

DBS Solutions Q1 2022: Fund Insights

Alternatives: Gold Equities

Overview

After rallying in 2019 and 2020, gold prices have been impacted in 2021 by a strong recovery in US dollar and rising bond yields. Despite that, we remain constructive as real rates are expected to remain negative in 2022 due to rising inflation, which has historically been a strong driver for gold prices.

We believe that the correction in gold prices has made it more compelling for holding gold as a hedging tool in portfolios. Furthermore, the risks around fed tapering / policy tightening seems to have priced in, setting gold up for a potential recovery. Thus, investors looking to hedge their portfolios could consider allocating to gold and may consider gold miners for a higher beta play.

So, what is a simple and diversified approach to obtain broad exposure to Gold Mining Equities?

Ninety One GSF Global Gold Fund +++++**What are the Key Characteristics of this fund?**

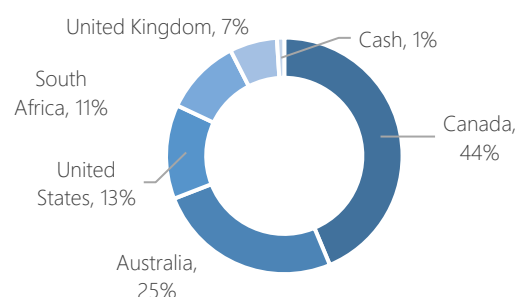
- Strategy primarily invests in gold mining stocks, with up to a third invested in other precious metals miners and Exchange Traded Commodity funds (ETCs) in gold and silver bullion.
- Concentrated fund with roughly 30 holdings.
- When selecting securities, they consider medium term commodity prices and the company's ability to generate superior Return on Capital.

Why this Fund? 3 Reasons:

1. **Portfolio diversifier / inflation hedge:** Historically, gold prices positively correlate to US inflation and tend to perform in periods of sustained volatility.
2. **Experienced PM with specialist team:** Ninety One is a leader in the space. Veteran George Cheveley manages the fund and is supported by 2 analysts, with significant industry experience.
3. **Actively managed:** The team actively adjusts the portfolio. When anticipating down markets, they will allocate more to royalty streamers and larger caps. With a bullish view they will favour higher beta junior miners which are more sensitive to rises in gold prices.

How is this fund positioned?**

- Majority of the fund is now in gold miners (c.95%), with some tactical positions in silver miners and ETCs. PM rotated out of royalty and streamers into second tier miners last year as he is bullish on gold.
- Geographically, a significant proportion of the mines are in N. America, but they also invest in companies mining in Australia and Africa. There is c.4.5% exposure to silver.

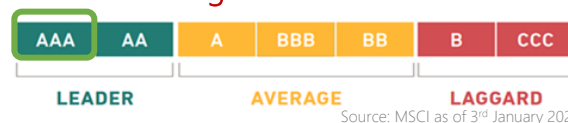
Geographical Breakdown

Source: NinetyOne; as of 30th November 2021

- Fund size is at ~\$740mn, allowing the PM to flexibly allocate across the the market cap, depending on where the best opportunities lie, including smaller cap juniors.

Some of the key investment themes?**

- **Uncorrelated Nature:** Gold is uncorrelated with many asset classes, which places it as a good portfolio diversifier against tail risks of recession, hyperinflation and higher volatility.
- **The Majors:** Major benchmark constituents like Newmont, Barrick, Wheaton, Kirkland and Agnico typically make up ~30% of the portfolio to provide cushion in downturns. If the PM has a bearish view on gold, this portion would typically be higher to dampen risks.
- **Increasing M&A:** M&A cycle in gold miners is in its early-to-mid stage and has triggered large premiums since 2020 for quality assets in reliable jurisdictions. Fund remains bullish in this subset of M&A related miners and has been consolidating its portfolio.

MSCI ESG Ratings:Source: MSCI as of 3rd January 2022

**Funds are actively managed, positions may change.

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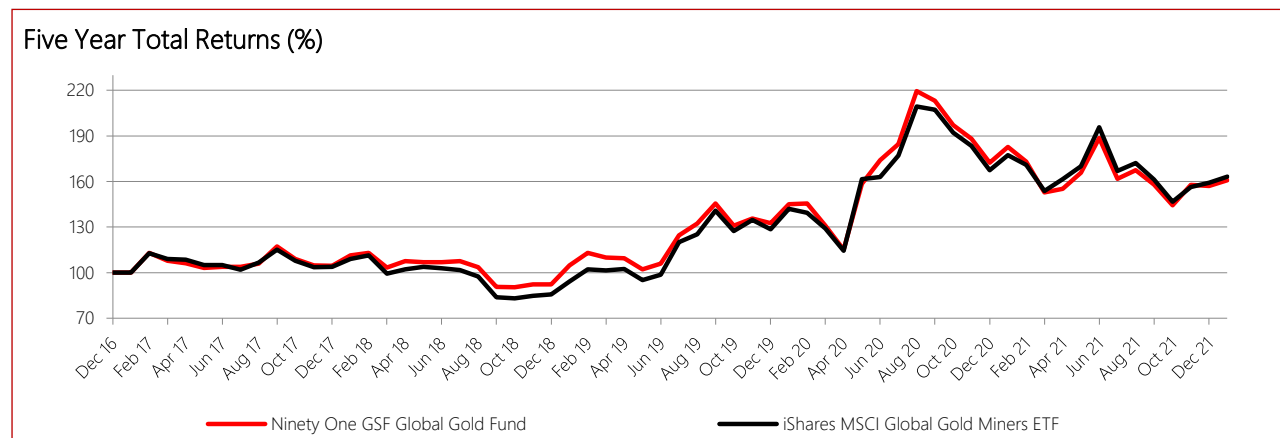
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How has the fund Performed?

- After a very strong recovery in 2020, the fund experienced some corrections along with the consolidation of gold prices. Given the underweight in the more defensive large caps and royalty and streaming companies, the fund lagged the gold recovery in 1H 2021. However, its active management and focus on fundamentals, helped buffer the downside in the latter half of the year.
- Over the longer term, we believe that the team's active management would help deliver alpha and navigate market uncertainties of the future.

| Performance as of December 31 st , 2021 in US\$ | 1M | 3M | 6M | 1YR | 3YR [^] | 5YR [^] |
|--|------|-------|-------|--------|------------------|------------------|
| Ninety One GSF Global Gold Fund | 2.44 | 11.53 | -0.60 | -11.91 | 15.32 | 9.98 |
| iShares MSCI Global Gold Miners ETF | 2.64 | 11.31 | -2.22 | -7.97 | 20.12 | 10.30 |

Source: Morningstar ^Annualized



Source: Morningstar / DBS. As of 31st December 2021

What are some 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 will review and assign an appropriate rating to each fund.

This rating reflects the team's assessment of the fund's competitive advantage, and represents the level of conviction 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 31st December 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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