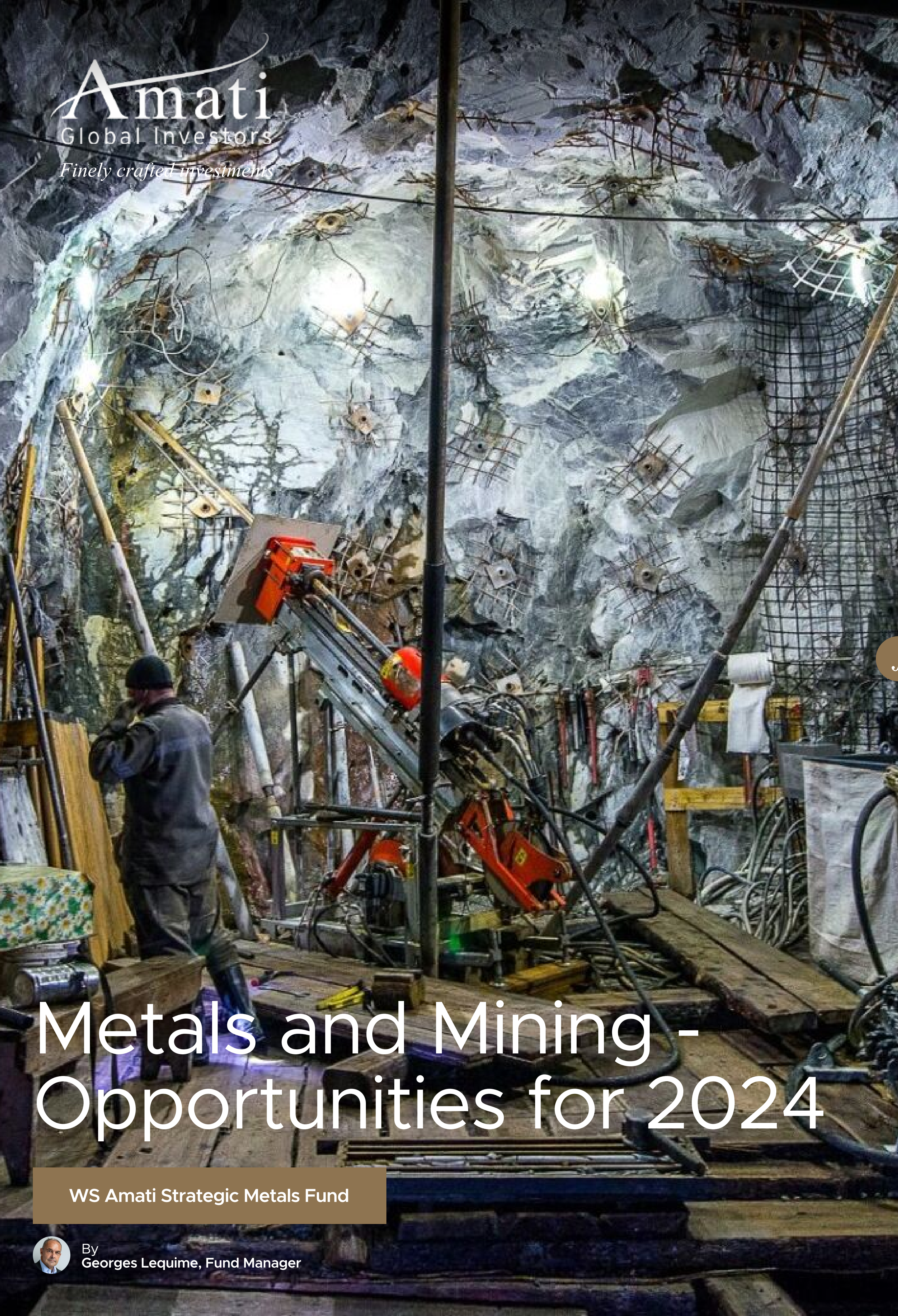
Amati
Global Investors
Finely crafted investments



Metals and Mining - Opportunities for 2024

WS Amati Strategic Metals Fund

By
Georges Lequime, Fund Manager

Last year was a disappointing year for listed mining companies, with the exceptions of the largest diversified companies such as Rio Tinto and BHP, as well as the uranium stocks, as the market went risk-off mining. The performance of uranium equities over the year (up 100-200%) just shows how quickly sentiment can change and how strongly stocks can bounce back.

