

PETERHOUSE
ASSET MANAGEMENT

The Sun Has Risen on Gold Once Again

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SF Peterhouse Smaller Companies Gold Fund
Master Investor Conference



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Gold vs other commodities

- Over the long run commodity prices are determined by **demand** (consumption) and **supply**
- Gold demand is based on its status in the world as a store of value, not on a need for consumption, **Gold is a currency** that people buy when other currencies are devaluing
- **Gold** prices are **cyclical**, related to the business cycle and the credit cycle.



“Rent don’t own Commodity stocks”

Jim Mellon

“Money is Gold, everything else is credit”

JP Morgan testifying to congress 1912

Throughout history no paper currency has survived in its original form. The purchasing power of the US dollar has declined by 90% since 1950 and some European currencies like the Lira depreciated over 99%. The situation is the same for most currencies. When governments come under financial pressures be they war debts or just excessive spending, they print money. Gold is the only currency which government cannot print or attach liability to.



Global Gold demand is Stronger than ever



Of the 7.3bn and growing world population 60% live in Asia, and Asians culturally believe enthusiastically in gold.

Shanghai gold exchange is now the largest in the world 1400/3000 tonnes of gold produced last year went to China alone.

As low flat and negative rates persist and inflation rises, real rates of return are negative globally and investment is flocking to gold and the stock market

Gold Demand in Asia has changed World Demand



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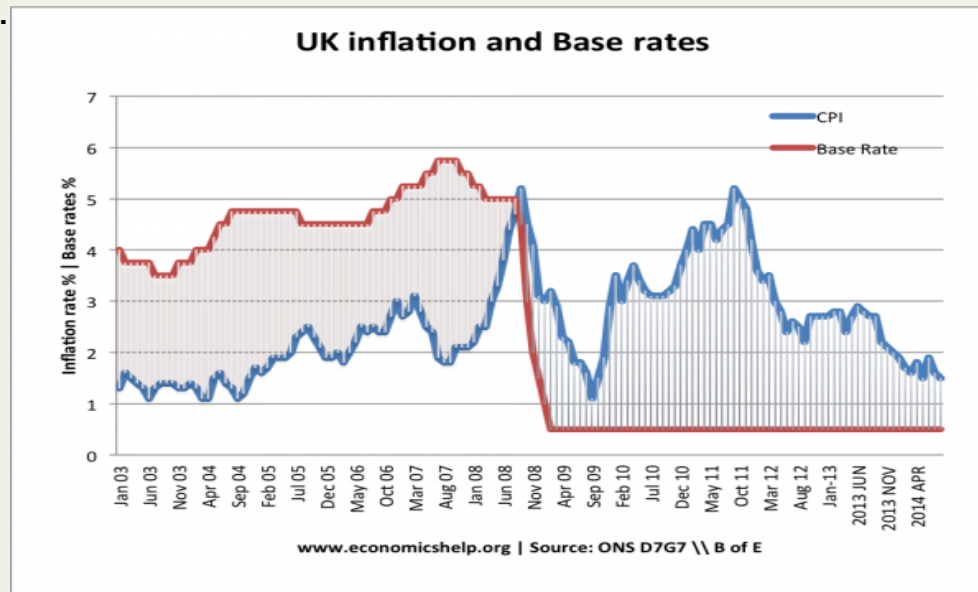
China has actively encouraged its citizens to buy gold and the Shanghai gold exchange is now the largest in the world

1400/3000 tonnes of gold produced last year went to China alone 600 tonnes went to India

As Asian currencies devalue, and inflation becomes rampant, their citizens scramble to buy more gold

