



Registered Address: 8/9 Lovat Lane, London, EC3R 8DW

WS Charteris Gold and Precious Metals Fund

Request for proposal response as at 29 December 2023





## **About Charteris Treasury Portfolio Managers**

Founded in 1984, Charteris builds upon an investment discipline and culture that its founders understand and passionately believe in. We are grounded in the belief that core principles are fundamental to how we manage money and behave as a business. These principles are underpinned by a common theme – a complete focus on the long-term management of our clients' money.

Our investment philosophy combines macro-economic and value-based stock research with long-term cycle analysis of all major asset classes. We focus on identifying investment opportunities prioritising long-term capital growth, sustainable income and high liquidity. At the heart of our philosophy is our attitude to risk. We believe carefully managed risk is of paramount importance – preserving and growing clients' wealth is our priority.

## **WS Charteris Gold & Precious Metals Fund**

### **The Fund's objective**

The Fund seeks to provide capital growth through investment in a diversified portfolio of shares in companies whose core business is involved in the mining, refining, and production of gold and/or precious metals. The majority of the fund invests in gold and precious metals mining companies with a market capitalisation of more than \$500m but we have the flexibility to invest a small percentage in the fund into smaller-cap stocks if/when valuation opportunities arise. The fund does not invest in physical gold.



### **Investment Team**

Ian Williams, Chartered Wealth Manager has been the lead manager of the fund since it was launched. Mark Williams and Colin Robertson are part of the investment team that deputise in the lead manager's absence.

#### **Ian Williams, Chartered Wealth Manager**

A former member of the London Stock Exchange, Ian has spent the past 35 years as a specialist in Gold, equity and fixed income markets. He acquired Charteris in 2002 having formerly held senior position at Chase Manhattan Bank (now JP Morgan Chase) and Dresdner Kleinwort Benson and Guinness Mahon (now Investec). Ian is lead manager and a Chartered Fellow of the CISI.

#### **Mark Williams**

Mark began his investment career with Forsyth Partners as well as doing work experience with brokerage houses RP Martin and WH Ireland before he joined Charteris in 2008 to assist with managing individual private client portfolios and the in-house Charteris funds.

#### **Colin Robertson, Chartered FCSI**

During a career spanning more than 30 years, Colin has held influential positions at some of the largest names in the financial sector including Aberdeen Asset Management and Brown Shipley. He is a Chartered Fellow of the CISI.

## Investment process and strategy

### Investment process

Our investment process is driven by a set of investment beliefs which frame our approach to portfolio strategy, stock selection and timing decisions.

The investment process starts with a clear macroeconomic view that is not focused on modelling short or long-term economic variables but is driven by an informed economic interpretation of important global and long-term social, political and macroeconomic policy trends. These views drive our sector preferences, which are unrestricted by explicit risk budgets or index weighting considerations. Within each targeted sector we select stocks based on cyclically flexible screening criteria which include business structure, growth potential, geographic exposure, market capitalisation and liquidity considerations.

Finally, timing of investment decisions is an important part of the manager's overarching investment process. Timing decisions are informed by the technical analysis of longer-term economic, market and metals' price cycles.

### Investment strategy

Consistent with the management of all of the Charteris funds, there is a strongly held macroeconomic view that drives the strategy of the *WS Charteris Gold and Precious Metals fund*.

This top-down driven strategy is embedded in an active management approach with the sector and stock selection decisions based on identifying which businesses are best placed to benefit from the global macro trends we have researched.

### Our view and summary

A most important consideration that seems to be a driver of investor sentiment towards gold and silver is the cumulative expansion of money supply we have seen globally since the financial crisis (GFC).

The outlook for Gold is entering an extremely interesting period which could see several powerful geo-political forces come together could produce a powerful up-move in the price of Gold. The singularly most powerful of these is likely to be the economic fall out of the war in Ukraine with the resultant eventual implosion in the role of the US Dollar as the world's sole reserve currency.

