ADRIAN DAY ASSET MANAGEMENT

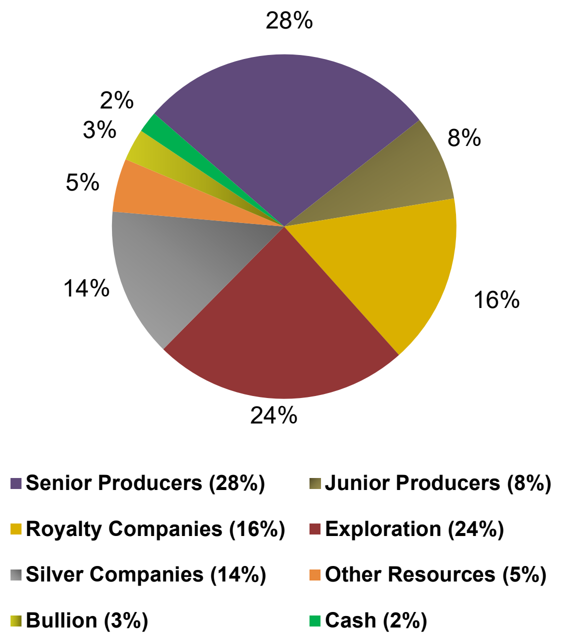
GOLD ACCOUNTS

Investors place some of their assets into gold assets for different reasons.

- Gold can act as a hedge on other financial assets (particularly stocks and the dollar)
- Gold stocks can provide leverage to gold, and opportunities for above-average shorter-term gains

The leverage of gold stocks can work on the downside as well as the upside. In any event, gold stocks—even the most established and most conservative—tend to be volatile compared with other asset classes. Therefore, it is appropriate for investors to devote only a relatively small part of their overall assets to this sector, to the extent they are comfortable with volatility.

Account Allocation* 10/2023



Gold Looks Attractive Now

The U.S. economy and much of the world is heading towards a period of sluggish growth and persistent inflation, or stagflation. Historically, in that environment gold has been the top-performing asset and by a long way. There are 10 solid reasons for gold to appreciate over this next year and beyond.

1. Gold is money. Even with the increase in interest rates, in the current rate and inflation environment, deposits and government bonds in both the dollar and the Euro are *guaranteed* to lose purchasing power. Gold preserves purchasing power over time.
2. Gold production is falling again after a period of annual increases. Every time global production declined (1970s, early 2000s), the gold price moved up.
3. The number of gold discoveries, and particularly large discoveries, has been trending downwards for the past 40 years, this in spite of improved exploration technologies.
4. Moreover, the quality of discoveries has been declining, with a long-term trend towards lower head grades, and more difficult deposits, in problematic locations.
5. After a long period when global central banks were sellers of gold, they have recently started buying, partly for diversification, but more importantly for strategic reasons given the weaponization of the dollar and the global financial system by the U.S. government.
6. A long-term decline in the dollar, partly because of global central bank selling, will see higher gold prices.
7. Investor interest in gold, both among institutional investors and the broad mass of retail investors, is as low as it has ever been, following a 12-year bull market in equities. On average, institutions hold less than 0.5% of their assets in gold compared with an historical average closer to 4%.
8. Only gold will hold its value during periods of inflation as well as during deflation. Other assets that might hold value in deflations, such as cash and government bonds, are precisely the worst assets to hold during inflations. So the uncertain outlook supports gold.
9. Other mainstream investment assets have weak outlooks. Bonds, which move in long cycles, have ended their 40-year bull market. Stocks have significant risk. Real estate is hurt by higher mortgages after 20 years of historically low interest rates. Crypto has failed the asset preservation test. Gold and only gold can act as a hedge on most other asset categories.
10. Valuations are extremely low. Whether one is looking at the gold/Dow ratio, or at the valuation metrics of gold stocks, gold and gold stocks are among the few assets that are undervalued.

These are compelling reasons even before any mention of heightened geopolitical tensions, or the World Gold Council's new Gold 247 digital initiative that could have as large an impact on gold buying as did its introduction of gold ETFs more than a decade ago.

What Is in the Gold Account?

In our gold accounts, we are open to the entire horizon of gold and precious-metal investments. Unless instructed otherwise, gold accounts may include silver and other precious metals, as well as exploration companies in a range of resources. Silver is often a significant component of accounts. Although its supply and demand characteristics are different in important respects from those of gold, it is also a monetary metal and responds to the same factors as gold. The "poor man's gold" can have more explosive, if shorter-lived, moves in a strong bull market.

Though the major producing gold stocks are selling at close to 40-year-low valuations, we also like other groups within the gold sector. The royalty companies have a low-risk business model, yet still have plenty of leverage to gold. There is even greater potential in many of the junior producers and exploration companies. As producers find it ever more difficult to replace the ounces they mine with new reserves, they are increasingly turning to mergers and acquisitions, and buying into deposits owned by junior companies. But it is all the more important to be selective in such companies, since exploration companies need to raise capital constantly just to keep going. We focus on companies with cash to sustain their exploration efforts, strong management, and a business model that minimizes cash expenditures.

Conservative or Aggressive?

Gold accounts vary depending on an individual client's goals, whether to hedge a portfolio or maximize gains. In addition, other circumstances and objectives can come into play.

Larger accounts tend to have more juniors than smaller accounts—offering more opportunity for spectacular gains—since a larger account can tolerate the risk from any single investment more than can a smaller one. We also tend to trade more in larger accounts, often trading around a core holding.

Typically, we hold a core position in the top royalty companies; the best of the senior producers; some second-tier companies that may grow over the medium term, or can be potential takeover candidates; and exploration companies. Now, with the best of the seniors still undervalued, we are holding more of the large miners than normal. In addition, we aim to trade around our core holdings, adding to favorites on any declines, and trimming on rallies. In gold accounts more than others, we will frequently buy special situations for shorter-term trades. Given the volatility in this sector, we tend to be somewhat more active than in other account types. In a dedicated account (e.g., "gold" account) *unless otherwise instructed*, we tend to be more fully invested than in other accounts, raising significant amounts of cash only in exceptional circumstances. Currently, we are fully invested given low valuations and our outlook for gold.

Top Holdings

representative as of October 2023

Franco-Nevada	Fortuna Silver
Agnico Eagle	Orogen Royalties
Barrick Gold	Metalla Royalty
B2 Gold	Mundoro Capital
Wheaton Precious Metals	Midland Exploration

***NOTE:** This "allocation sheet" is intended to provide an idea of what a new account in this category might look like, based on current largest holdings and what we are currently buying. The 10 stocks listed are not necessarily our current largest holdings, nor would a new account necessarily include all these positions. The composition of the portfolios will vary for individual clients and is subject to change at any time at the manager's full discretion. Prepared on October 5, 2023 for potential clients.

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