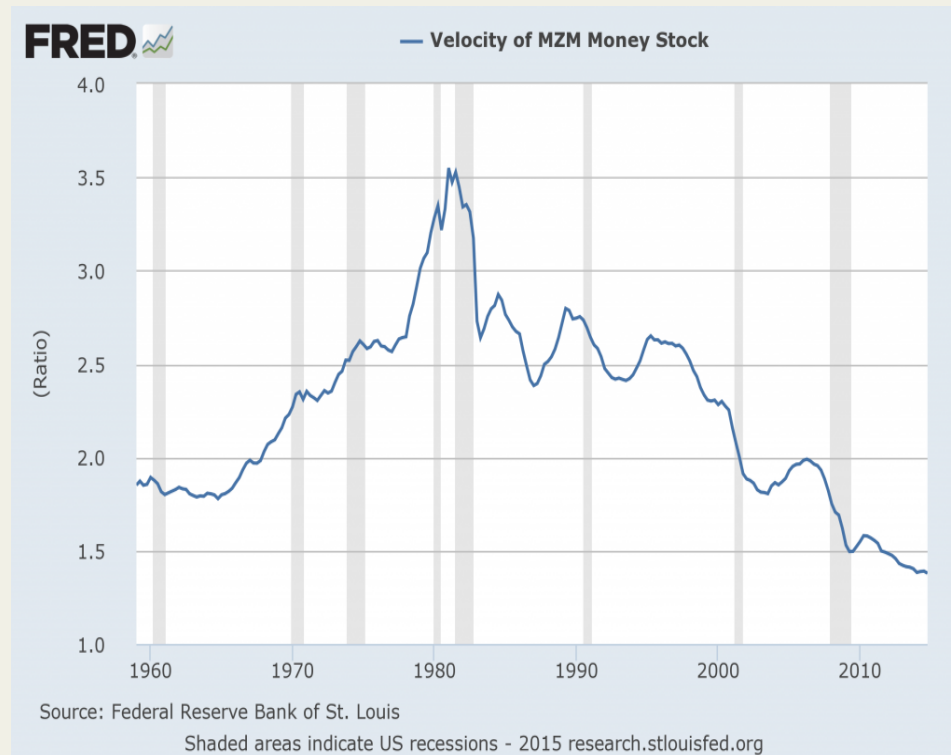
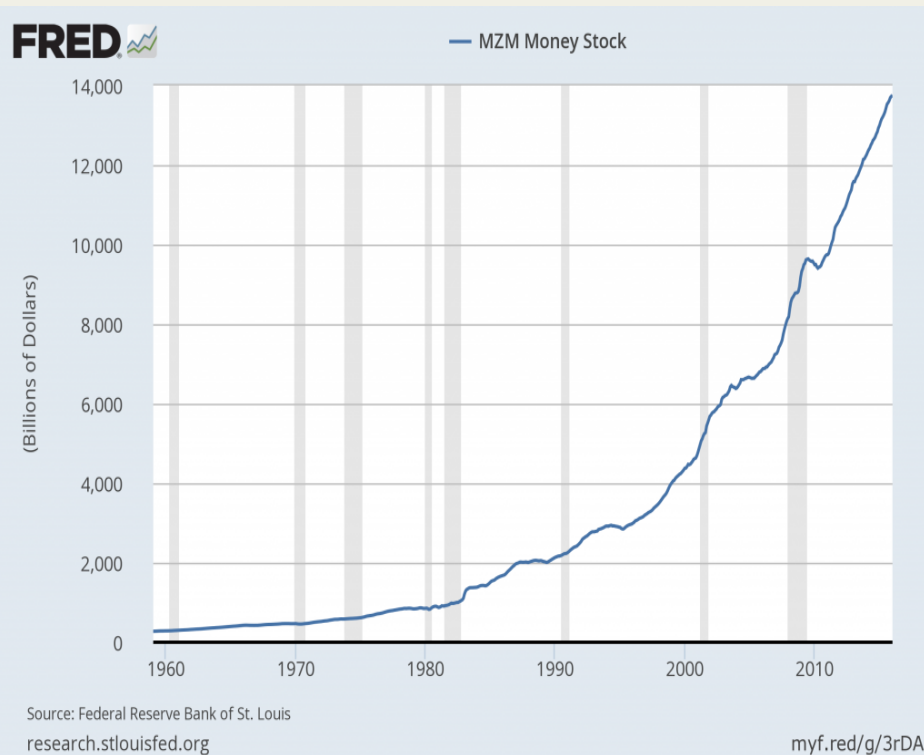
Precious metals enter bull markets when real yields decline and stay negative

- The world needs inflation and negative yields in the wake of quantitative easing.
- There are now more than \$8 trillion worth of government bonds with negative interest rates. By keeping inflation higher than the base rates can eventually inflate away a large portion of the debt
- Negative real rates will not end until the debt to GDP level of western countries comes back to normal
- Negative interest rates are essentially an expropriation of savers' money, and gold is a viable alternative.



