

28 April 2023

Golden Prospect Precious Metals Limited

Key Fund Facts¹

Fund Managers	Keith Watson Robert Crayfourd
Launch Date	December 2006
Total Gross Assets	£37.78m
Reference Currency	GBP
Ordinary Shares	Net Asset Value: 38.97p Mid-Market Price: 34.35p
Gearing	13.4%
Discount	(11.86%)
Ordinary Shares in Issue	85,503,021
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	contactncim@cqsm.com
Company Broker	FinnCap 020 7220 0500
Annual Report and Accounts	Published April
Investor Report	Monthly Factsheet
Results Announced	Finals: April Interims: October
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Keith Watson and Robert Crayfourd
Portfolio Managers

Fund Description

The objective of the Golden Prospect Precious Metals Fund is to provide investors with capital growth from a group of companies in the precious metals sector.

Key Advantages for the Investor

- Access to under-researched mid and smaller companies in the precious metals sector.
- Potential inflation protection from precious metals assets
- Low correlation to major asset classes

Ordinary Share and NAV Performance²

	1 Month	3 Months	1 Year	3 Years	5 Years
NAV	2.99%	-2.48%	-31.52%	-12.31%	5.90%
Share Price	4.09%	-4.58%	-26.91%	-7.16%	13.55%

Commentary³

Market

Gold benefitted as broader market sentiment was pressured by perceived slowdown risks, heightened by the ongoing US banking crisis. Gold gained 2% on the back of ebbing investor risk appetite and muddled central bank monetary policy. Below the surface of China's relatively robust, consumer-led economic growth of 4.5% in the first quarter, softer export markets remain a concern for broader markets.

Latest data released by the World Gold Council indicated central bank net gold purchases totalled 52t in February, bringing reported year-to-date purchases to 125t and marking the strongest start to the year since 2010. Notable buyers in February included the People's Bank of China (25t), Turkey (22t), Uzbekistan (8t), Singapore (7t), and India (3t). Russia reported the purchase of 31t of gold, though this is believed to represent the cumulative total over the prior months.

The World Gold Council (WGC) forecast central bank buying is to remain healthy this year (approaching ~600t), alongside robust retail investment demand. The WGC also highlighted the increasing polarisation among central banks in the use of the US dollar as a reserve currency, and the rising trend of developing markets, notably Brazil, Russia, India and South Africa (whose combined share of the global economy surpassed that of the G7 on a purchasing parity basis) to de-emphasise the use of the US dollar in favour of gold.

The Silver Institute released its latest market survey showing an 18% year-on-year jump in total silver demand to 1,242Moz during 2022. This was driven by strong physical investment (+22% to 333Moz), industrial demand (+5% to 557Moz), and jewellery demand (+29% to 234Moz).

Meanwhile, supply remained flat at 1Bn ozs resulting in a record estimated market deficit of approximately 238Moz. Notably, the combined 2021 and 2022 silver deficits more than offset the cumulative surpluses over the prior eleven years. With over 50% of silver ounces mined as a by-product of industrial metals, primarily from lead/zinc and copper deposits, any weakness in these base metal prices resulting from a persistent industrial slowdown could further impact silver mine output, which showed a marginal decline to 822Moz in 2022.

Sector consolidation remained in the news with Newmont Corporation sweetening its bid for Newcrest Mining Ltd in what would be world's largest gold acquisition, if successful.

Performance

Against the background of further possible consolidation across the fragmented gold mining industry, the Fund NAV rose nearly 3% over the month. This compared to sterling returns of 2% and -1% for the GDX and GDXJ ETFs, respectively, and flat sterling returns by Gold Bugs and Philadelphia Gold & Silver indices.

Continued strong performance from gold producer Emerald Resources and Calibre Mining, whose share prices gained 28% and 15% respectively in sterling terms, made the greatest contributions to Fund returns and more than offset modest declines by gold producer Calidus and explorer Adventus Mining.

Source: ^{1,2}CQS as at the last business day of the month indicated at the top of this report. Performance is net of fees and expenses. 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.

³ All market data sourced from Bloomberg unless otherwise stated. The Fund may have since exited some / all the positions detailed in this commentary.

Commentary³

Positioning

The Fund continues to hold a high silver weight, at 19.6%. Silver is arguably more attractive here at half all-time highs, so less resistance to upward moves, while many related silver mining equities have lagged the gain in metal price. The dynamics are different, with 50% of silver demand coming from industrial use and primarily high-end electronics (solar, wind turbines, EV's) with the balance split between physical investment (bar and coin), jewellery and exchange-traded products. This contrasts with the gold market, where the industrial and technological use represent only a minor proportion of metal use; instead, jewellery, investment and central bank demand represent the bulk of gold demand.

