Fund performance

For the month of January the fund posted a return of 1.54%. This compared to the FTSE Gold Mines Index benchmark return of 2.84%.

I accumulation shares gross

<table>
<thead>
<tr>
<th>US$ %</th>
<th>Jan 2018</th>
<th>YTD 2018</th>
<th>2017</th>
<th>2016</th>
<th>Since Inception¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cumulative</td>
</tr>
<tr>
<td>Fund</td>
<td>1.54</td>
<td>1.54</td>
<td>11.28</td>
<td>-17.21</td>
<td>-6.44</td>
</tr>
<tr>
<td>Benchmark²</td>
<td>2.84</td>
<td>2.84</td>
<td>10.23</td>
<td>-23.13</td>
<td>-12.86</td>
</tr>
</tbody>
</table>

Calendar year performance

<table>
<thead>
<tr>
<th>US$ %</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11.28</td>
</tr>
<tr>
<td>Benchmark²</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10.23</td>
</tr>
</tbody>
</table>

Source for performance: Bloomberg I shares gross USD. Performance is on a NAV to NAV basis. ¹Inception 29 June 2016. ²FTSE Gold Mines Index

Typical ongoing charges for I shares are 1.08%.

Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Risk Considerations:

The counterparty to a derivative or other contractual agreement or synthetic financial product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund. A failure of a deposit institution or an issuer of a money market instrument could create losses. The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. A derivative may not perform as expected, and may create losses greater than the cost of the derivative. Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk. Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. A rise in interest rates generally causes bond prices to fall. In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares. Failures at service providers could lead to disruptions of fund operations or losses.

Gold and broader market commentary

2018 has started quite well for precious metals and precious metal equities, with both moving ~3% higher through January, before a correction ensued. The primary driver of gold price firmness has been further dollar weakness a trend which we expect to continue.

In our communications with investors we have often listed very high global broad market equity valuations as a key pillar of forward looking gold price bullishness. Put simply, historically when expected returns from equities have been poor, expected returns from gold and gold equities have been good. This ability to act as a hedge against long-term strategic allocations to equities is important.

Recent volatility increases have provided a wake-up call to consider what might act as a good hedge against extended equity market weakness and increased market volatility. As chart 1 overleaf shows, since 2000 during the previous seven S&P drawdowns which exceeded more than 10%, gold has increased in value on six occasions falling only once.
Through the recent S&P sell off gold price performance has actually been disappointing. Several investors have pointed out that so far, the relationship exhibited above has not held true.

Probing further into gold performance during equity corrections and ‘bear markets’ (more than 20% sell-offs) should ease worries that “this time is different”. Historically, for the first 30-40 days of an equity sell-off the average gold response has been small. After this the evidence suggests larger hedge positions are initiated meaning by the time the equity market hits its trough, gold has risen over 7.5% on average. It can take time for gold to actually start to act like a hedge, but that does not mean it won’t!

As a result we are not worried by recent lacklustre gold price performance.

**Equity sub sector performance and positioning – 31 January 2018**

The Australian gold equities (ASX Gold Mining Index) increased by 6% in USD terms during January. The fund held 15.1% exposure to Australian listed gold equities. This compared to the benchmark weight of 15.4%.

The South African gold equities (JSE Gold Mining Index) decreased by 0.8% in USD terms in January. The fund held 8.5% exposure to South African gold equities. This compared to the benchmark weight of 7.1%.

The North American gold equities (S&P/TSX Gold Index) increased 3.8% in USD terms in January. The fund held 64.5% exposure to North American gold and precious metals producers. This compared to the benchmark weight of 61.9%.

**Performance attribution and portfolio activity**

Overall fund attribution was negative but mixed in January. Strong performance from Perseus, Yamana, Oceana and Goldcorp was offset by weak performance from companies including Pretium, Beadell and Westgold.
Monthly chart pack

Chart 1: Spot gold prices expressed in various currencies

Chart 2: Consumer price index (CPI) for major economies

Chart 3: US core personal consumption expenditures (PCE) vs civilian worker wage costs

Chart 4: Total ETF gold holdings vs spot gold price

Chart 5: US Five-Year TIPS plotted against spot gold

Chart 6: CBOE SPX volatility Index (VIX)

Chart 7: Total Shanghai gold exchange volume plotted against spot gold price

Chart 8: Gold vs US dollar


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