The Quantitive Theory of Money

Money Supply x Velocity = Price (ie gold) x Volume Transactions

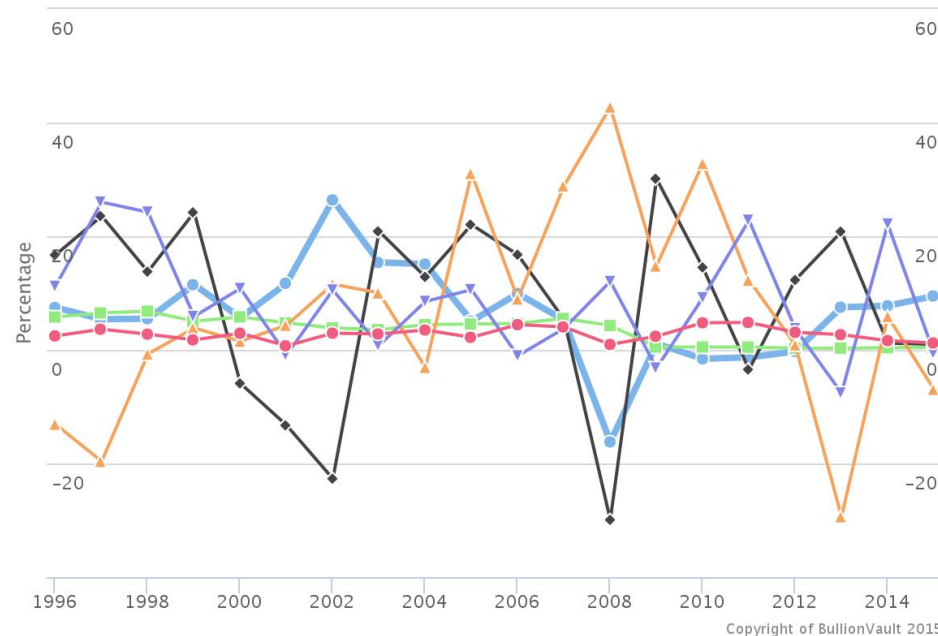


Precious metals are inversely correlated with the stock market

UK Asset-Class Performance

Select assets to be displayed

● Housing ◆ Shares ■ Cash ▲ Gold ▼ Bonds ● Inflation

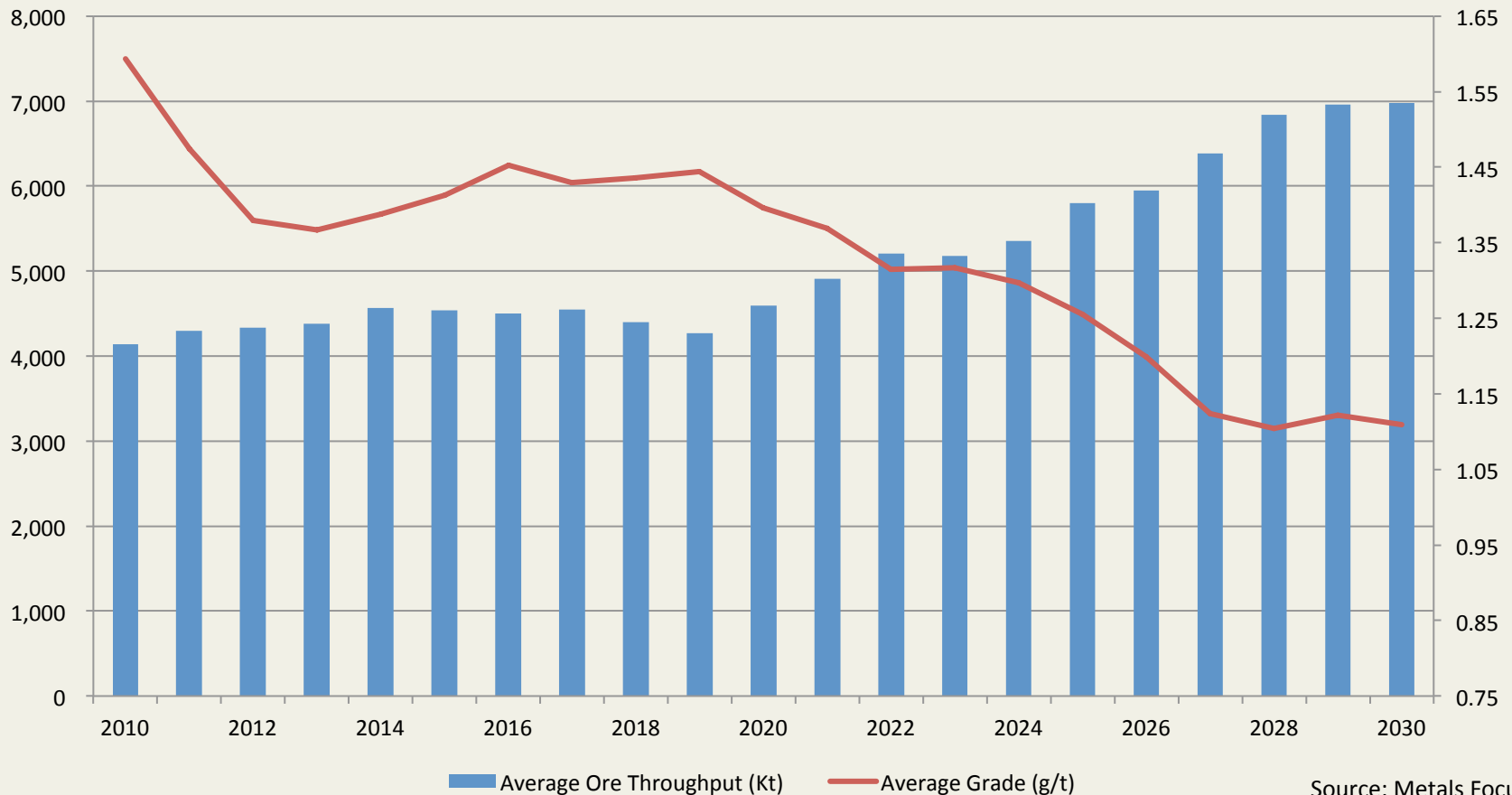


Over long periods of time gold and equity markets have an inverse relationship

Bear markets in equities start with over valuation and debt, which leads to bull markets in gold

Equity markets are turning... because in historical terms they have high valuations and higher levels of debt.

