Investor Report

31 August 2023

Golden Prospect Precious Metals Limited

Key Fund Facts[1]

Fund Managers	Keith Watson Robert Crayfourd
Launch Date	December 2006
Total Gross Assets	£34.56m
Reference Currency	GBP
Ordinary Shares	Net Asset Value: 34.57p Mid-Market Price: 27.00p
Gearing	16.8%
Discount	(21.90%)
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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Results Announced	Finals: April Interims: October

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 Performance[2]

	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
NAV	-6.64	-6.44	-15.68	-49.94	8.74
Share Price	-12.20	-11.01	-21.74	-58.07	18.16

Commentary[3]

Market

Gold closed the month around 1% lower, taking its lead from Federal Open Market Committee (FOMC) minutes which maintained a hawkish bias, with the US Fed reiterating its willingness to accept a period of below-trend growth and some softening in labour market conditions, despite the ISM manufacturing Purchasing Managers Index (PMI) reading for July showing the industrial sector remained in contraction. Precious metal mining equities remained similarly subdued.

One market feature that has become more noticeable was the effort by the People's Bank of China (PBOC) to limit the depreciation of the Chinese Yuan against the US Dollar. While the PBOC eased rates, it also reported intervention in currency markets, with banks selling dollars to buy Yuan, while data released by the US Treasury in August also showed China's holdings of US treasuries continued to trend down. The decline in China's treasury holdings from over $1trn in 2021 to $835bn by end-June may have continued over summer, contributing to a feedback mechanism whereby long-term US yields rise as international demand for bonds diminishes. This is what consistently occurred through the year and again in August. A disinflationary benefit of the Yuan's depreciation, via China's cheapening exports, could see less hawkish central bank commentary should China's improving competitive position weigh on already weak industry sectors in other regions, such as the US industrial sector which remained in contraction. Ahead of further US debt ceiling negotiations the situation appears precariously balanced.

The combination of longer-term central bank reallocation into gold and the possibility of near-term peak in real interest rates as determined by breakeven bond yields, especially among developed G7 economies, could prompt a return of price supportive ETF gold buying, reversing the trend of recent sales.

While hawkish commentary and rising long-term US yields appeared to pressure gold prices in the western exchanges, in China the price rose nearly 2% in US dollar terms. A continuation of China's monetary easing may see regional premiums, which at one stage reached $60/oz in August, rise further. Ongoing political tensions between the two nations may see further reallocation of central bank reserves more broadly: as noted by the World Gold Council (WGC), de-dollarisation has proved a primary motivation to record central bank gold buying. Gold may also prove a useful hedge if China's competitive positioning upsets the current sanguine outlook for an economic soft landing in developed markets.

Performance

Gold ended the month down a modest 1% with related equities slipping around 4.5%. Gold demand remains supported by strong central bank buying, though are yet to see buying by physical ETFs which can have an outsized impact on the market balance. China's recent reduction in US treasury holdings may also signify intent to diversify away from the US dollar with ongoing political tensions between the two nations.

When looking at gold flows, physical ETF's are a key swing factor, but have disappointingly returned to steady selling for the last 3 months having been more stable for the prior 7 months. The fact gold has held steady in a $1900-1970/oz range despite this is arguably positive as it shows relative strength in demand from other sectors.

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 Information section at the end of this document.

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

Commentary (continued)[3]

Performance (continued)
Uncertainty remains high in global markets as rate hikes continue to squeeze the consumer. China's ongoing property crisis continues to add concern, given the contagion from property developers to wealth management products and local government financing vehicles which constitute over $10Trn in value, presenting systemic risk.

The end of the US dollar as the global currency of trade has been speculated. Whilst we disagree in the near term, there is a trend for a declining role over the next decade. Perhaps more relevant in the near term is the motivation of China to reduce its US treasury holdings given deteriorating relations and a wish to reduce effective ties to the US. They have reduced holdings by $200bn in 18 months, to $835bn, whilst continuing to add to their gold holdings, adding a further 930koz, to a total 69.62M oz.

