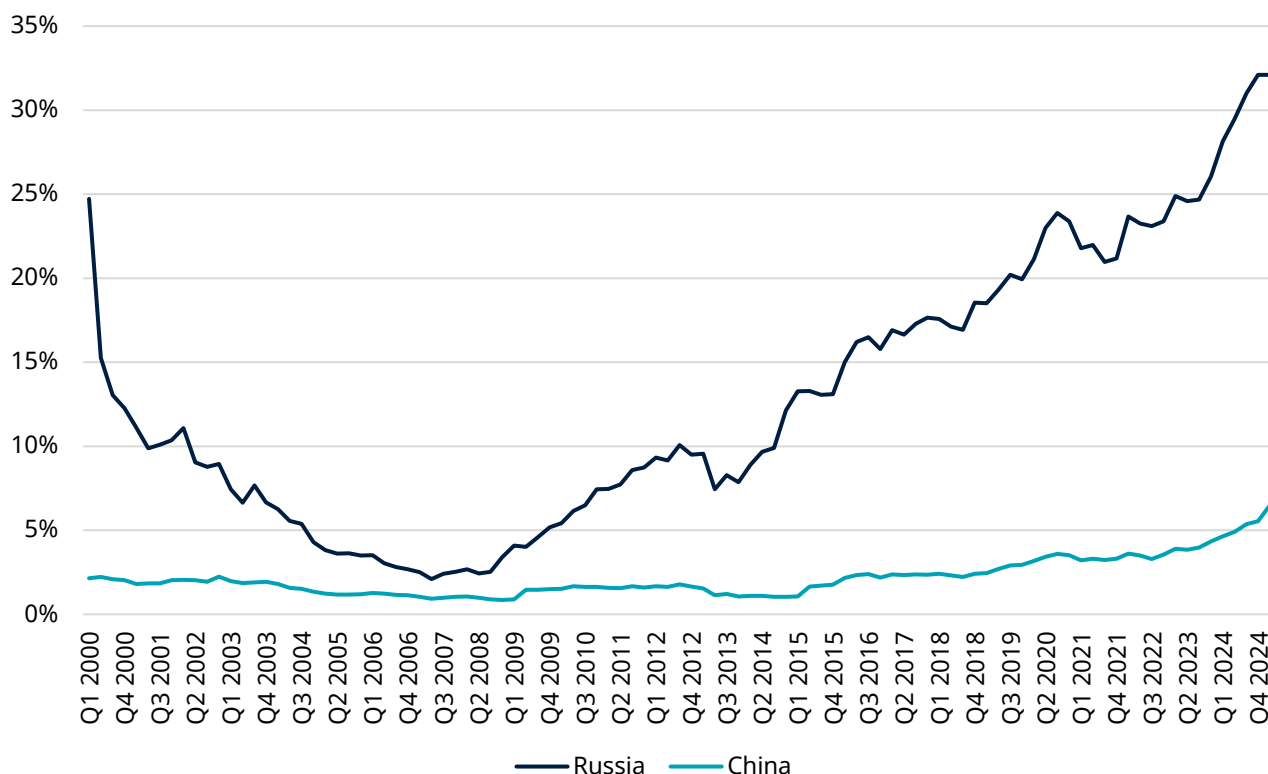
The other (related) reasons to expect ongoing Chinese state buying remain very clear:

- **Geo-strategic hedging** - reduce dollar dependence to shield against sanctions, confiscation or other financial coercion in the event of future conflict with the US (not necessarily the certainty, but the risk), and;
- **Investment hedging** – diversify reserves away from US treasuries and other debt instruments as concerns around US fiscal sustainability, institutional credibility and long run dollar debasement accelerate.

¹ Quoted in the trivium podcast "China preps for demise of US dollar dominance", July 2025

The runway for ongoing Chinese reserve buying remains long. We think a comparison to Russian holdings is relevant. From a low of 3% in 2007 Russian gold reserves have moved to >30% as geopolitical relations with the West have deteriorated and faith in US treasuries has diminished.

