



# SF PETERHOUSE SMALLER COMPANIES GOLD FUND

## Fund Manager



### Amanda van Dyke

Amanda van Dyke is a portfolio manager at Peterhouse Asset Management and mining equity and gold specialist. She has been previously with the mining teams of GMP, Pareto, and Dundee Securities, as an analyst and mining specialist sales person. She is also the Chairman of Women in Mining UK, and a member of the advisory board of Mines and Money London. She has authored numerous research reports as well as articles on the mining sector. She is a professional gemmologist, and holds an MBA and MA in International Economics, from SDA Bocconi and China Europe International Business School.



### Stephen Watson

Stephen Watson is a portfolio manager at Peterhouse Asset Management running international multi-asset and equity portfolios. Previously he ran the 4\* Morningstar rated international equity funds at Northern Trust with Stephen Dowds and was responsible for pan-European and Eurozone accounts at Northern Trust Global Investors. Before that he was a Director at Framlington Investment Management where he was head of European equities. Stephen has a BA Hons degree in Politics from Durham University.

## Overview and Outlook

Patience is required to trade gold in the summer, gold prices fluctuate very seasonally, and one needs to trust 15 years of data and fight the urge to take refuge, from May's fall. Gold weakened during May by about \$100, from intraday trading high point of \$1300 to a low of \$1200, although it only lost 5% based on daily closing prices. This, for technical analysts, is entirely within the normal correction zone of a third to two-thirds of the previous rise, which would be 84 to 167 points. The fall is technically reasonable, and doesn't in itself signify any underlying challenge to the merits of a long position in gold. We wrote in March that Gold is seasonal, it bottoms in March, then July, and peaks in May and October, and published a chart of gold monthly performance in bull and bear markets. The consistent seasonality of gold created the phrase "sell in May and go away". Our investment plan was ready for this and we are well positioned with good value stocks that have maintained the majority of their gains, and we are positioned to take advantage of summer weakness to build positions and exploit price weakness.

Short term, gold and gold stocks may correct for rest for the summer, with lower prices and low volumes except where something newsworthy happens. The seasonal low traditionally happens in July. This year we think it may happen in June for a few reasons. The consensus expectation of a June rate rise, has pushed the price down, and may keep it down over the summer, although there is good resistance at 1200, with Brexit being the being the wild card. Contrary to popular belief the dollar index is not trade weighted, or frankly even trade reflective. The dollar index is 56.7 percent weighted in Euro, and 11.9% weighted in Pounds. If Britain votes in, as the polls suggest, there is likely to be a ~5% appreciation in both the the Euro and the Pound, as an out vote is a serious threat to both economies. With ~70% of the US Dollar Index (DXY) reliant on them you will see a corresponding weakness in the dollar. That is good for gold. Conversely if there is an out vote, both currencies will be weak relative to the dollar and whether gold goes up on uncertainty or down on the dollar is at best uncertain.

Fundamentally the macro picture says that gold will go up in the medium to long term, we fundamentally believe gold is 5 months into a 3-5 year secular bull market trend and nothing that has happened recently has changed that perception. While Chinese and Indian retail gold buying is down by a nominal amount, (retail is price sensitive when prices go up they buy less), the macro picture is that Chinese and Russian Central bank buying is up ytd, as are global ETF's, and those are the numbers to be looking at as they underpin central demand growth in gold. Last but not least Gold as a safe haven is very real today. People are fundamentally more worried today about where their money is going to be safe. There is a Greek depression, the Yuan (RMB) has devalued, Venezuela is on the verge of default, and Japanese Prime Minister Abe is warning the G-7 of a Lehman brothers like global financial crisis. Isis was only deterred by the Russians bombing Syria but the instability and refugee crisis continues with no end in sight. The US and China are going head to head over islands in the South China sea. Brexit is threatening the already unstable Eurozone. And last but not least Mr. Trump looks to be about to create the largest upset in the political status quo in 100 years in the US. The western Fed's toolboxes are exhausted and after unprecedented amounts of QE and zero interest policies throughout the West, we have not fundamentally been able to significantly boost productivity or growth, and to cap it all, Chinese growth, which for the last 8 years is what has kept the global economy afloat is a huge question mark.