The Fund's position in B2Gold increased reflecting the closing of the all-share acquisition of Sabina Gold, which the Fund also held. During the month, the Fund reduced its direct holding in B2Gold prior to the closing of the Sabina transaction. Holdings in Silvercrest and Calibre Mining were also trimmed following strong performance. Some proceeds were reinvested into Osisko Gold Royalties and a basket of smaller gold exploration companies, such as Reunion Gold and Collective Mining.

Outlook

In the near-term, sell-side analysts are still notably behind the spot precious metal price moves and are enacting upgrades, which should provide support to equities. In addition, the worst effects of operator cost inflation may now have been experienced over the last few quarters and so should progressively ease over future quarters.

Occurring during the early stages of Quantitative Tightening, the recent bank bailouts have served to highlight the elevated sensitivity of economies and markets to the rapid pace of interest rate tightening, which has yet to stymie inflation while balancing economic growth prospects. In such an environment, we believe that valuations of precious metal equities offer attractive portfolio insurance.

Top 10 Holdings (% of Gross Assets)^{1,4}

Name	(% of Gross Assets)
Emerald Resources NL	9.78
Calibre Mining Corp	8.35
MAG Silver Corp	7.52
West African Resources LT	6.42
B2gold Corp	5.91
Fortuna Silver Mines Inc	5.59
Calidus Resources Ltd	3.74
Westgold Resources Ltd	3.53
Osisko Development Corp	3.32
Ora Banda Mining Ltd	2.77

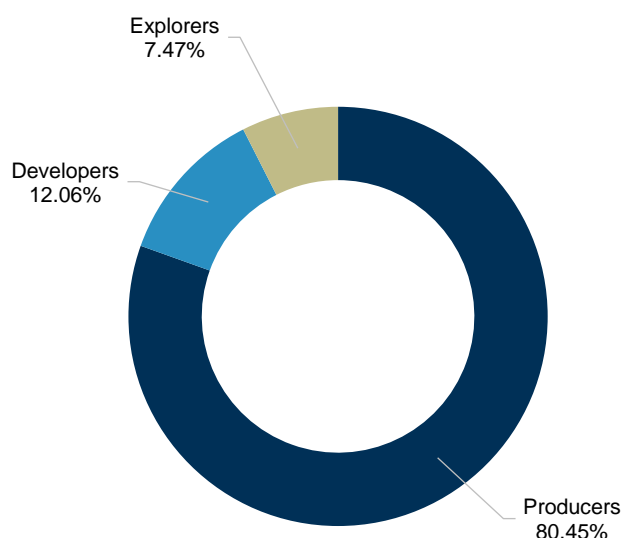
AIFMD Leverage Limit Report (% of NAV)¹

	Gross Leverage (%) ⁵	Commitment Leverage (%) ⁶
Golden Prospect Precious Metals Limited	114	114

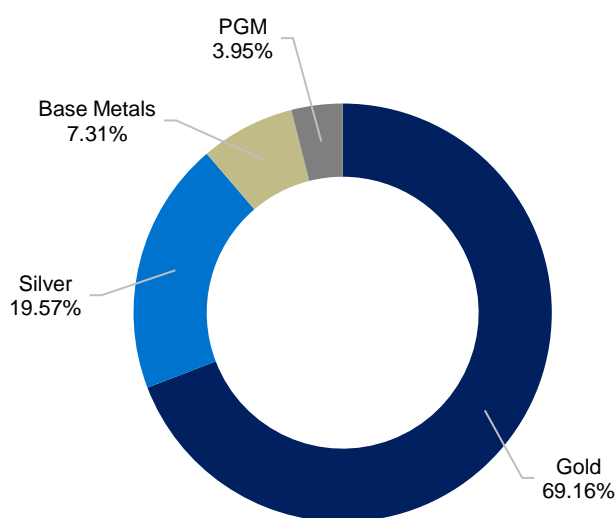
The proposal to create a Subscription Right was approved by Shareholders on 7 December 2022. The first Subscription Right date is on 30 November 2023 and the Subscription Price is 38.31p for each new Share subscribed for. The Subscription period has now begun as the existing shares carry the right to subscribe (on the basis of 1 New Share for every 5 Shares held). We will write to all Shareholders in October 2023 to advise of the process to exercise their Subscription Rights.

Portfolio Holdings Analysis¹

By Type



By Metal



Source: ¹ CQS as at the last business day of the month indicated at the top of this report. Performance is net of fees and expenses. 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.

⁴ All holdings data are rounded to two decimal places. Total may differ to sum of constituents due to rounding.

⁵ 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.

⁶ 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.

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PRI Note:

PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact. GMv11.

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