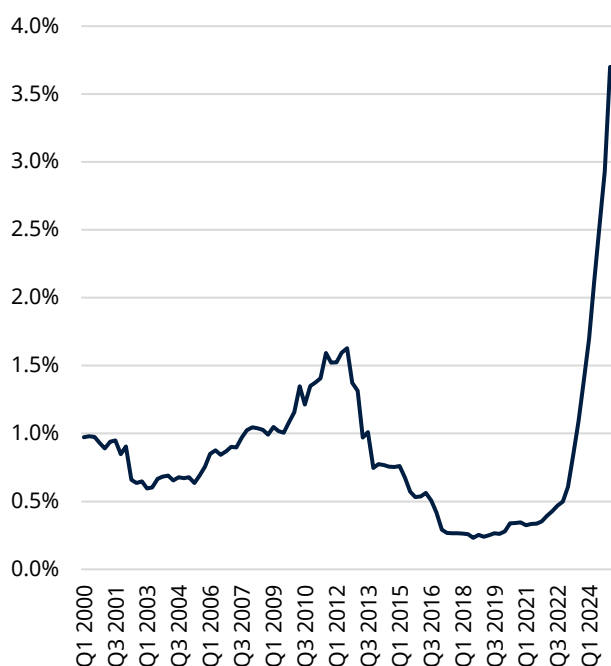
Chart 1: Russian and Chinese gold reserves as a share of total FX reserves



Source: Schroders, World Gold Council, IMF IFS.

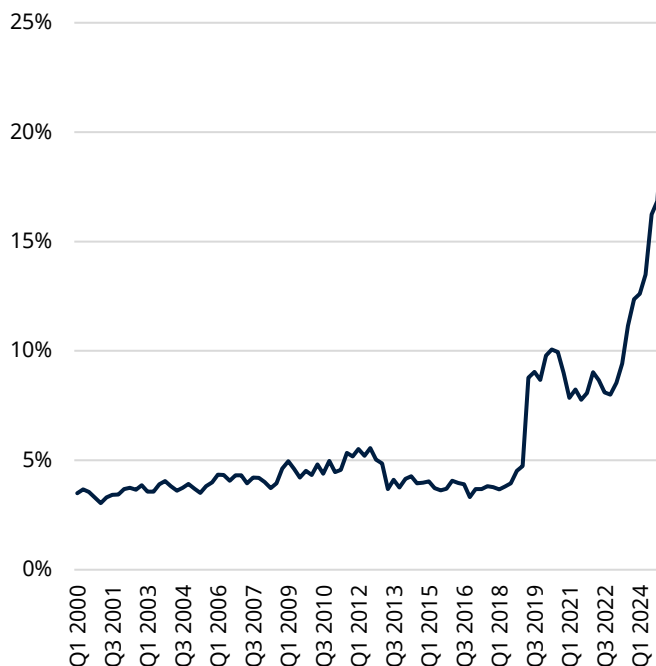
The reserve trends of Czechia and Poland, both of which have bought gold aggressively post Russia's invasion of Ukraine in 2022, highlight how important 2022 was as an inflection point in Central Bank thinking. Poland is one country that may be close to target, time will tell.

Chart 2: Czechia gold reserves value as a % of total reserves



Source: Schroders, IMF, WGC.

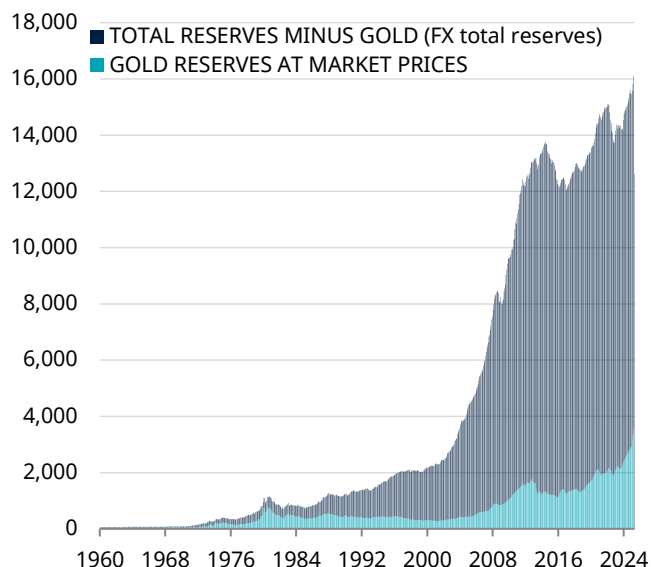
Chart 3: Polish gold reserves value as a % of total reserves



Source: Schroders, IMF, WGC.

A key question for those looking at gold, and particularly those calling the secular top here (there are many), is to ask themselves why gold as a share of total reserves could not at least double from here (charts 4 and 5).

Chart 4: The reserve shift into gold so far has not been large



Source: Schroders, IMF, WGC.

