

# Monthly Gold Miners Market Report

December 2021

## HANETF & AuAg Funds

### AuAg ESG Gold Mining UCITS ETF

ESGO

60bps

IE00BNTVVR89

Product Inception Date: 02.07.2021

For Professional Clients Only. Capital at risk.

All data as of 30.11.21

This report was written by, and is the opinion of, the ESGO creators - AuAg Funds.

## ESGO - Key Highlights

**Return potential:** The equal-weighted design gives more exposure towards mid-cap and an underweighting of dominant mega-companies. This may provide a beneficial return profile for the ETF in a bull market for gold and gold miners.

**Lower risk:** No concentration risk in comparison to liquid/market-weighted ETFs. The probability of having, for example, two or three companies with a combined weighting of 25-35% is relatively high in a market/liquid-weighted index for a single sector.

**Active ESG screening:** Tracks 25 best-in-class ESG Risk companies in the sector. A unique opportunity to access the theme via an ESG conscious mandate. The ESG Risk data is provided by Sustainalytics.

When you trade ETFs, your capital is at risk. For professional investors only.

## Highlights from last month

- FED is trying to cool down inflation expectations with new forward guidance. The market, however, shows signs of being more scared by rate hikes than from inflation [\[Source\]](#)
- The news of the new Covid variant Omicron and possible lockdowns made the market nervous. On the other hand, the market started to speculate that Central Banks could turn back to a more dovish stance [\[Source\]](#)
- Gold continued to strengthen during the first half of November to give it all back during the second half. The Precious Metals miners followed the same monthly pattern as gold (see performance tables).

Please note that all performance figures show net data.

## Outlook

Here are some important factors that will impact the investment environment for precious metals going forward:

- The Fed has acknowledged that inflation is more substantial and persistent than expected. New announcements were made, but will we really see faster tapering, and meaningful rate hikes? Inflation will probably rise more quickly, making real rates even more negative. [\[Source\]](#)
- The debt limit has been postponed again, and the new deadline is the 15th of December. Our view is that everybody takes a debt limit solution for granted, so any negative surprises would make the market nervous and could result in higher volatility
- The positionings at COMEX tell us that the Commercials are stuck with large short positions, which puts them in a vulnerable and challenging situation. Will they buy back and let the prices run to the upside, or will they try to find a way to buy back at lower prices? [\[Source\]](#)
- 2020 was a record year for the average all-in sustaining cost (AISC) margin for precious metals miners. 2021 looks to become another record year. This does not seem to be priced in by the market yet, which creates an interesting investment opportunity [\[Source\]](#)

## AuAg ESG Gold Mining UCITS ETF Performance Table

As of 30.11.21

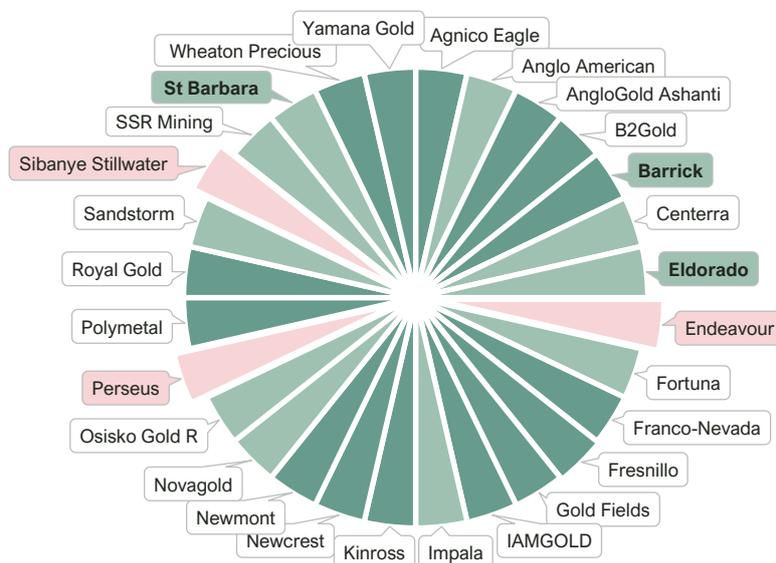
	1M	3M	6M	YTD	12M	SI
<b>AuAg ESG Gold Mining UCITS ETF (ESGO)</b>	-0.41%	-2.10%	NA	-7.02%	NA	-7.02%
<i>Solactive AuAg ESG Gold Mining Index</i>	-0.37%	-1.98%	-17.33%	-6.90%	-5.40%	-6.90%

Performance before inception is based on back-tested data. Backtesting is the process of evaluating an Investment strategy by applying it to historical data to simulate what the performance of such a strategy would have been. Back-tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer (“Prospectus”) before investing and should refer to the section of the Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in this product. Source: Bloomberg / HANetf. Data as of 30/11/2021. **Please note that all performance figures show net data.**

### Composition / Holdings

In the ordinary rebalance, the following composition will be implemented over a period starting on 27.09.2021 (cob) and ending on 29.09.2021 (cob). The new composition and target weights will be fully reflected in the index open 01.10.2021:

- New constitutes (green and bold)
- Deletions (red and drawn out)
- Constitutes with over 85% participation from all 27 quarterly rebalances since the start of the index (dark)
- ESGO, ESG Risk Score – average: 26,48 / highest: 33,97 (Barrick)
- Universe, ESG Risk Score – average: 36,07 / highest: 61,49
- Index value as of 30.11.2021: 2177,17 / +117,71% (index start date 27.03.2015, at 1000.00)



Source of all data: AuAg Funds / Bloomberg / Sustainalytics / Solactive. Data as of 30.09.2021

### Weighting & Rebalancing

On each selection day, each index component is assigned an equal weight. The index is rebalanced quarterly with a four-day Asian rebalancing.

