

DBS Solutions Q3 2021: Fund Insights

Alternatives: Gold & Silver

This report has been prepared by the SG analysts and is issued by DBS SG

Overview

Despite the 9% price depreciation in 1H21 on the backdrop of rising bond yields and stronger dollar, we have not changed our constructive stance on Gold. On the contrary, we believe the recent correction has made it more compelling to hold gold as a hedging tool in portfolios.

Today, trade tensions, geopolitical risks, fears of potential rise in inflation continue to linger. And Gold has proven to be an effective hedge during such uncertain times. Accelerating demands for Gold from retail investors and central banks are other drivers that support the price of Gold.

Investors looking for a higher beta play may wish to consider Gold & Silver Miners.

So, what is a simple and diversified approach to obtain a broad exposure to Gold & Silver?

Jupiter Gold and Silver +++++

What are the Key Characteristics of this fund?

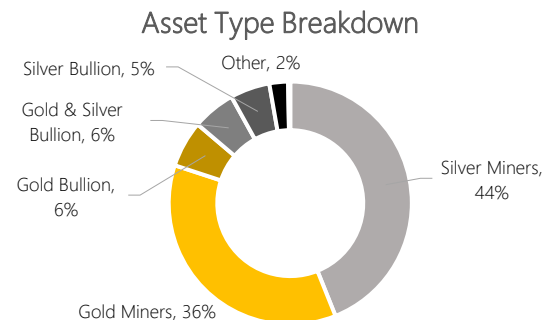
- This strategy invests in Gold & Silver Bullion as well as their respective Mining Stocks.
- With a bullish outlook the manager may hold Mining Equities as high as 85%, while with a bearish outlook, they may hold Bullions as high as 50%. The allocation is active and dynamic.
- Generally, they do not invest outside the more investor friendly Western mining jurisdictions.

Why this Fund? 3 Reasons:

1. Original Diversifier: Historically, Gold prices are positively correlated to US inflation and tend to perform in periods of sustained volatility.
2. Experienced PM/ Specialised Team: The Merian (recently acquired by Jupiter) team is led by 20-year Gold-veteran Ned Naylor Leyland supported by 2 dedicated analysts.
3. Actively Managed & Bullish: Manager actively adjusts the asset type allocation to suit their market outlook. They currently have a very bullish outlook.

How is this fund positioned**?

- Currently, majority of the fund is invested in Gold & Silver miners (~80%), with most of the balance in bullion, split between Gold & Silver Exchange Traded Bullion Trusts.



Source: Merian as of 31st May 2021

- They have a strong bias towards Silver which has seen increasingly high demands for industrial and medical purposes. Based on revenue, ~55% of the portfolio is skewed to Silver.

Some of the key investment themes**?

- Potential of Silver: In addition to its role as an alternative to fiat currencies, it is also an important material for industrial and medical usage, which should drive its outperformance over Gold.
- Increasing M&A: The deals seen in the gold majors in the past 2 years has started what looks like a new secular M&A wave which may trigger large premiums paid for quality development assets in reliable jurisdictions. This subset is an overweight for this fund.
- Mid-cap Bias: The fund does not hold any of the benchmark giants. Instead, they prefer holding bullions as a stabilizer of the portfolio. Furthermore, there is a bias towards mid-caps with strong cashflow which they believe are more sensitive to rising metal prices. Some of these miners are based in emerging jurisdictions and may be exposed to higher political risks.

MSCI ESG Rating:

Source: MSCI as of 28th June 2021

**Funds are actively managed, positions may change.

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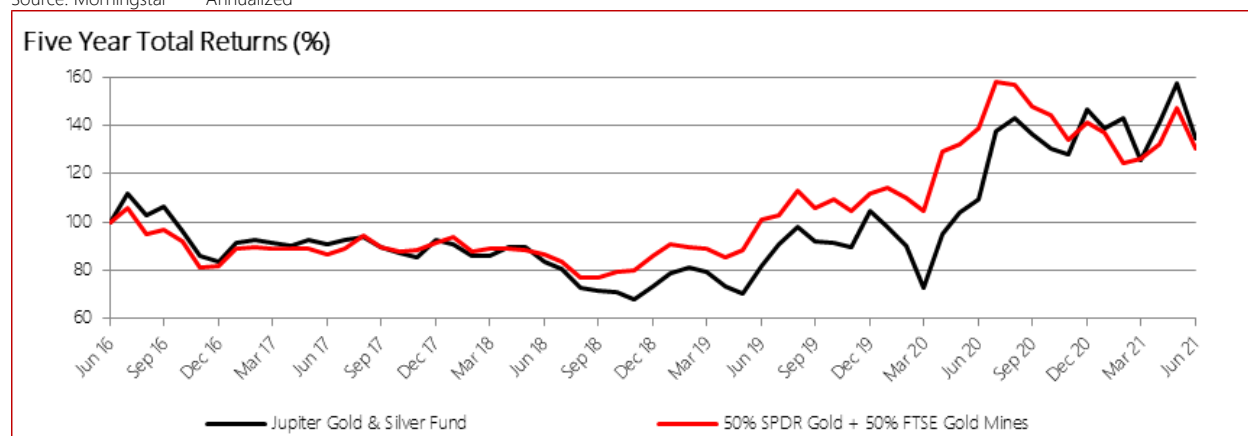


How has the fund Performed?