Gold is literally getting more rare and more expensive



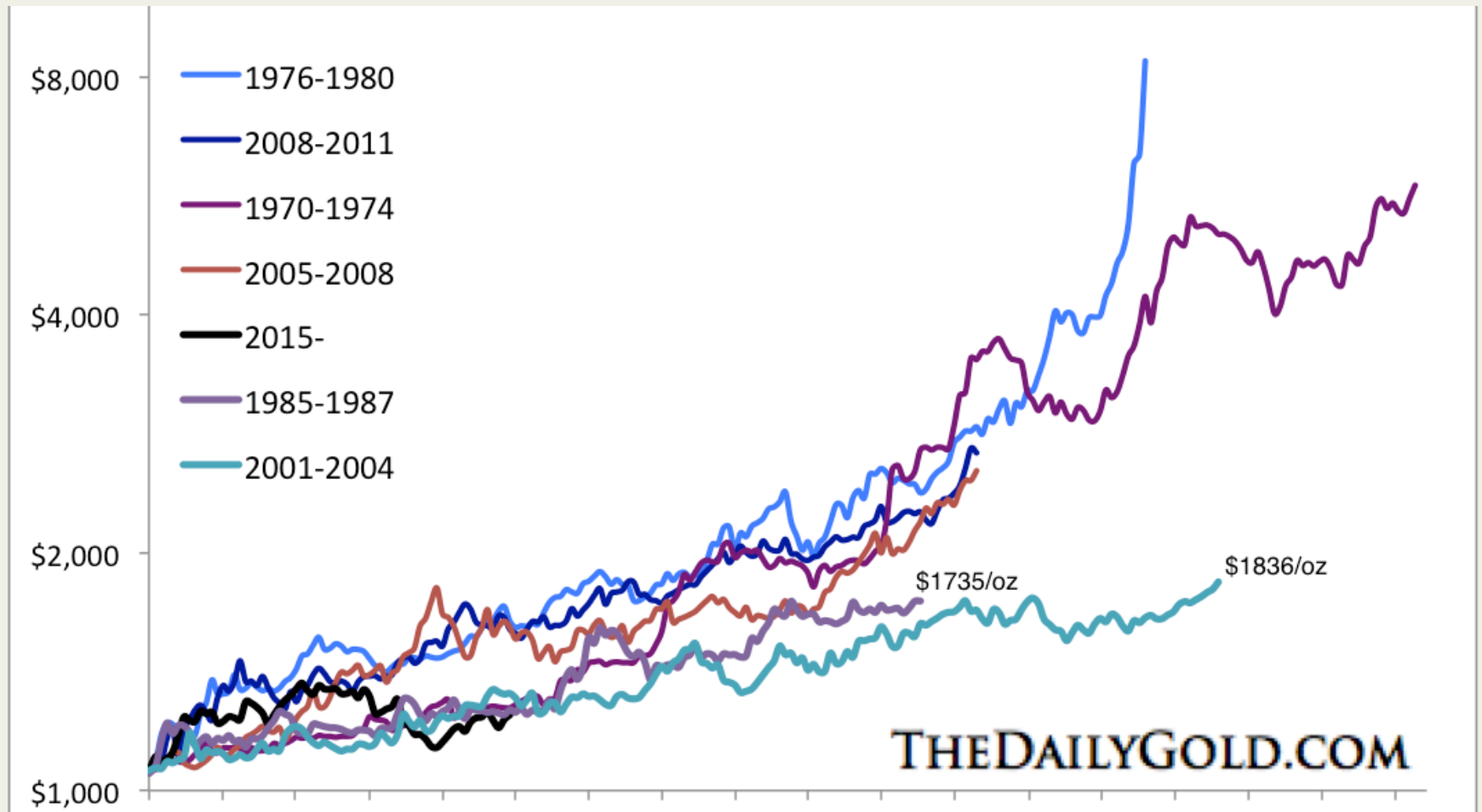


The Mining Clock – What Time Is It?

