

FACTSHEET • AUGUST 2024

# WS Amati Strategic Metals Fund

# ſ

#### Fund Objective

The Fund aims to provide capital growth over the long term (periods of 5 years or more). The Fund invests in mining companies listed in developed markets worldwide.

For further information on our objectives and policy, please view the Key Investor Information Document (KIID)  $\underline{here.}$ 



#### Contact Details

Investment M	lanager
--------------	---------

Amati Global Investors Ltd 8 Coates Crescent Edinburgh EH3 7AL

T: +44 (0) 131 503 9115 F: +44 (0) 131 503 9110 E: info@amatiglobal.com

W: www.amatiglobal.com

3rd Floor 29 Wellington Street Central Square Leeds, LS1 4DL	
T: 0345 922 0044	

ACD of the Fund

1: 0345 922 0044 E: wtos investorservier

- E: wtas-investorservices
- @waystone.com W: Waystone Management (UK) Limited

# 🕥 Key Information

Launch Date	March 2021
Fund Size	£61.4m
B Share Class	79.08p
Dealing Line	+44(0)115 988 8275
IA Sector	Commodities and Natural Resources
No. of Holdings	43
Minimum Investment	£1,000
Min Lump Sum Regul	ar £50/month
Share Type	Accumulation
Scheme Type	UK UCITS
ISIN	GB00BMD8NV62
Benchmark	MSCI World Metals and Mining Index (GBP)
Charges (no initial)	0.75% Annual Mgt Charge plus

#### research charge of up to 0.10% (OCF capped at 1%)

#### Investment Team



Georges Lequime Fund Manager



**f** Ratings, Awards & Signatories



🧊 10 Largest Holdings	% OF TOTAL ASSETS
G Mining Ventures	6.8%
Fresnillo	5.4%
Pan American Silver	5.1%
Mag Silver	4.4%
Liberty Gold	4.3%
Eldorado Gold	4.0%
Contango Ore	4.0%
K92 Mining	4.0%
G2 Goldfields	3.9%
I-80 Gold	3.5%

### 🗊 Cumulative Performance

(B CLASS)

	Fund Return (%)#	Benchmark Return (%)##
1 month	-2.65	-2.46
3 months	-12.43	-7.95
6 months	21.29	6.75
1 year	-12.84	4.32
3 year	-21.55	20.10
Since Launch*	-20.92	25.65

Cumulative performance data as at 31/08/2024

#WS Amati Strategic Metals Fund, Total Return

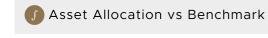
##MSCI World Metals and Mining Index (GBP), Total Return

#15 March 2021

#### Past performance is not a reliable indicator of future performance.

① Discrete Annual Performance		
	Fund Return (%)	Benchmark Return (%)
31/08/2024	-12.84	4.32
31/08/2023	-11.90	7.46
31/08/2022	2.17	7.14

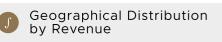
#### WS Amati Strategic Metals Fund

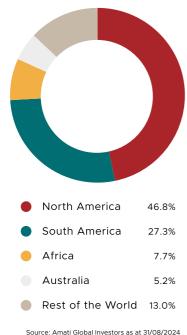


Gold					
					45.6%
					25.5%
Silver					
					21.1%
					1.2%
Lithium	า				
					16.2%
					0.9%
Nickel					
					6.7%
					2.0%
Graphi	te				
					4.5%
					0%
Rutile					
					2.7%
					0%
Rare E	arths				
					1.8%
					0%
Manga	nese				
					0.4%
					0.2%
0%	10%	20%	30%	40%	50%

Benchmark weightings (in dark grey) only shown for asset classes in which the Fund has an allocation.

Source: Amati Global Investors as at 31/08/2024







Source: Amati Global Investors as at 31/08/2024

#### Fund vs Benchmark Market Cap

	WS Amati Strategic Metals Fund	MSCI World Metals and Mining Index	
Number of Constitutents	43	36	
Market Cap (USD Millions)			
Median	281	18,206	
Average	842	29,278	
WAMC	1,317 60,825		

Source: Amati Global Investors as at 31/08/2024



WS Amati Strategic Metals Fund

80

MSCI World Metals and Mining Index\*

#### Source: Amati Global Investors as at 31/08/2024

\*WS Amati Strategic Metals Fund, Total Return.

\*\*MSCI World Metals and Mining Index (GBP), Total Return. The stocks comprising the index are aligned with the Fund's objectives, and on that basis the index is considered an appropriate performance comparator for the Fund. Please note that the Fund is not constrained by or managed to the index.

Sources: Waystone Management (UK) Limited, Financial Express Analytics and MSCI. Information in this factsheet is at the last valuation point of the month, except where indicated.

📔 Investment Report

## The Time has come!

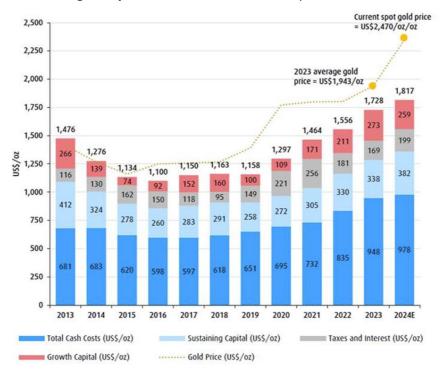
23rd August 2024 – remember that date. United States Federal Reserve Chair Jerome Powell said "the time has come" to begin lowering interest rates, a process that will likely begin at the Fed's Sept. 17-18 meeting. Markets are widely anticipating a 25-basis-points cut, or even 50 points if the economy looks weak and needs a stronger monetary boost. More reductions could follow before year's end. If the Fed follows through, it will cause bond yields to weaken further, the dollar to weaken more and commodity prices to strengthen. When positive real interest rates, which favour bond investors, turn negative, it will especially affect gold and silver prices to the upside.

