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# Charteris' Williams: How silver exposure led us to the top of IA universe this year

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With ongoing global uncertainty leading gold prices to rally by nearly 20% so far this year, precious metal funds have been highly featured in the list of top ten best performing funds within the entire IA universe for 2016, with many returning more than 100% to investors.

But even amid a strong year for all precious metal funds, the performance of the £17m Charteris Gold and Precious Metals fund, managed by Ian Williams, stands out, returning 170.7% year-to-date as of 25 October. It is currently the second best-performing fund across all IA sectors over the period, and is more than 30 percentage points ahead of its nearest competitor, the £59m Smith & Williamson Global Gold & Resources fund. At the top of the list is the £18.9m MFM Junior Gold fund, which has so far returned 200.7%.

As well as being a beneficiary of uncertainty in the equity and fixed income sectors arising from June's Brexit vote and the upcoming US election, here, Williams explains how his portfolio's large silver exposure has led to particularly strong performance in 2016.

## What has led you to outperform other precious metal funds this year?

Our strong performance is due to several key elements of our investment strategy. Firstly, the fund invests solely in the shares of well-established gold and silver mining companies. Secondly, we are not currently invested in physical metals directly or through derivatives. We also avoid early stage exploration companies without proven reserves.

## Has the fund's exposure to silver allowed it to further benefit from this year's gold bull-run?

A key factor in the fund's outperformance has been its heavy overweight position to silver miners, relative to gold miners. This is because our analysis shows that the long-term supply and demand fundamentals for silver are much stronger than for gold, even though the latter is currently in a long-term uptrend.

Silver prices are normally more volatile than gold, and this works on both the upside and the downside. Our portfolio has been well positioned to capture silver's outperformance over the past year.

## Charteris Gold & Prec Metals fund top 10 holdings

Name	%
MAG Silver	7.7
Fortuna Silver Mines	7.5
Silver Wheaton	6.3
Agnico Eagle Mines	5.5
Endeavour Silver	5.2
Tahoe Resources	4.8
Alamos Gold	4.7
First Majestic Silver	4.5
Silver Standard Resources	4.4
Pan America Silver	3.7

As at 30 September 2016. Source: FE

## Top 10 performing funds in all IA sectors

Name	%
MFM Junior Gold	200.7
Way Charteris Gold & Precious Metals	170.7
Smith & Williamson Global Gold & Resources	128.4
HSBC GIF Brazil Equity	118.5
BNY Mellon Brazil Equity	115.4
Peterhouse Smaller Companies Gold	115.4
Investec Global Gold	112.2
BlackRock Gold & General	105.7
J.P. Morgan Brazil Equity	104.8
Old Mutual - BlackRock Gold & General	104.5

1 January 2016 to 25 October 2016. Source: FE

## What generates the difference in performance between gold and silver?

Unlike gold, silver is not only popular in jewellery but is also used more extensively in industry such as in the fast-growing market for solar power. Also, there are far fewer stockpiles of refined silver globally, whereas vast quantities of gold are held by central banks, several of which – including the Bank of England – have been sellers in recent decades.

Thirdly, silver is often produced as a by-product from the mining of other commodities such as lead or zinc, where production is currently being reduced significantly. Consequently, this also had a knock-on effect on curtailing silver production.