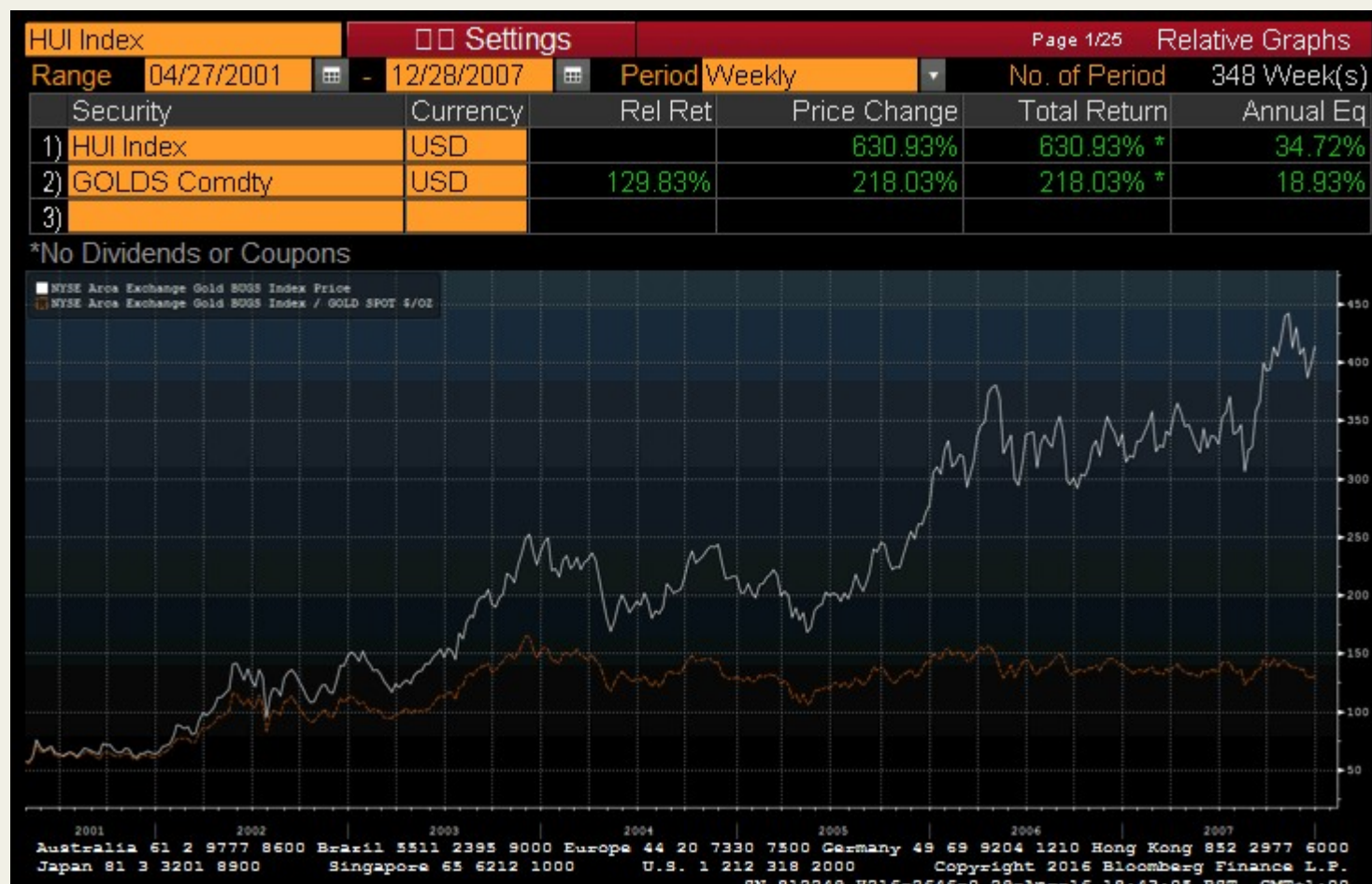


Source: Paradigm Capital Inc.

Where Is Gold in this Bull Cycle



