

Golden Prospect Precious Metals Limited

KEY FUND FACTS¹

Fund Managers

Keith Watson
Robert Crayfourd

Launch Date

December 2006

Total Gross Assets

£43.59m

Reference Currency

GBP

Ordinary Shares

Net Asset Value: 68.08
Diluted Net Asset Value 60.77
(assuming all subscription shares are exercised)
Mid-Market Price: 54.50

Subscription Share Price:

Mid-Market Price: 6.50p

Gearing

12.30%

Discount

(19.95%)

Ordinary Shares in Issue

57,029,305

Annual Management Fee

1.25% on assets up to £20 million
1.00% on assets greater than £20 million

Bloomberg: GPM LN

Sedol: B1G9T99GB

Year End

31 December

Contact Information

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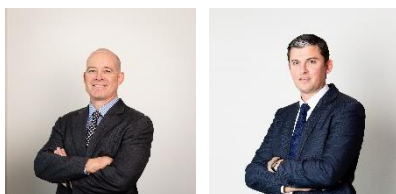
Company Broker

FinnCap
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Annual Report and Accounts

Published

April



Keith Watson and Robert Crayfourd
Portfolio Managers

Fund Management

Founded in 1999, CQS is a \$18.7bn² global multi-strategy asset management firm. The Fund is managed by Keith Watson and Robert Crayfourd, supported by the CQS analyst team.

Ordinary Share and NAV Performance³

	1 Month (%)	3 Month (%)	1 year (%)	3 Year (%)	5 Year (%)
NAV	(1.79)	(4.93)	79.82	72.66	197.29
Share Price	(4.89)	(22.14)	87.29	62.69	140.83

Investment Commentary⁴

Momentum behind precious metals price gains paused ahead of the US presidential elections, with gold and silver prices ending the month little changed. Deferral of US stimulus plans until after the elections may have contributed to this, removing a sentiment driver for the sector. Sector equities experienced some modest consolidation and the Fund NAV registered a slight 1.8% decline. This compared to sterling declines of over 4% for both the GDXJ and GDX equity ETFs.

At the start of November, President elect Joe Biden's success has done little to calm uncertainty as Trump continues to threaten court action. Whilst a divided House and Senate may complicate the US Covid stimulus response, precious metals remain supported with the US Federal Reserve guiding that near zero rates could remain in place until 2023. Ultimately, gold's defensive qualities against Modern Monetary Theory (MMT) and ballooning government debt remain key to its investment thesis, with any diversification from US Treasuries from Central Banks supportive for the metal.

Investment demand continues to be the primary driver for gold, having taken share from jewellery demand which has remained weak, as retail buyers adjust to higher prices and are also affected by lockdowns. Physically backed gold ETF additions slowed ahead of the US election, whilst the World Gold Council reported that central banks were net sellers in Q3, primarily due to sales by Uzbekistan and Turkey, with other central banks continuing purchases. We expect central banks to remain net buyers going forward, especially as they look to diversify their US dollar exposure.

Precious metal miners are achieving record earnings against this strong pricing environment, with the larger miners focusing on increasing dividends and further improvements to their balance sheets. Whilst this is a greater de-risking event for the small and mid-cap end of the sector, they continue to trade at a meaningful discount to their larger peers, whose comparative cash flow multiples are often three times higher. M&A activity has been limited to date, but this growing disparity on relative valuations represents a more attractive consolidation opportunity for larger miners, especially given limited growth potential, a consequence of significant underinvestment and declining reserves. Research data, such as that from Bank of Montreal, show the small and mid-cap precious metal miners are now cheaper on a P/NAV basis, at current spot gold prices, than they were at the start of the year, which implies that these stocks have not fully participated in the precious metal price move.

