



# SF PETERHOUSE SMALLER COMPANIES GOLD FUND

30 November 2016 Fact Sheet

## 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.

## Market Review

The election of Donald Trump was a surprise to everyone, but what was even more surprising was the market's reaction to it. US bond yields and the US dollar have risen dramatically, the Fed rate rise expectations went up to 100%.and gold declined 10%. The market seems to have determined that Trump means pro business real growth in the US. At the same time Trump has promised to renegotiate the US relationship with, NAFTA, NATO, the WTO, the TPP as well as start an infrastructure building revolution. He wants trade not war, and he is going to protect the American economy, and the market likes it. It isn't clear exactly how he is going to do this, but the market believes that for the first time in 10 long years someone in America is going to focus on the engine of American growth in order to maximise the efficiency of the quantitative easing fuel. It is Lauadable and the markets are showing that they truly hope he will be able to pull it off. The irony is that growth of the type he is promoting if it is effective will by definition increase the velocity of money, combined with the trillions in quantitative easing paper the equation leads to the inflation that is the main driver of gold prices. In the long run gold is correlated with real rates of return, in the short term it is correlated with the USD and bond yields. The summary is that it's short term bad for gold but in the long term very good.

### Bull Factors for Gold

- Indian hard currency cancellation pushes the population towards gold,
- Long term Inflation expectation have gone up significantly,
- Gold stocks are very oversold,
- Commodity Bull Cycle has begun - gold bull cycles start before a general commodity bull cycles but generally they flow in tandem, this indicates a long term secular bull market in gold,
- Italian Referendum - polls suggest a negative result that will shed a lot more uncertainty on Europe that could be good for gold.

### Bear Factors for Gold

- Fed rate rise, consensus expectations 100% for Dec 15,
- US dollar very strong and up,
- Treasury yields have doubled,
- ETF inventories down, people have pulled money out of gold to put it into the market

## Portfolio Analysis

### Asset Mix (%)

UK	41.8	<div style="width: 41.8%;"></div>
Canada	46.4	<div style="width: 46.4%;"></div>
Australia	5.9	<div style="width: 5.9%;"></div>
US	4.6	<div style="width: 4.6%;"></div>
Cash	1.2	<div style="width: 1.2%;"></div>

### Top Ten Holdings (%)

Tharisa	6.1
Georgian Mining	4.7
Osisko Mining	4.6
Hecla Mining	4.6
Rye Patch Gold	3.9
First Mining Finance	3.6
Shanta Gold	3.6
Hummingbird Resources	3.5
Endeavour Mining	3.2
Highland Gold Mining	3.2
<b>Total</b>	<b>41.0</b>
<b>Total Number of Holdings</b>	<b>45</b>

## 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	£2.7m

## Fund Price

A Class	39.20 pence
B Class	112.74 pence

## Availability

Wrap Platforms  
Life Office Bonds



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## Portfolio Activity and Outlook

### Activity

The Georgian mining position was added to in November. GEO's projects are located in Georgia on the prolific Tethyan Belt, a well-known geological region and host to many high grade copper-gold deposits and producing mines. The Company's core asset at Kvemo Bolnisi is well positioned to deliver on its objective of becoming a copper and gold producer in 2017.

### Outlook

While Gold is oversold and likely to rebound soon, its short to medium term outlook is bearish. Gold has broken support at \$1200 and even traded as low as \$1171 before closing at \$1178. It could bounce back to \$1230 with \$1250 as the best case for the rebound. The next strongest support is at \$1080 and then \$1050. It could potentially drop to \$1150 before rallying back to \$1230.

Gold is weak in real terms (against foreign currencies, stocks, etc) and the US\$ index just made a major breakout that projects 10%-20% higher. Gold should bounce soon but it looks to be only be a matter of time until Gold retests its low at \$1050/oz. The huge surge in US yields completely shifted the tide.

As far as what will turn this around and when, the simple answer is we need to see a sustained decline in bond yields or a sustained rise in inflation. Consensus is that inflation will rise, but that takes time. We are likely looking at H1 next year before we can see inflation expectation take root. At present this doesn't look like a sustained move higher in bond yields. If you look at the 1940s, yields took many years to bottom and then many years to rise in a sustained fashion. At the first sign of economic weakness or stock market weakness, yields will decline substantially and precious metals will get a bid. We suspect this could happen sometime in Q1 2017.

Negative real interest rates are unavoidable in the years ahead as it is the only way to grow out of the debt burden. Gold's future run is simply a question of timing. Gold stocks in January 2016 were arguably the cheapest they had ever been in history. Gold was in one of its longest and worst bear markets ever. The coming decline is a second chance buying opportunity. The sector is getting extremely oversold and we will seek to take advantage of that weakness.

### Twelve Month Performance (%)



### Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	84.1	-13.7	-7.3	22.6	74.0	-11.3	-72.2

### Discrete 12 Month Performance (%)

	30.09.15	30.09.14	30.09.13	28.09.12	30.09.11
Fund	81.1	-30.9	-30.5	-43.3	-40.3

SF appoints Peterhouse as Investment Manager on 20 January 2016.

Source: Lipper, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in GBP, to 30.11.16. 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

ISIN	GB00B3YQ8554
SEDOL	B3YQ855
	B Class
ISIN	GB00BNGMZG14
SEDOL	BNGMZG1

### Issued by

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