Why Gold stocks not Gold?



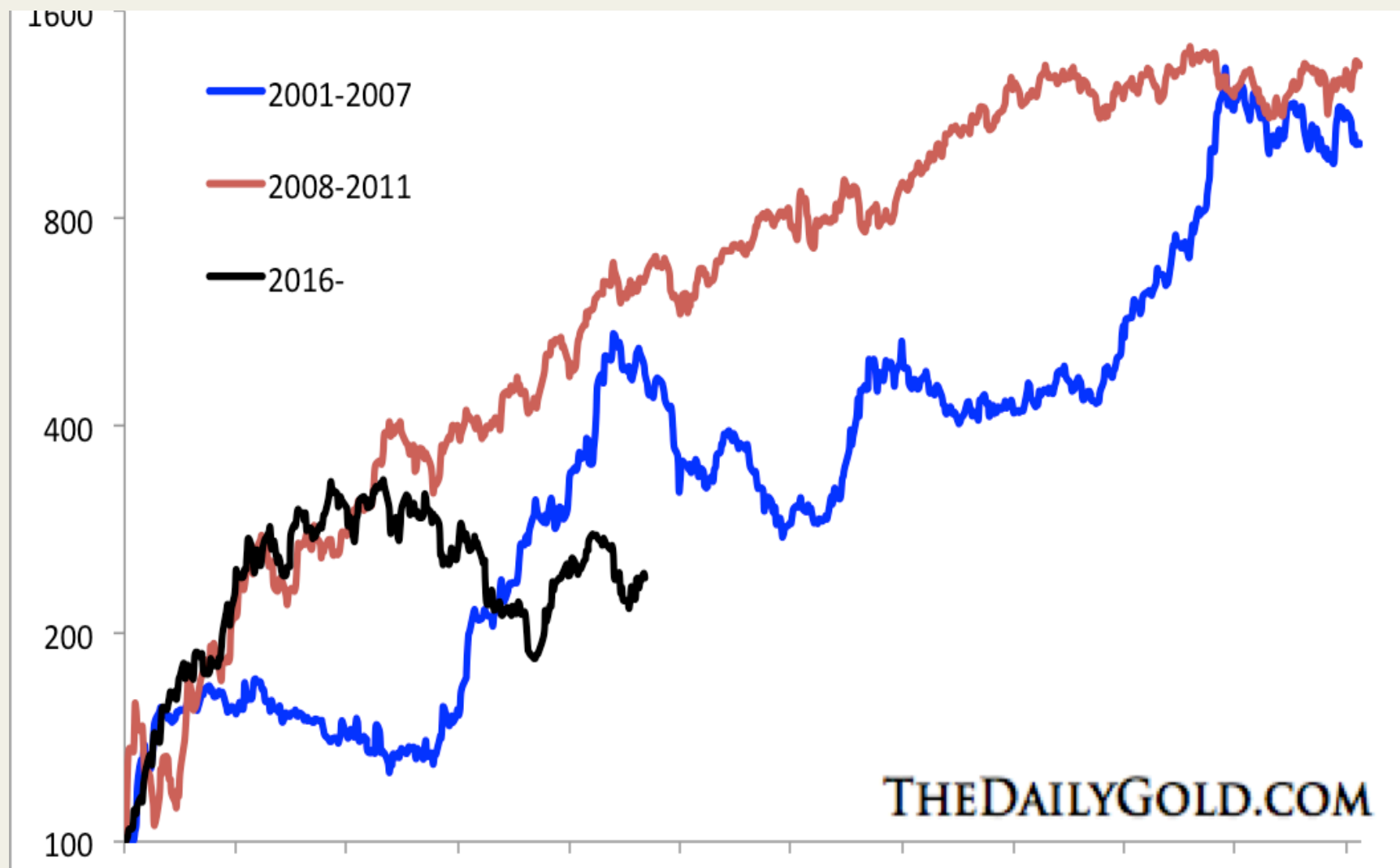
Where are Gold Stocks in this Bull Cycle

