

Notes from the Road

Takeaways from the Precious Metals Summit and the Gold Forum Americas & consequences regarding our fund allocation

Dear Valued Investors,

After nearly two weeks in the U.S., attending and speaking at two of the most important events in the mining sector - the Precious Metals Summit (Beaver Creek) and the Gold Forum Americas at the Denver Gold Show (Colorado Springs) - we are back with renewed focus and insights that we are eager to share with you.

Both conferences were invaluable opportunities to meet face-to-face with management teams, ask tough questions, and discuss the critical milestones that lie ahead for our portfolio companies. The overall sentiment was 'constructively positive,' though the lack of euphoria suggests that there's still room for growth—an excellent signal for disciplined, active, long-term investors like us.



Management quality is KEY in the mining space!

Over the course of these two weeks, we held 75 one-to-one meetings with nearly all of the management teams behind our current investments. These candid discussions allowed us to assess not just their progress but also the potential for both positive and negative surprises in the future. As a result, we've identified certain positions that no longer meet our high standards and will be phased out and have identified several new high-conviction investment opportunities that we believe have significant potential to enhance value for our funds.

Key Insights from the Conferences:

- **Cost inflation in the gold mining sector remains subdued in 2024:**
We expect below-average AISC inflation due to stabilizing input costs (esp. energy!) and improved supply chain conditions. Additionally, operational efficiencies and moderate wage growth have helped control expenses. These factors combined have helped keep operating costs in check, supporting vastly expanding margins in an environment of surging gold prices. This is also consistent with the fundamental part of our Active Aurum Signal, which has been pointing out the relative strength of gold vs. energy prices since November 2023.
- **ESG Takes a Backseat as Profitability Takes Center Stage:**
While ESG remains important, the focus has shifted towards profitability. Companies are recalibrating priorities, emphasizing margin expansion and shareholder returns as they manage costs more effectively in the current environment. In our conversations, we frequently heard the terms 'dividend increases' and 'share buyback programs' – phrases not often heard in the mining industry.
- **M&A Gaining Momentum:**
Mergers and acquisitions are becoming a significant theme in the sector. However, we believe that M&A activity alone shouldn't be the primary reason to invest in a stock. The scarcity of high-quality copper projects (especially in stable jurisdictions) will be pushing mining giants like BHP, Glencore and Rio Tinto into gold. This strategic shift opens the door for some major deals in the near future, potentially reshaping the landscape.

Major producers are flush with cash, and their corporate development teams are increasingly eyeing opportunities. The past few weeks have already offered a brief glimpse of what's to come: AngloGold is buying Centamin in a USD 2.5 billion deal, while South African Gold Fields announced a takeover offer for Canadian Osisko Mining. The offer, priced at CAD 4.90 per share, amounts to CAD 2.16 billion, representing a 55% premium. We foresee an uptick in acquisitions targeting advanced developers and explorers, creating new opportunities for our portfolio.

- **Growing Confidence from the Buy-Side:**
Both conferences saw a strong buy-side presence, surpassing last year's attendance levels. This growing interest, especially in small-cap and developing companies, suggests that re-ratings and valuations could improve significantly within the next 12 months. Additionally, we observed a particularly strong presence from corporate development teams across all major mining companies, further validating our previous insights regarding the growing appetite for M&A activity.
- **An Undervalued Sector with Upside:**
Valuations in mining remain highly compelling. Many companies are trading well below their historical P/NAV multiples, with sector valuations at a 40% discount compared to the 10-year average. This creates one of the most attractive entry points in over a decade, offering remarkable upside potential for those willing to seize the opportunity.

As we navigate the swiftly evolving landscape of the mining sector, our commitment remains to seek out high-quality investments that offer both resilience and growth. Our ability to meet with management teams directly allows us to act with conviction, adding value for you, our investors.

More importantly, we identified numerous opportunities to add to our portfolios, particularly within the *[Incrementum Active Gold Fund](#)* and *[Incrementum Crypto Gold Fund](#)*. Currently, we are building new positions, including established producers, turnaround stories, developers with significant acquisition potential, and promising junior stocks.

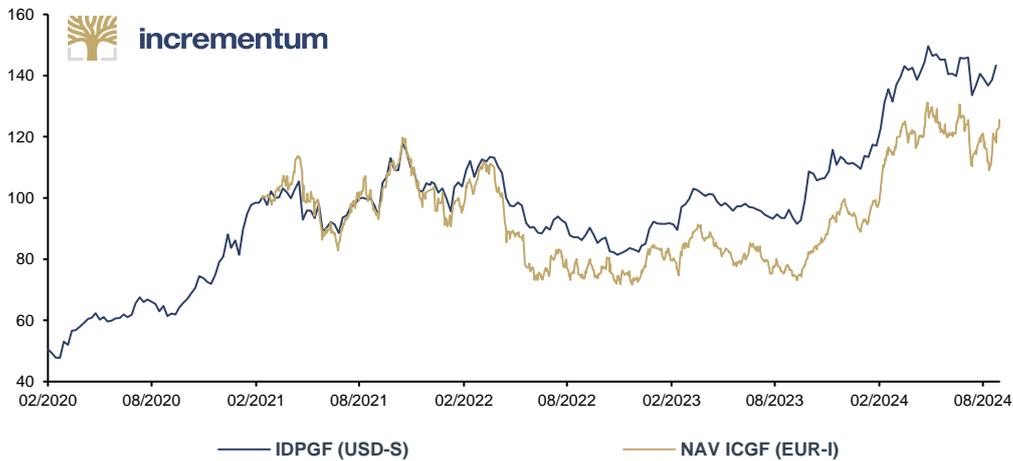


Incrementum Active Gold Fund (EUR-S), 02/15/2024–09/24/2024



Source: Reuters Eikon, Incrementum AG

Incrementum Digital & Physical Gold Fund (USD-S), in EUR, 100 = 03/08/2021, and Incrementum Crypto Gold Fund (EUR-I), 02/26/2020–09/24/2024



Source: Reuters Eikon, Incrementum AG

Looking Ahead: Quo Vadis, Aurum?

Gold continues to defy expectations, recently reaching all-time highs above USD 2,600, while Silver has successfully surpassed key resistance levels. Obviously, optimism has been growing, and we are slowly becoming somewhat cautious in the short term, as gold appears to be overbought according to traditional indicators like RSI. Our base scenario is a brief pullback and consolidation period before the next upward surge.

However, we also want to point out, that one cannot rule out a further meltup in the gold price, due to the new easing cycle and a continuously tense geopolitical environment. We understand that investors are currently deeply underinvested in gold, and even more so in mining stocks, and are now - finally - looking to establish positions. A sensible strategy managing the current uncertainties may be splitting one's allocation into more tranches and add exposure stepwise over a period of time.

We remain highly optimistic about the future of the gold and silver mining industry and especially our investment funds and the opportunities that lie ahead. Now may be an excellent time to reaffirm your confidence in our strategy and consider increasing your allocation, as we continue to capitalize on this extraordinary opportunity.

Thank you for your trust and continued support. If you should have any questions, please do not hesitate to get in touch with us anytime!

Warm regards,

Ronald-Peter Stöferle and Mark J. Valek, Fund manager *Incrementum Active Gold Fund* and *Incrementum Crypto Gold Fund*.

Fireside Talk: Precious Metals Summit (Beaver Creek)

Ronald Stöferle in conversation with John Hathaway

Keynote: Gold Forum Americas (Colorado Springs)

„The New Gold Playbook”



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