The uranium stocks did incredibly well in 2023, with a number of stocks hitting their all-time highs by December. Copper stocks also performed relatively well, however they are now a consensus holding across many funds. Supply disruptions kept the market in check despite a softer-than-expected recovery in economic activity in China and new production coming on stream.

During the year, we built up a 6-7% holding in uranium stocks and made 65% returns on both of the names that we held, Cameco and UEC. One could argue that we sold these investments too early as a squeeze on the spot market by financial players drove the spot uranium price over $100/lb, dragging equities even higher. With idled supply coming back on stream this year and the Sprott Uranium Trust compelled to start selling some stockpiled uranium from February onwards, we expect a pullback to more normal uranium prices in 2024, to around $55-65/lb. It is not inconceivable that the uranium stocks will pull back in the same way that the lithium stocks did last year.

It was the EV metals that performed poorly in 2023, partly due to a weaker-than-expected Chinese economy and partly due to weaker sentiment towards the medium-to-longer term growth in EV sales in the US and Europe. Actual EV sales during 2023 matched the expected global growth rate for the industry. Lithium was not helped by destocking from China, following the aggressive buildup of stocks in late 2022. Nickel, where there was a surge in low grade nickel supply from Indonesia and the Philippines, saw spot pricing fall 40% over the year. Sentiment towards natural graphite also remained poor through 2023 with prices softening 20-25% over the year.

Nickel, lithium, and graphite have now sold off well below incentive pricing and high-cost producers will have to cut back production (and are indeed doing so).

We can see a rebound in all three metal prices in 2024.

Precious metals stocks are the most interesting. They were hugely out of favour last year as a result of multiple rate hikes by the Fed. Despite this, gold and silver prices actually held up well due to Central bank purchases of gold and the fundamentals of the companies look in great shape. It appears that investors sold or avoided the sector on interest rate direction, not fundamentals. In the meantime, the high commodity prices allowed the companies to shore up their balance sheets and fund development projects and exploration.

Consensus for 2024 is that the Fed will likely cut rates multiple times. The question is whether this is on the back of lower-than-expected inflation or a weakening economy.

Market consensus is the former. If the latter transpires, copper and aluminium will perform poorly. Under both scenarios gold and silver prices should do well judging by the rallies that we have historically witnessed following the end of the rate hike cycle.

We took profits on three gold stocks last year: Sabina was bought out by B2Gold, AngloGold rallied from an oversold position and also Osisko.

The top ten holdings comprise 42% of the portfolio, which is dominated by Silver and Lithium companies and for which we believe there are several very near-term catalysts, especially in regard to corporate activity.

We expect commodity prices to stabilise in early 2024 and perhaps rally from oversold levels. We also see production build up/recovery to lead to better sentiment for a number of these stocks. Other than Atlantic Lithium, with whom we have had several meetings recently, all these stocks are decent sizes in terms of market capitalisation.

Having had a tough 2023, we are excited about the opportunities for 2024.

10 Largest Holdings

Holding	% OF TOTAL ASSETS
Pan American Silver Corp (Ag)	5.4%
K92 Mining (Au)	4.7%
Fresnillo Plc (Ag)	4.7%
Sigma Lithium (Li)	4.6%
Atlantic Lithium (Li)	4.5%
Eldorado Gold Corp (Au)	3.9%
Fortuna Silver Mines (Ag)	3.8%
Latin Resources (Li)	3.7%
MAG Silver Corp (Ag)	3.5%
Lifezone Metals (Ni)	3.3%

Source: Amati Global Investors as at 31/12/2023

Sales Team Contacts

Rachel Le Derf
Head of Sales & Marketing
rachel.lederf@amatiglobal.com
07979601223

Colin Thomson
Head of Intermediary Distribution
Northern England, Scotland & NI
colin.thomson@amatiglobal.com
07884026517

Jonathan Woolley
Sales Director
London, Midlands, SW England & Wales
jonathan.woolley@amatiglobal.com
07818203013

Thomas Whitfield
Sales Director
London & SE England
thomas.whitfield@amatiglobal.com
07714839155

Samantha Dalby
Sales Manager
samantha.dalby@amatiglobal.com
+44 (0) 131 503 9116

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 subect 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, the Key Investor Document (KIID) and Supplementary Information Document (SID). The Prospectus sets out the main risks associated with the fund, the KIID shows you how costs and charges might effect your investment, and the SID details your cancellation rights. If you are in any doubt as to how to proceed you should consult an authorised financial intermediary. Fund documentation can be requested from Waystone or Amati and is available to download from our website.

Amati Global Investors