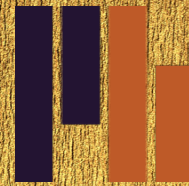
HUI Index Analog



Where are Junior Gold Stocks in this Bull Cycle

TDG Junior Gold Index Analog





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How to Watch Gold

DXY-Dollar Index-negative correlation to gold

S&P 500 and others -Negative Correlation to Gold

VIX –Positive Correlation to Gold

Geopolitical Events-Uncertainty pos correlation to Gold

Real Rates of Return, Tips Yield-Negative Correlation to gold

Interest Rates-Negative Correlation to Gold

General Commodity Indices-Positive Correlation to Gold

Global CPI-Inflation Positive correlation to Gold

Global GDP Growth

Indian Gold Buying numbers

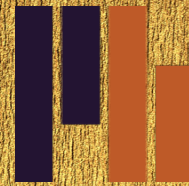
Chinese God Buying numbers

Central Bank Gold Buying numbers

Oil Price

Average Gold cash and all in Sustaining costs per oz





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How to Pick a Mining Company

Jursidiction Friendliness to Mining

Growth Potential of the Ore Body

Competency and Track record of Management and Board

Place on the Cost curve

Debt Profile

Likelihood of financing including likelihood of financing terms

Complexity of the Geology

IRR

Capex

Newsflow- catalysts for re rating

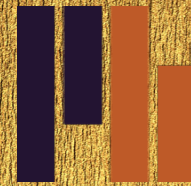
How long it will take to develop and build

NPV

Valuation compared to Peers

Whether gold is above or below trend, buy below





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SF Peterhouse Smaller Companies Gold Fund

The SF Peterhouse Smaller Companies Gold Fund, invests in a focused portfolio of what we believe are some of the leading high quality gold companies. We select 'best in class' companies with superior long-term growth prospects. Our rigorous bottom-up approach stock selection identifies typically 60-70 global companies. We have ambitious plans for the fund as part of a wider and significant growth strategy for PAML. We believe that the outlook for gold and for smaller company gold shares in particular is positive and we are aiming to position the fund to ensure it can continue to take advantage of a secular re rating in the gold market



Fund Factsheets can be found at **[www. peterhouseam.com](http://www.peterhouseam.com)**