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WS Amati Strategic Metals Fund
Quarterly Review

March 2026



By
Mark Smith, Fund Manager



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The unknown is the new normal heading into 2026.

The US dollar acted as a shock absorber in the aftermath of Donald Trump's decision to intervene in Iran. Massive volatility ensued, together with rapid profit taking, and remarkably the gold price fell by US\$1000/oz over the course of just a few days. While the US dollar was in great demand by funds and governments during this time, currency debasement is a long drawn-out thematic and we believe it is by no means over. We note that central banks and investors are moving into hard assets, which means that the US dollar could see further weakness as the emergence of the Petroyuan (the Chinese yuan used to settle international oil trades) gains pace. This 'war' will cost the United States a significant amount, adding to its already bloated debt position.

Interest rates have also risen, causing more pain on the Treasury, which should in turn cause US dollar weakness (even if higher rates are typically negative for gold). Dollar credibility is also called into question due to fiscal expansion, while global central bank buying (particularly emerging market central banks diversifying away from dollar reserves) is structural, not cyclical, the latter which we believe is more powerful than any other factor.

Figure 1: US Federal Debt projection



Source: Congressional Budget Office

The common statement from investors now is 'Yes, I understand the rationale for holding gold, but gold equities will face margin compression due to higher energy prices'. However, looking at the gold equity universe:

- The average AISC (All-In Sustaining Cost) before the Iran situation was ~US\$1600/oz.
- If Oil holds at US\$100/bbl for all of 2026, we are looking at ~US\$1800/oz AISC (vs US\$1600/oz).
- **So, EBITDA margins are 64% instead of 68%!!** Context is everything here: gold equities are still in a very good position, i.e. the supernormal margins mean that operational leverage is far less than the historical relationship! Moreover, financial leverage is also far less, given the rock solid (net cash for almost half the sector) balance sheets.



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Figure 2: Historical P/NAV5% for Intermediate Gold Producers



Source: Scotiabank

Copper prices opened the year by surging to a record \$6.28/lb, driven by supply concerns and intense speculative activity, the last leg of a 40%+ rally from 2025. However, the momentum proved fleeting as March's geopolitical tensions triggered concerns about global growth and inflation, putting the market in a wait-and-see mode. Despite that we continue to see positive fundamentals for copper, with supply struggling to keep up with growing demand, albeit that the impact of the war remains uncertain. Despite a 16% q/q gain in average copper prices, Q1 operational performance amongst producers may well be mixed, as the sector guides towards the potential inflationary impacts of higher energy prices, sulphuric acid shortages and supply chain restrictions later in the year.

To put the cost impacts of higher energy prices into perspective, diesel for haul trucks and backup power generation represents only ~5% of average C1 (direct) copper cash costs (~7% for open-pit mine and ~3% for underground mines), according to Wood Mackenzie. A US\$10/bbl oil price increase is estimated to raise global C1 cash costs by only ~US\$0.013/lb; at the markedly higher current oil prices of ~US\$100/bbl (or ~2x YE25), the direct cost impact is estimated at only ~US\$0.07/lb on average. However, higher fuel prices often have indirect impacts on many consumable costs, including grinding media, reagents, lubricants, tires, and explosives. When including both the direct and indirect effects, the cost impact is estimated at a higher ~US\$0.03 to US\$0.04/lb per US\$10/bbl (or ~US\$0.15 to US\$0.20/lb YTD). Markedly higher sulphur prices will also raise acid costs for cathode producers.

However, on a broader view, we may look to capitalise on any weakness to increase our copper exposure. The monthly chart of the copper/gold ratio is setting up to trigger a monthly MACD (Moving Average Convergence/Divergence) buy signal in favour of copper for the first time since breaking down in March 2022. The last buy signal was in October 2020. We have been looking for a turn in the copper/gold cycle since Q1 2025 based on the four-year cycle in the ratio. It has taken some time to play out, but we are now starting to see momentum and trend confirmation of this rotation.



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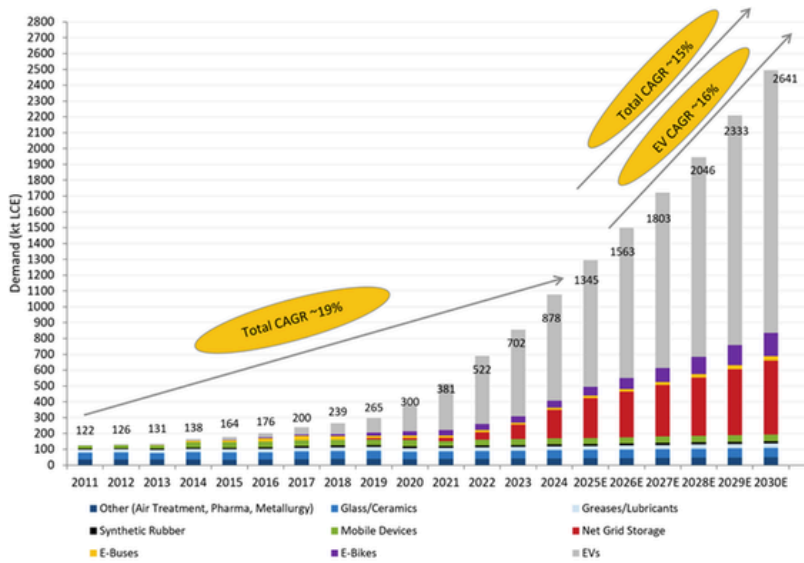
Figure 3: Copper/Gold Ratio