The fund retains a sizable silver weight, which represents 25% of the Fund. Silver serves two purposes, firstly it has historically shown outsized moves relative to gold, often with a lag, suggesting there is scope for a catch up to the gold price, which is trading at record nominal highs. Secondly, ~50% of silver demand is from industrial uses, with electronic applications such as the prospective roll out of 5G telephone networks being a primary demand driver. Photovoltaic panels, which represent approximately 10% of silver demand, also represent material demand drivers, particularly given recent fiscal stimulus packages announced by the EU and US that have a significant component directed towards renewable energy sectors.

Early in the month the Fund took some profits on stocks such as Puregold, with proceeds reinvested into a placing by producer Oceanagold and developer Calidus.

KEY FUND FACTS *(continued)*

Investor Report
Monthly Factsheet

Results Announced

Finals: April
Interims: October

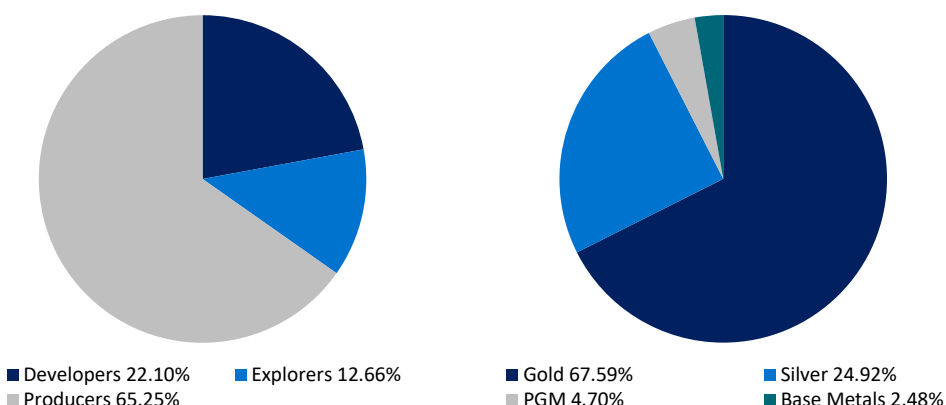
AIFMD Leverage Limit Report (% NAV)

	Gross Leverage (%) ⁵	Commitment Leverage(%) ⁶
Golden Prospect Precious Metals Limited	113	113

⁵Source: CQS, as at 30 October 2020. For methodology details see Article 4(3) of Directive 2011/61/EU (AIFMD) and Articles 6, 7, 9 and 10 of Delegated Regulation 231/2013

⁶Source: CQS, as at 30 October 2020. For methodology details see Article 4(3) of Directive 2011/61/EU (AIFMD) and Articles 6, 8, 9, 10 and 11 of Delegated Regulation 231/2013.

Portfolio Analysis¹



TOP 10 HOLDINGS (%)^{1,7}

Name	(% of MV)
West African Resources Lt	7.80
Mag Silver Corp	5.93
Westgold Resources Ltd	5.72
Roxgold Inc	5.55
Calibre Mining Corp	5.40
Fortuna Silver Mines Inc	5.19
Americas Silver Corp	5.14
Calidus Resources Ltd	3.92
Silvercrest Metals Inc	3.86
Galiano Gold Inc	3.85
Top 10 Holdings Represent	52.35

The Company has exposure to 54 issues

Subscription Shares

There are 28,473,716 Subscription Shares in Issue.

If Subscription Shares are exercised on the last business day in November 2020 the price is 46.14p

Source: ^{1,2,3}CQS as at 30 October 2020. New City Investment Managers took over the investment management function on 15 September 2008. These include historic returns and past performance is not a reliable indicator of future results. The value of investments can go down as well as up. Please read the important legal notice at the end of this document. ⁴All market data sourced from Bloomberg unless otherwise stated. The Fund may have since exited some / all of the positions detailed in this commentary. ⁷All holdings data are rounded to two decimal places. Total may differ to sum of constituents due to rounding.

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L20-568 / 11.20

PRI Note: PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMvI.

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