Gold hit an all time high on the announcement, US\$2531/oz. Gold's rally, which started in mid-February, is underpinned mostly by increased geopolitical risks, central bank buying and slowing ETF sales.

#### However, .....

Despite this insane pricing environment, gold equity valuations have contracted. The Enterprise Value to Earnings Before Interest, Taxes, Depreciation & Amortisation ratio (EV/EBITDA) for senior golds has gone from 7.4x across 2015-2019, to 7.1x 2020-22, and now sits at just 6.6x. On Price to Cash Flow Per Share (P/CFPS), seniors are now trading <6x, more than a whole standard deviation below the 10yr average!

This corroborates with fund flow data too: in 2016 the combined net fund flow into GDX & GDXJ (senior and junior mining company indices respectively) was US\$5.9bn; over 2023-24 it's been NEGATIVE US\$1.3bn. Sure, it doesn't take much general interest to spark the sector to life, with NVIDIA alone being ~4x bigger than the entire global gold universe in mkt capitalisation. But the idea that "higher commodity prices" has the greatest potential to drive higher multiples is strangely absent. **So what gives?** 



#### Figure 1 – Gold Producer margin expansion - Source: BMO Capital Markets

Q2-2024 showed significant margin expansion for the gold producers and the call for share buy backs is becoming louder. In 2023, when US Treasuries paid 5% and the total yield for golds (buyback and dividend yield) was a measly sub-2.5%, there was no reason for generalists to consider the gold equity sector. However with (potentially) falling yields and rising gold equity yields, this trend could change. It is now over to the gold companies to drive interest in the sector through enhancing shareholder capital returns.

48%

44%

40%

36%

32%

28%

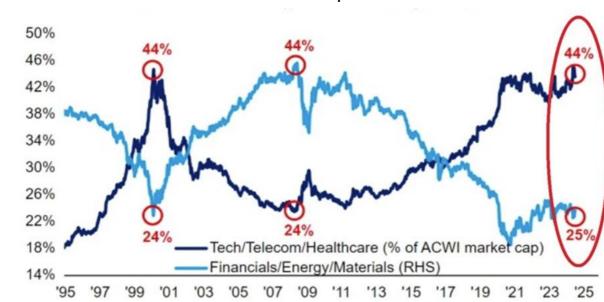
24%

20%

16%

#### Investment Report

**The crowded TECH trade** – The market concentration for Tech/telecoms and healthcare has peaked at 45% share of the global equities. This concentration has reached the levels of the dot-com bubble of 2000. The downtrend in investor appetite for metal equities is highlighted by the GSCI Commodity Index vs the S&P 500 ratio, which sits at a 50 year low. Interestingly, when you plot the GDX, GDXJ, Industrials sector (XLI) and Technology sector (XLK) against a benchmark of the S&P500, it shows large institutional money profit taking in tech/growth, with rotation into value, and commodities setting up to catch up.





Source: BofA Global Investment Strategy

#### Lacklustre lithium

During times of low lithium prices and challenging market conditions for development stage companies to raise capital whilst minimising equity dilution, it was a surprise that Pilbara Minerals (ASX:PLS) made a counter-cyclical (all equity) acquisition of Latin Resources (ASX:LRS) for A\$560m. This was a 67% premium to the LRS closing level. We held a 2.78% portfolio weighting in LRS. We will now consider the position in Australia's largest lithium producer. **M&A the start of things to come?..** 

Given current valuations and the closed capital markets, conditions are favourable from a buyer's perspective. However, most potential acquirers are not in position to pursue M&A in the near-term. Several of the larger producers are internally focused and in some cases their own organic growth projects have been placed on hold or deferred. Chinese parties, which have demonstrated a strong appetite for acquiring lithium projects in recent years, are restricted in the jurisdictions they can pursue, further limiting the buyer universe. These circumstances could present opportunity for others to outright acquire (e.g., mining-focused private equity), or pursue strategic/joint venture investments (e.g., auto OEMs, battery manufacturers) with less competition. In addition, the current environment may prompt governmentinvestment, or direct involvement in order to encourage project development, which could support developer valuations and bridge the gap to a stronger M&A market.

#### Portfolio activity

Two stocks were acquired during the month: **Osisko Mining** (TSE:OSK) acquired by Gold Fields (JSE:GFI) for a 67% premium to OSK close, and **Latin Resources** (ASX:LRS) by Pilbara Minerals (ASX:PLS) for a 67% premium. Once consolidated, we will consider the merits of the acquirers in the fund. Very little trading in the fund has occurred in August.

We head to The Precious Metals Summit in Colorado next month for 4 days of meetings with corporate executives from precious metal explorers, developers and producers.





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 factsheet 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 Key Investor Information Document (KIID) and associated Fund documentation. If you are in any doubt as to how to proceed you should consult an authorised intermediary. Fund documentation can be requested from Waystone or Amati and is available to download from our website.

Issued by Amati Global Investors Limited, which is authorised and regulated by the Financial Conduct Authority.