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WS AMATI STRATEGIC METALS FUND

Quarterly Review

June 2025

By
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The last quarter's news/discussion has been dominated by the ongoing threat of U.S. tariffs and the potential impact to global trade and commodity demand. For the majors, this uncertainty saw most stocks prices coming under pressure, particularly in April, although we've seen a modest recovery in sentiment on the stocks since. Meanwhile, most key commodity prices are at levels that drive solid margins for the sector.

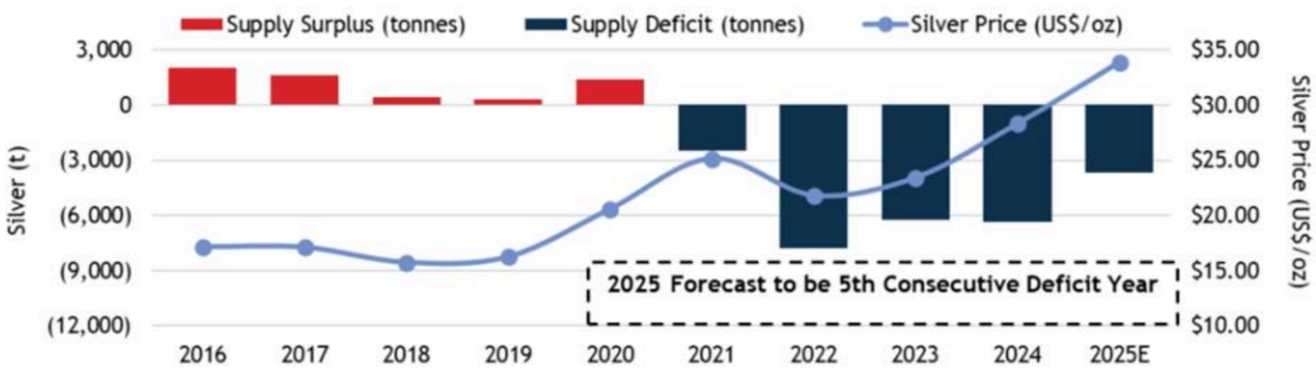
Gold and silver names should enjoy a sharp pick up of Free Cash Flow (FCF) in the second quarter results, with prices at record highs, although costs will lift with higher royalty payments. Unlike its precious metal peers, we are expecting less fireworks from the diversified and base metal mining companies. Most are looking at sequential improvements in Q2 production on a typically slow start to the year, and pricing has been reasonable given the potential macroeconomic headwinds. The weaker US dollar and sticky inflation might see some disappointments on costs.

With gold setting a new record quarterly average gold price of ~$3,290/oz (~15% higher q/q and 41% y/y), and silver finishing the quarter with an average price of $34/oz (up 6% q/q and 17% y/y, marking its highest quarterly average since Q3 in 2011), we have positioned the portfolio for strong precious metal quarterly results.
We continue to be very positive on silver with a 25% portfolio weighting. After finally breaking through the important US$35/oz resistance level (that it failed to do for ~13 years), it's been off to the races for silver.

Why = two key reasons:

1. Silver's bifurcation between investment and industrial uses puts it in a unique position relative to its commodity peers, and a combination of fiscal instability, as well as rising demand in industrial uses, presents a bullish set up.
2. The silver market is expected to remain in deficit for the fifth consecutive year; for 2025, the Silver Institute estimates a silver deficit of 118Moz, bringing the cumulative, five year deficit to ~796Moz. This is equivalent to 77% (!) of annual mine supply.

Figure 1 – Silver supply-demand



Source: World Silver Institute

Over the past two years, central banks around the world have begun to divide in their approach to gold. The divergence is particularly stark between Emerging Markets and Developed Economies. While gold has historically played a steady role in reserve management, survey data from the World Gold Council shows that for emerging markets, gold is increasingly being redefined not just as a financial asset, but as a strategic instrument of geopolitical and monetary independence, an increasingly critical function in a rapidly deglobalising world.

- 5% of central banks expect global gold reserves to rise over the next year, consistent with past surveys.
- A record 43% plan to increase their gold holdings; none expect a decline.
- Crisis resilience, diversification and inflation hedging remain core reasons for adding gold.
- 73% foresee lower US dollar (USD) reserve shares in five years, with gold, Euro and Renminbi (the official currency of China) gaining.
- More banks are actively managing gold (44% vs. 37% in 2024), with risk management rising in priority.
- The Bank of England is still the top vault (64%), but domestic storage rose to 59% in 2025; only 7% plan further increases.

In the battery metal space…..

Lithium: There is a feeling that Lithium prices (LCE) have bottomed but still way below what consensus is calling for (spot $8,800/t vs. 2026e ~$11,200k/t, 2027e $13,000/t, and LT prices starting as early as 2028 of $14,000-17,000/t). A growing number of participants and investors seem to think prices "can't go any lower," but the market is still oversupplied, with an irrational structure, and the price decline hasn't fixed that. Chinese direct supply intervention has started to create some positive price moves, but the equity rally might be a sentiment trade at the moment.

Operations in Haixi in the western province of Qinghai in China, has been ordered to immediately halt production by authorities on what is believed to be due to permitting issues. Operations are estimated to produce ~11ktpa LC and delivered 5.4kt in the first half of 2025. Spodumene and battery grade lithium prices were up ~3% following the news, trading at $730/t and CNY65,800 ($9,170/t), respectively.

Graphite: The US is set to impose 93.5% import duties on Chinese graphite, sending graphite stocks higher. The US Commerce Department preliminary decision on an additional levy, takes the effective tariff to 160%, arguing China has been unfairly subsidising graphite production.

Bloomberg estimates that the US imported 180kt of graphite products in 2024 with 2/3s of deliveries originating from China.

While the battery sector remains fragile, our 15% portfolio weighting in selective ‘non Chinese’ companies and projects is starting to benefit from the deglobalisation and trade protectionism emerging from the US.

Portfolio

Given the geoeconomic uncertainty, we are maintaining our current precious metal weighting of ~70%.

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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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