Put simply China, Russia and other members of the BRICS nations (who will not tolerate endless US Sanctions being applied to them) are in the process of setting up a new world free trade area & currency system that is completely independent of the US Dollar and one (India is also a member of BRICS) that will cover of half the world's population. It is being discussed that other countries such as Saudi Arabia, UAE, Argentina Iran are looking to Join BRICS which could change global dynamics quite drastically.

This potential new currency and trade area will need a reliable means of exchange and the most favoured mechanism being discussed is a Digital Currency (using the latest blockchain technology) issued by the Bank of China (possibly jointly with Russia) backed by Gold to give it stability and credibility. Of these countries applying to join

the most explosive is Saudi Arabia as it spells the end of the Petro Dollar as the monopoly currency for global oil trading as China wants to buy vast amounts of Saudi Oil but not using US Dollars.

This raises the obvious question where is all the Gold going to come from to back this digital currency and if this scenario comes true or even half true then it points to a rather large supply demand imbalance in the Gold market and potentially much higher prices. This looks to be a potential asymmetric reward play as if it occurs the price of Gold would be expected to rally sharply and if none of this happens at all the current situation will be unchanged.

### Precious metals prices in the wake of global instability

Global instability has resulted in the biggest global fiscal and monetary policy stimulus seen since the Second World War. It is becoming clearer by the day that central bank balance sheets are increasing at a rate that is unprecedented in order to offset the worst economic consequences of the crisis.

### Mid-cap opportunity

The fund has an underweight position in the larger names because of better-perceived value towards mid-caps rather than the big gold miners. Blue-chip miners tend to have declining production profiles, while mid-caps often do not and are, therefore, takeover targets. Mid-cap gold mining shares are not expensive relative to gold itself, so investors today are not paying historically excessive valuations to increase their exposure to the fund. Furthermore, the miners are, perhaps, one of the very few sectors where investors can expect dividends to increase this year as revenue is going up and costs down.

## **Risk Management, portfolio construction and monitoring**

### **Risk Management**

Risk is managed through the fund's underlying exposure to different gold and precious metals equities alongside the fund's ability to hold cash.

Precious metal commodity prices are inherently cyclical and we believe that the risks embedded in this asset class can and should be managed through the cycle.

For example, in a precious metals bull market, we will tend to focus on a balance between gold and silver exposure, alongside an emphasis on mid-cap stocks, which typically have rising production profiles. These stocks will tend to outperform larger mining companies in these sorts of conditions.

In a less favourable phase of the cycle we will look to reduce the risk profile of the fund by holding a greater proportion of the fund's assets in lower beta more defensive streaming companies and correspondingly less exposure to direct miners. (Royalty or streaming companies are specialist mining finance businesses that provide capital to mining businesses in exchange for a preferential right to a percentage of a mine's revenue or physical production).

Risk is also managed and mitigated through the fund's geographic exposure. Currently the manager excludes South African listed mining stocks.

The risk profile of the fund is further managed through a clear stock selection discipline. We have a high-quality threshold and tend therefore to run a fairly concentrated portfolio – typically 20-45 stocks. We believe this is an appropriate spread of risk which avoids the need to compromise on quality merely to achieve further diversification

### **Idea generation**

Ian and his team rely on a combination of internal proprietary analysis and external research to generate ideas for the fund.

### **Portfolio construction**

The construction of the portfolio is the sole responsibility of the lead fund manager, Ian Williams. He is supported in this task by the other members of the investment team who will input into the decision-making process and the implementation of decisions.

Ultimately, the aim of all of our fundamental research efforts is to arrive at an informed judgement about long-term fundamental value. Once we have arrived at

that judgement, using a technical analysis overlay, we can assess whether an investment opportunity is attractive enough to warrant inclusion in the portfolio.

Each stock is included in the portfolio on its own merit – we do not hold positions purely to manage relative risk. Portfolio weightings are determined by the level of conviction in an investment thesis and our judgement of the balance between the potential upside to true inherent long-term value and the risks that may stand in the way of that long-term value being realised.