Chart 5: Global: Total value of gold reserves as a share of total FX reserves



Source: Schroders, IMF, WGC.

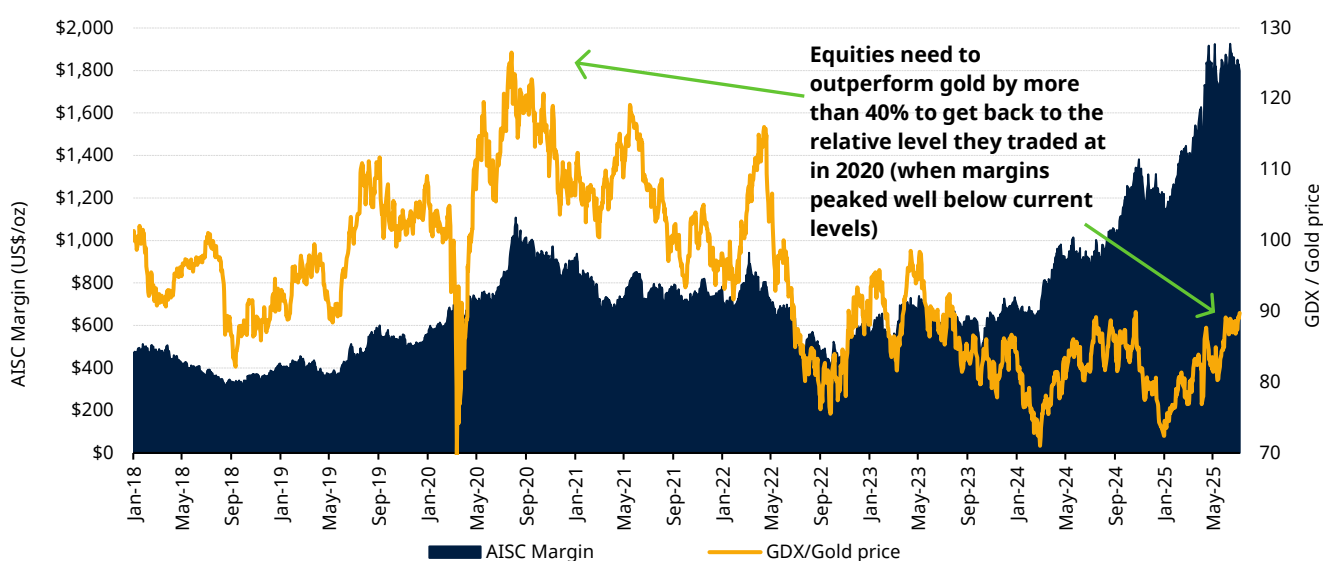
Gold equities

Gold equities closed June up around 3% depending on the index. At the time of writing major gold equity benchmarks are up between 53% (Phil gold and silver) and 59% (FTSE gold index) for the YTD vs. 27% for gold bullion, so decent outperformance reflective of the record strong margins we have been discussing for a while now.

We still see a major disconnect between gold equity performance (relative to gold bullion) and margins however.

Gold equities need to outperform bullion by 40% just to get back to the same level as the 2020 peak – when margins were US\$1,000/Oz lower than they are today

Chart 6: Gold producer AISC Margin vs. relative performance of gold equities vs. gold bullion



Source: Schroders, Bloomberg, company reports, Cormark.

As we have discussed many times the above chart tells us two things. Either gold equities are going to significantly outperform bullion from here or producer margins are going to collapse.

Margin collapse can come from gold price deflation (not our expectation) or from much stronger cost inflation. The two strongest bouts of cost inflation the industry has suffered in recent times have been the run up to 2008 (when producer currencies and energy prices soared) and the post Russia invasion of Ukraine period in late 2022/2023 (again when energy inflation cascaded up through the mining cost base).