- The fund has recently crossed its 5-year mark in March and has outperformed its benchmark since inception.
- Silver has sold off more than gold in last month's correction which explains the underperformance of the fund in Q1. That said, the fund has seen very strong recovery in Q2 2021.

Performance as of June 30 th , 2021 in US\$	1M	3M	6M	1YR	3YR [^]	5YR [^]
Jupiter Gold & Silver Fund	-14.52	7.21	-8.13	23.25	17.12	6.11
50% MSCI Global Gold Miners + 50% SPDR Gold	-11.28	3.28	-7.74	-5.84	14.60	5.46

Source: Morningstar ^Annualized



Source: Morningstar / DBS. As of June 30th, 2021

What are the Key Risks of this fund?

- Investing primarily in a single sector, the fund is subjected to higher concentration risks.
- Commodity Equities have been a historically volatile asset class, mostly more volatile than their underlying commodities and less beneficial as diversifiers.
- The fund is risk rated 5 on a five-point scale. Risk rating 1-5 indicates the relative rating of potential loss; "1" being the lowest and "5" being the highest.
- For a comprehensive list of the fund's risks, please consult your RM or the fund's prospectus.

DBS Fund Selection Proposition

At DBS, our goal is to provide our clients with a holistic approach to managing your wealth. As investors seek to preserve, diversify and build their wealth, for many, mutual funds can be integral tools. Funds are diversified, efficient tools to access different global markets with the guidance of professional asset managers.

DBS Fund Selection Team (FST) is a dedicated group of professionals, committed to identifying high quality mutual funds which the team believes can add value for our clients. The team interviews the managers to form a research opinion on the funds and assigns a conviction rating to each. This is followed by on-going monitoring of the performance of the funds. The DBS FST Fund Rating encapsulates a qualitative assessment of the fund's competitive advantage relative to its peers.

DBS FST Fund Ratings

The DBS FST currently has research opinions on over 300 funds. The team reviews and assigns an appropriate rating to these funds.

This rating reflects the team's assessment of the fund's competitive advantage and represents the level of conviction that the team has with respect to the fund performing well relative to its peers and its assigned asset class benchmark over the next 18 to 36 months.

Investors should, however, note that the DBS FST Fund Rating is not a view on funds as an asset class nor is it a guarantee of a fund's performance.

<u>Conviction Level</u>	<u>Rating</u>
Strong Positive	++++
Positive	+++
Neutral	++
Low Conviction	+

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Notes:

1. A qualitative approach is used to systematically analyse each fund's characteristics, risk and performance attributes to identify funds we believe could add value. Through interviews that we conduct with respective fund managers, 5 key areas are reviewed: People, Product, Process, Portfolio and Performance.
2. Fund performance are sourced from Morningstar Direct workstations and/or Bloomberg Terminals. 3-months, 6-months and 1-year performance returns are cumulative, while 3 and 5-years' performance returns are annualized. All data presented are as of 30th June 2021, or the closest available NAV date prior. Cumulative and annualized performance data are bid-to-bid, in USD terms, unless specified otherwise. The funds' relative performance against their appropriate benchmarks are provided, where applicable.
3. Standard deviation is a statistical measure of risk. The higher the standard deviation, the greater the volatility, therefore, the higher the potential risk. Approximately 68% of the annual total return of the fund is expected to range between +1 and -1 standard deviation from the annual average return, assuming a fund's return falls in a standard normal distribution.
4. Ratings assigned by DBS Fund Selection Team is on the basis of the team's assessment of the fund's competitive advantage and represents the level of conviction that the team has with respect to the fund performing well relative to its peers and its assigned asset class benchmark over the next 18 to 36 months. Investors should, however, note that the DBS FST Fund Rating is not a view on funds as an asset class nor is it a guarantee of a fund's future performance. A fund with high rating does not mean that it is suitable for all investors, and should not be considered as recommendations to buy or sell the relevant funds. Prospective investors should seek advice from a financial advisor regarding the suitability of the funds, taking into account their specific investment objectives, financial situation or particular needs before committing to invest in or purchase in any of the funds mentioned.

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