All of this is balanced against a desire to be sensibly and appropriately diversified at a stock and sector level, with the ultimate aim of building a portfolio that can deliver attractive, long-term, risk adjusted returns.

### **Portfolio monitoring**

Monitoring of portfolio holdings is a continuous process. All portfolios are reviewed daily to ensure appropriateness, consistency and adherence to the mandate.

Individual holdings are assessed and monitored daily by the lead fund manager, who takes primary responsibility, but is assisted by the rest of the investment team as appropriate.

## About the Fund

### Launch date

31 March 2017\*

*\*The fund was originally launched on 1<sup>st</sup> February 2010 as the WAY Charteris Gold Fund where WAY Fund Managers were the original ACD, the Fund was transferred to DMS Investment Management Services (UK) Limited on 31<sup>st</sup> March 2017; DMS Investment Management Services (UK) Limited have now rebranded as Waystone Management (UK) Limited; however, there has been no change whatsoever in Investment Manager or the investment Strategy.*

### Performance objective

There is no official performance objective detailed in the fund's prospectus; however, the fund aims to offer a superior risk adjusted return over that of a passive holding of gold and silver

### Fund Size

£14.9m (as at 29 December 2023)

### OCF, charges and TER

	Initial Charge	AMC %	OCF / TER*
I Classes	0%	1%	1.36%

\*as at 31 Aug 2023 (OCF = ongoing charging fee, TER = Total Expense Ratio)

Currently there are no plans to review these charges in the next 12 months. The total expense ratios quoted above are subject to change as the size of the fund fluctuates due to market movement and net inflows / outflows.

### Yield and distribution rates

Distribution: 30 April (Annual) & 31 Oct (Interim)

### Legal Structure

UK regulated OEIC – can invest up to 10% of the fund in ETFs (exchange traded funds) and ETCs (exchange traded certificates) at the lead manager's discretion

### Third parties associated with the fund

Waystone Management (UK) Limited ("WS") as ACD (Authorised Corporate Director) of the fund has the responsibility of compliance, oversight, apportionment and investment management of the company. WS delegates the investment management of the fund through its agreement with Charteris Treasury Portfolio Managers. It is the portfolio management team that manages the investments of the fund within the constraints outlined by the fund's prospectus, its mandate and UK UCITs. Administration of the fund is undertaken by Credit Agricole (CACEIS Bank, UK Branch) and the auditors are Grant Thornton UK LLP.

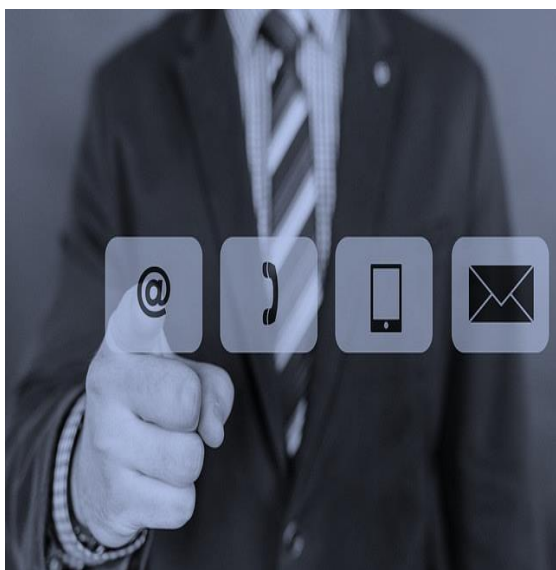
## Fund Codes

### I Accumulation

Bloomberg: WCHGEIA LN EQUITY  
Thomson Reuters LP68418916  
MEXID: HTMTTE  
ISIN: GB00BYQ2JY43  
Citicid/FE: ICC2

### I Income

Bloomberg: WCHGEII LN EQUITY  
Thomson Reuters LP68418917  
MEXID: HTMTF  
ISIN: GB00BYQ2JZ59  
Citicid/FE: ICC3



## Get in contact

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