Source: Paradigm Capital

So, putting aside the ‘War to Date Winners’ (fertilizers, aluminium, coal, gas, oil, and tungsten), we are quietly confident on the outlook for lithium equities. The significant rise in diesel prices has put the merits of Electric Vehicles (EV’s), BESS (battery energy storage systems) and renewable energy back on the investment table.

Figure 4: Lithium Demand



Source: BMO

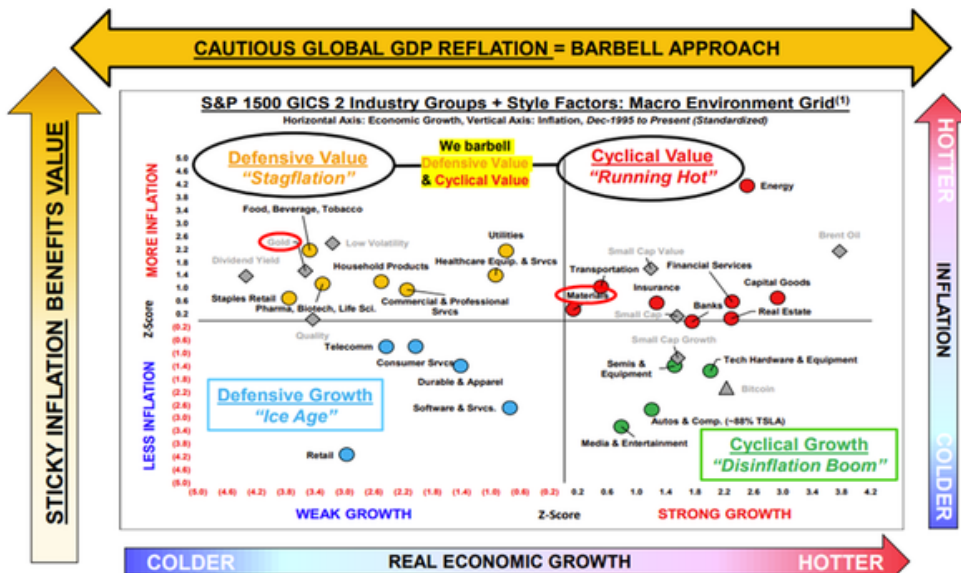


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Portfolio Activity

Not surprisingly, during this volatile period and without having any visibility in the near term as to the effects of Donald Trump’s so-called ‘TACO’ trades, we have largely kept the portfolio unchanged. The precious metals investments have been defensive for value, while the shortage of sulphur from the Straits closure has elevated copper, nickel sulphate, and lithium chemical prices. A recent infographic from Stifel highlights the sectors to invest in under a scenario where inflationary pressures persist along with stagflation: gold and materials are the go to areas, which equate to the bookends of the Amati Strategic Metals Fund!

Figure 5: Matrix of Industrial Groups VS Macro Economic Factors



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Risk Warning

Past performance is not a reliable guide to future performance. The value of investments and the income from them may go down as well as up and you may not get back the amount originally invested. Tax rates, as well as the treatment of OEICs, could change at any time. The investments associated with this Fund are concentrated in natural resources companies, which means that the Fund is subject to greater risk and volatility than other funds with investments across a range of industry sectors. The Fund invests in companies that have operations in developing markets and which therefore may be subject to higher volatility due to political, economic and currency instability. Shares in some of the underlying companies in the Fund may be difficult to sell at a desired time and price. A dilution levy may be applied to the share price when the Fund is expanding or contracting. Should you buy or sell in these circumstances it may have an adverse impact on the return from your investment.

This review does not provide you with all the facts you need to make an informed decision about investing in the Fund. Before investing you should read the Prospectus and the Key Investor Information Document (KIID). The Prospectus sets out the main risks associated with the Fund and the KIID shows you how costs and charges might affect your investment. If you are in any doubt as to how to proceed you should consult an authorised financial intermediary.

Fund documentation is available on request and can be downloaded from Waystone [here](#) or from our [website](#).

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