## Portfolio Analysis

### Asset Mix (%)

UK	47.0	<div style="width: 47.0%;"></div>
Canada	30.8	<div style="width: 30.8%;"></div>
Australia	6.0	<div style="width: 6.0%;"></div>
Cash	4.8	<div style="width: 4.8%;"></div>
US	4.8	<div style="width: 4.8%;"></div>
Netherlands	4.3	<div style="width: 4.3%;"></div>
Commitments	2.3	<div style="width: 2.3%;"></div>

### Top Ten Holdings (%)

Oban Mining	6.2
Kinross Gold	6.2
Shanta Gold	6.2
Condor Gold	5.2
Endeavour Mining	5.1
Petropavlovsk	5.0
Hecla Mining	4.8
Noricum Gold	4.5
Centamin	4.3
Nord Gold	4.3
<b>Total</b>	<b>51.7</b>

**Total Number of Holdings** 33

## Fund Aim

It is the Company's policy to seek to invest at least 80% of its core investment portfolio in securities of companies which are predominantly involved in the mining, exploration, development and production of gold. Up to 20% of the Company's core investment portfolio may be invested in the securities of companies predominantly engaged in the mining, exploration, development and production of silver and other precious metals.

## Fund Facts

Structure	UCITS OEIC
Domicile	UK
Dealing	Daily
Launch Date	7 September 2009
Sector	Lipper Global Equities: Equity Sector Gold & Precious Metals
Fund Size	£1.4m

## Fund Price

A Class	31.98 pence
B Class	91.82 pence

## Availability

Wrap Platforms  
Life Office Bonds



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## Performance and Activity

### Fund Performance

Year to date performance in our favourite UK developers is very strong, Hummingbird (102%), Condor (164%) and Keras (181%). The fund is down 5.6% in May, against a 5% drop in the gold price, and outperforming a benchmark loss of 7.8%. This is a testament to the resilience of gold stocks, and also the sound nature of companies we are invested in.

### Fund Activity

UK listed west African gold producer, Hummingbird has completed a financing that will fully finance their project in Mali into production of 100k oz per annum for 8 years, at all in sustaining costs of less than \$800/oz and low debt. Notable institutions in the UK have participated significantly in the raise including Odey asset management and the Capital group. We anticipate a significant re ratings in the stock over the next 18 months as the company progresses to its first gold pour.

Canadian listed Atlantic Gold are building a mine in Nova Scotia, and Treasury Metals finalising their bankable feasibility study in Ontario, were both added to the fund in May, and are still performing positively despite the decline in the gold price. We expect significant newsflow from both companies over the coming months.

### Theme - Stock Story

Long term indicators for gold are real rates of return, Central Bank and ETF buying, and the status of gold as a safe haven, and they are all long term bullish. Short term indicators are seasonality, the dollar, and interest rates. And they are all short term bearish.

Quantitative Easing means that US money supply has increased 13 fold since 2007, in the form of US debt, the only way to pay that back is via inflating it away. The effective short term rate today is 0.37%, the lowest it has ever been. Over the last 50 years the rate averaged about 4% and it has been volatile never staying in one position for more than a year or so let alone the steady rate it has been for the last 8 years. Notable lows are 2008-2016 0-0.25% in the aftermath of the Lehman financial crisis, 0.63% in 1958, and 1% in 2003. Notable highs, 9.2% August 1969, 12.9% 1974, and 19% 1981. While going to 0.75% or 1% seems huge after 8 years of low rates, this rate change will do nothing to fundamentally change the economic picture in the US or the world. Gold always wobbles in the short period before anticipated rate rises, but the proposed rate rise is not enough to change the negative real rates of return as it affects the gold price. Put simply people are not going to pile into US treasuries to get 1% returns, especially if the fundamental value of the dollar is in question.

### Twelve Month Performance (%)



### Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	50.3	-5.6	23.0	42.0	1.4	-33.7	-83.4

### Discrete 12 Month Performance (%)

	31.03.15	31.03.14	29.03.13	30.03.12	31.03.11
Fund	-9.4	-16.8	-44.8	-49.9	-39.1

Source: Lipper, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in GBP, to 31.05.16. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved.

### Important Information

Please remember if your investment falls in value you can lose money. Past performance is not a reliable indicator of future returns. If you are in any doubt as to the suitability of the investment, you should seek financial advice.

### Literature

[www.peterhouseam.com](http://www.peterhouseam.com)

### Investment Manager

Peterhouse Asset Management Limited

### ACD

Sharefunds Limited

### Codes

	A Class
ISIN	GB00B3YQ8554
SEDOL	B3YQ855
	B Class
ISIN	GB00BNGMZG14
SEDOL	BNGMZG1

### Issued by

Peterhouse Asset Management Limited  
15 Eldon Street  
London  
EC2M 7LD

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