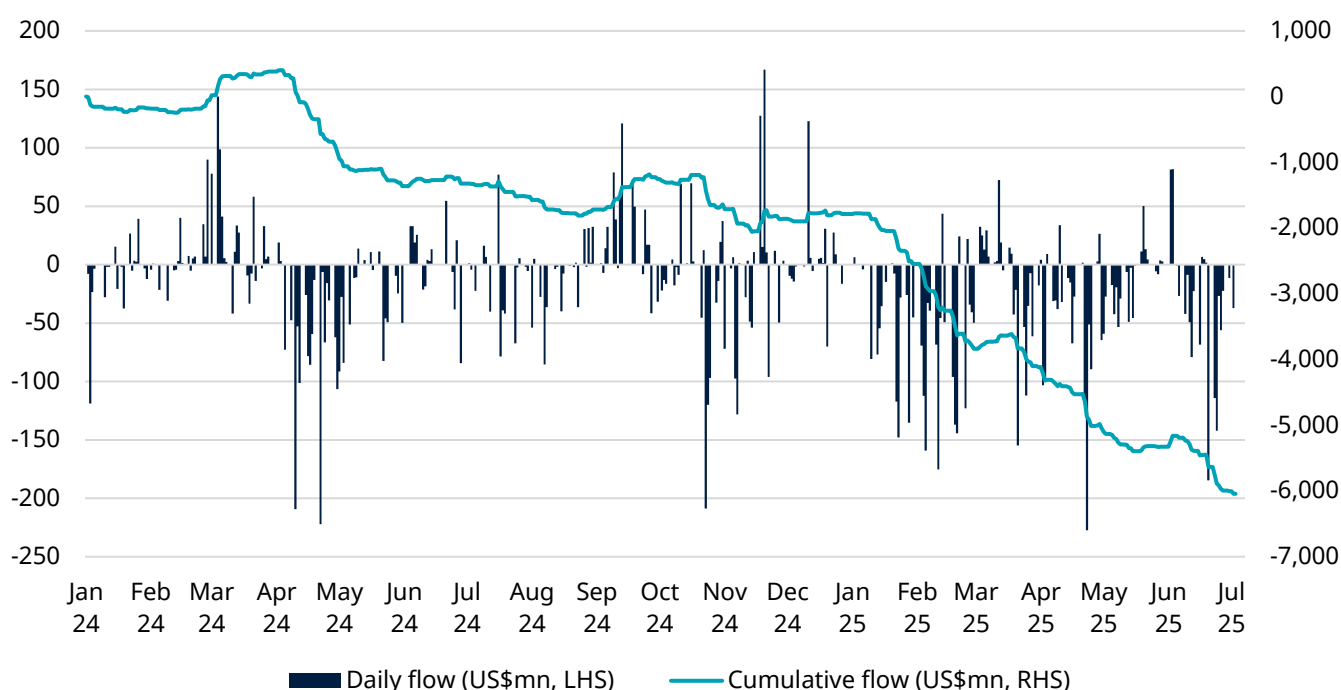
Relative to those episodes we would rate the current inflationary environment for gold miners at three or four out of ten. We do expect broad dollar depreciation which will put some upward pressure on US\$ costs outside the US. Impacts on 2Q results will be minimal however (exhibit x). As a base case we remain bearish oil market fundamentals because non-OPEC supply growth already leaves the market in surplus before considering the effect of OPEC production increases. Clearly however we cannot be blind to Middle Eastern tail-risks. As a broader investment team, we have many years experience investing in both EM debt markets and broad commodity markets which informs these views.

Exhibit 1: Snapshot of major gold producer nation currency appreciation / depreciation vs. US dollar

	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	QoQ %	spot	spot vs. Q2 avg.
ZAR currency	18.89	18.57	17.97	17.91	18.50	18.30	-1.1%	17.58	-3.9%
BRL Currency	4.95	5.22	5.55	5.83	5.85	5.66	-3.2%	5.43	-4.1%
MXN Currency	16.98	17.25	18.95	20.08	20.43	19.51	-4.5%	18.69	-4.2%
AUD Currency	0.66	0.66	0.67	0.65	0.63	0.64	2.1%	0.66	2.8%
CAD Currency	1.35	1.37	1.36	1.40	1.43	1.38	-3.5%	1.36	-1.7%
ARS Currency	833.70	885.62	941.27	999.23	1054.65	1149.65		1203.63	4.7%

Flows to the sector, after showing the first signs of stabilising, have again turned very negative (chart 6). This has been much more the case for passive vehicles (focused on the GDX) than active. Active funds in Europe, to the extent we can collect complete data have received positive net flows YTD, though North America has suffered continued outflows. The point being we are still, even at these margins, a long way from a bull market mentality.

Chart 7: Gold producer equity ETFs (Cumulative flows 2020 – Present) – recent turn to inflows



Source: Bloomberg, Schroders.

If flows are not yet coming to the sector what is driving share prices up? We continue to think, informed by multiple conversations with market brokers, that hedge fund strategies and quant strategies have been the largest marginal buyers. We think this reality is adding to outsized volatility around earnings results (net positive for fundamental participants like us because valuation dislocations are common).