The Fund NAV fell 6.6% over the month which compared to sterling declines for the NYSE Gold Bugs Index and Philadelphia Gold and Silver Index of 4.5% and 5.6% falls respectively.

ASX listed Emerald Resources performed well with the share price gaining 2% over the month following the purchase of the 40% interest in the unlisted company, Bullseye in an all scrip offer. Consolidation of a 100% interest considerably improves the ability to progress development of the Bullseye assets, located in Western Australia. The group also provided a positive resource and reserve update for its now operational Okvau mine in Cambodia which will extend the mine's operational life.

At the month-end, Leo Lithium came off trading halt and reported that the Malian government were not going to allow direct shipping of ore. Whilst this has minimal impact on the project NPV as the majority of their ore would be processed once the plant was built, it does remove a source of near-term cash flow, whilst the Lithium price had also been weaker during the halted period. While the stock opened down 50%, giving up much of the prior gains, it has completed the funding transaction with Gangfeng that will carry virtually all the remining project investment.

Top 10 Holdings (% of Gross Assets)[1,4]

Name	(% of Gross Assets)
Emerald Resources NL	10.15
Calibre Mining Corp	8.87
Mag Silver Corp	6.72
West African Resources LT	5.78
Leo Lithium Ltd	5.68
Fortuna Silver Mines Inc	5.01
B2gold Corp	4.33
Westgold Resources Ltd	3.97
Calidus Resources Ltd	3.48
Karora Resources Inc	2.86

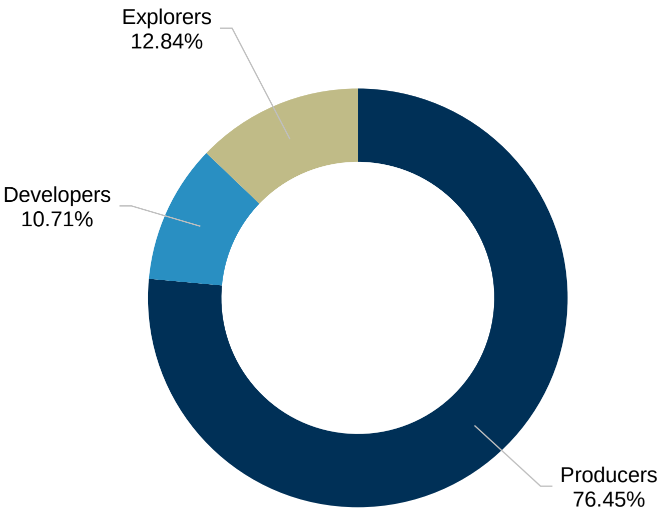
AIFMD Leverage Limit Report (% of NAV)[1]

	Gross Leverage (%)[5]	Commitment Leverage (%)[6]
Golden Prospect Precious Metals Limited	109	109

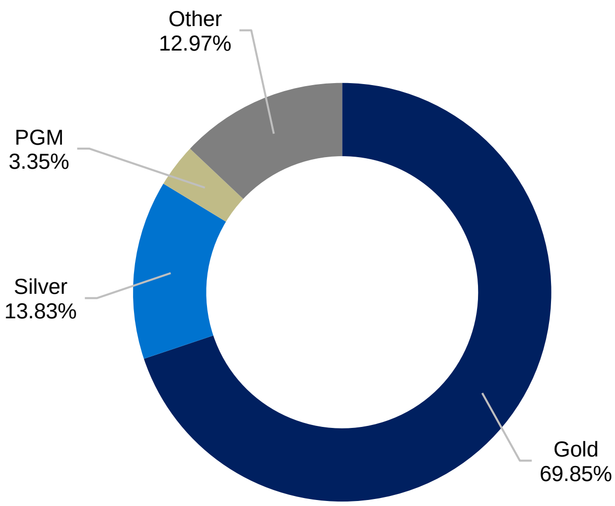
The proposal to create a Subscription Right was approved by Shareholders on 7 December 2022. The first Subscription Right date is on 30 November 2023 and the Subscription Price is 38.31p for each new Share subscribed for. The Subscription period has now begun as the existing shares carry the right to 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 Analysis[1]

By Type



By Metal



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[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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