## SFDR & ESG Risk Rating Methodology

The ETF is classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR).

The ESG Risk data is provided by Sustainalytics and is active, external, and independent. The ESG Risk Ratings measure the degree to which a company's economic value is at risk driven by ESG factors or, more technically speaking, the magnitude of a company's unmanaged ESG risks. To calculate the ESG risk rating of each company, the Data Provider considers the corporate governance and material ESG issues.

Corporate governance is a foundational element in the ESG Risk Ratings and reflects our conviction that poor Corporate Governance poses material risks for companies. Corporate governance is based on six pillars and 15 indicator weights. Material ESG Issues (MEIs) contribute to the ESG risk rating. A company can have up to ten pre-selected, industry-specific MEIs plus any additional company-specific issues.

## Megatrend news – Monetary Inflation

**Central Banks & Global Debt:** The market has assumed that “transitory” means that higher prices will be temporary. At the same time, the Fed claims that it should be interpreted as that inflation will not lead to “permanent economic damage”. The Fed is communicating a faster tapering rate in the future and earlier interest rate hikes as early as next year in an attempt to curb inflation. [\[Source\]](#)

Inflation in the eurozone reached 4.9% in November, and the numbers are even higher in the US. [\[Source\]](#)

## Megatrend news – Transformation to a Green World

**Sustainable Mining:** Gold mining operations contribute to social and economic development in many countries. World Gold Council has written a report that quantitatively shows these mines' impact on a local, national, and global scale. [\[Source\]](#)

The Responsible Gold Guidance (RGG, v9) is now published. The guidance is very important for Responsible Sourcing [\[Source\]](#)

## Producers – A Golden Opportunity

In AuAg's opinion, gold miners are well-positioned to profit from higher gold prices as many have cleaned their balance sheets during gold's last bear market. We see a “lean & mean” sector with a growing number of M&As as it is hard to find new deposits. We also see more buybacks and a trend of higher and higher dividends. [\[Source\]](#)

The price of gold may, over time, reflect the megatrend of unabated money printing and growing debt. When the price of gold rises in a bull market, it can have a dramatic impact on the profitability of a gold mining company.

Precious Metals are a part of the solution in the transformation to a green world. However, as the mining sector is a part of the global greenhouse gas emissions, it is important to be conscious of ESG aspects when investing. Modern Gold Miners now go on the grid, use solar energy, and use fuel-cell mining trucks. This is needed to be in line with the Paris Agreement.

## Gold, Silver, and Fiat Currencies

AuAg Funds uses gold and silver as the base for measuring value. With gold and silver as constants, the fiat currencies either rise or fall in value.

The spot price of gold and silver is set in USD, which has the effect that gold and silver become either cheaper or more expensive in other currencies depending on the movements between, for example, USD and EUR.

2021-11-30	Price	November 2021	2021	12 Months	Since EUR inception 1999
EUR in Gold	0,00064	-1,39%	-0,62%	-4,77%	-84,26%
EUR in USD	1,13380	-1,93%	-7,17%	-4,97%	-2,84%
EUR in GBP	0,85250	0,91%	-4,55%	-4,76%	20,87%
Gold USD	1774,55	-0,50%	-6,53%	-0,15%	517,39%
Silver USD	22,85	-4,39%	-13,45%	0,93%	330,82%
Gold:Silver Ratio	77,66	74,62	71,91	78,50	54,19

Past performance is no guarantee of future performance. Source of all data: AuAg Funds.

Please note that all performance figures show net data

## AuAg Funds

AuAg Funds is a boutique brand specialising in creating investor-friendly financial concepts with a strong focus on precious metals & green-tech elements. AuAg Funds also manage two daily traded UCITS funds, *AuAg Silver Bullet* and *AuAg Precious Green*. More information on [www.auagfunds.com](http://www.auagfunds.com).

## AuAg News

- ESGO is now passported to France and will be listed on the Paris stock exchange in December.
- On the 11th of November, we had a webinar with the Royal Mint and ETC Group to discuss “Bitcoin and Gold”. You can see the video [here](#).
- We also had an interview with Proactive Investors, where we discussed the November Monthly Gold Miners Market Report. You can see the interview [here](#).

The authors of this report are Eric and Christopher. Feel free to reach out to us if you have any questions about the fund. Please visit the fund homepage [AuAg ESG Gold Mining UCITS ETF](#) or [AuAg Funds](#).



**Eric Strand**

CEO

[Digital Business Card](#)



**Christopher Svensson**

Sales, Europe

[Digital Business Card](#)

## Trade ESGO

Exchange	BBG Code	RIC	ISIN	Valoren	SEDOL	Currency	TER
London Stock Exchange	ESGO LN	ESGO.L	IE00BNTVVR89	-	BMTR0P0	USD	0.60%
London Stock Exchange	ESGP LN	HAESGP.L	IE00BNTVVR89	-	BMTR0V6	GBP	0.60%
Borsa Italiana	ESGO IM	ESGO.MI	IE00BNTVVR89	-	BL6KDG7	EUR	0.60%
Deutsche Boerse Xetra	ZSG0 GY	ZSG0.DE	IE00BNTVVR89	-	BL6KDH8	EUR	0.60%

## Important Information

Please note that all performance figures are showing net data.

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