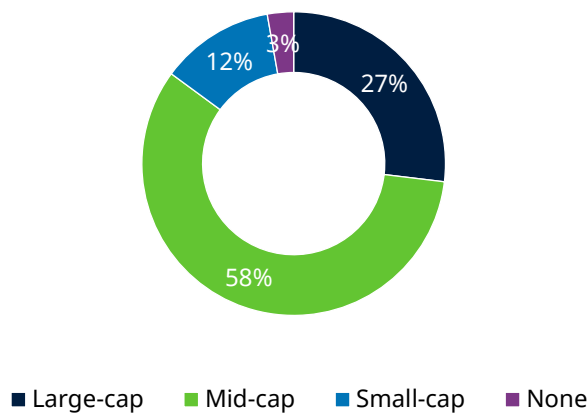
Elsewhere two other pools of capital are becoming active in the gold equity space. The first is crypto. We think the purchase by Tether's investment arm a stake in Elemental Altus (a small royalty company) won't be the last such move. Equally the capital injection by UAE entity Ambrosia Investment Holding (AIH) into Allied gold at both the asset and

group level in Mali is also interesting. Feedback from multiple management teams indicates that the UAE is becoming a key potential source of marginal capital.

Performance attribution

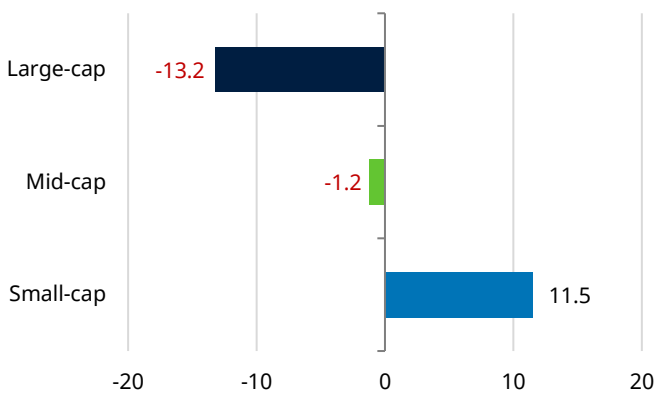
Fund performance in June was 1.51% vs. 3.03% for the benchmark. Positive attribution came from our position in Greatland Resources with the stock outperforming during the run-up to its Australian IPO in late June. Elsewhere our positions in Coeur and Pan-American also contributed positively as silver and silver equities outperformed. This helped to offset negative attribution primarily from G Mining Ventures.

Market cap %



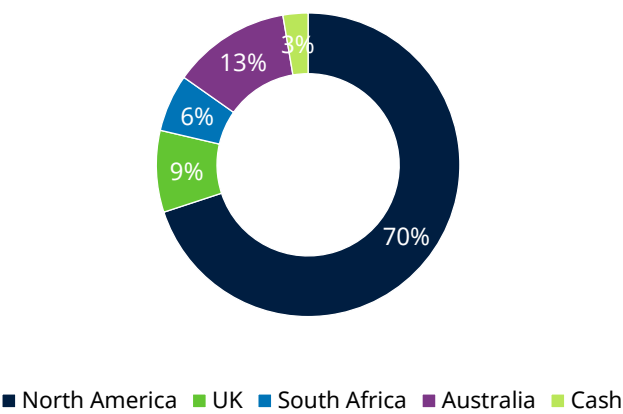
Source: Schroders, Bloomberg – June 2025.

Market cap over/underweight %



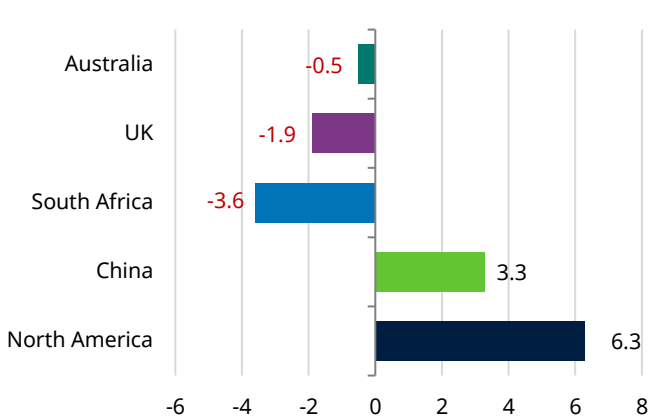
Source: Schroders, Bloomberg – June 2025.

Regional (%)



Source: Schroders, Bloomberg – June 2025.

Regional over/underweight %



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