

HOW I RUN THE AUSTRALIAN GOLD FUND

BRIAN W.B. CHU

FOUNDER, AUSTRALIAN GOLD FUND



1

AUSTRALIAN GOLD FUND

AGENDA

- ◆ Introducing the Australian Gold Fund
- ◆ From “Down in the Dumps” to “Up and Away”
- ◆ Investment Thesis
- ◆ Our Analytical Approach - EV/AISC-Adjusted Production
- ◆ Our Portfolio
- ◆ Our Website
- ◆ How to Contact Us



2019 GOLD AND ALTERNATIVE INVESTMENTS CONFERENCE

2

2

AUSTRALIAN GOLD FUND

INTRODUCING THE AUSTRALIAN GOLD FUND

- ◆ Officially Established in July 2019
- ◆ Private investment vehicle
- ◆ Over 6 years of experience in investing in gold mining companies
- ◆ Mining stocks focused on gold with silver and base metal by-products
- ◆ Currently closed to external contributions - No AFSL yet
- ◆ Offers free investment research insights at <https://goldfund.com.au>



2019 GOLD AND ALTERNATIVE INVESTMENTS CONFERENCE 3

3

AUSTRALIAN GOLD FUND

FROM “DOWN IN THE DUMPS” TO “UP AND AWAY”

Comparative Track Record (Unaudited)
Portfolio TWRR vs ASX Gold Mining Index vs GDXJ (AUD)
July 2013 - October 2019

Thomson Reuters Datastream

Comparative Track Record (Unaudited)
Portfolio TWRR vs ASX Gold Mining Index vs GDXJ (AUD)
July 2015 - October 2019

Thomson Reuters Datastream

- ◆ 6 years using personal assets, 1 July 2013 to 23 August 2019
- ◆ 2 months as a private fund



2019 GOLD AND ALTERNATIVE INVESTMENTS CONFERENCE 4

4

AUSTRALIAN GOLD FUND

FROM “DOWN IN THE DUMPS” TO “UP AND AWAY”

OUTPERFORM XGD BY 5.9% P.A.



- ◆ Lessons learnt in the past
- ◆ Strategy appears to have higher beta vs XGD

2019 GOLD AND ALTERNATIVE INVESTMENTS CONFERENCE 5

5

AUSTRALIAN GOLD FUND

INVESTMENT THESIS

ASX Gold Miners

- Producers
- Developers
- Explorers

Production

- Ounces
- AISC
- Ore Grade

Balance Sheet

- Cash
- Gearing

Operations

- OCF
- Maintenance capex
- Reliability

Future growth

- Reserves
- Cash balance
- Development Pipeline

Returns and Risk

- Business Scope (Au oz)
- Stock Price
- Trend
- Mine Locations
- Gold-oil Ratio



2019 GOLD AND ALTERNATIVE INVESTMENTS CONFERENCE 6

6

OUR ANALYTICAL APPROACH

- ◆ Hand-collected data from company reports
- ◆ Preference on EV/AISC-Adjusted Production

$$\text{AISC-Adjusted Production} = \frac{\text{Enterprise Value}}{\text{AISC-Adjusted Production}} \times \frac{\text{Production (oz)}}{\text{AISC (\$/oz)}}$$

- ◆ Favours more cost-effective mining companies - non-linear weighting

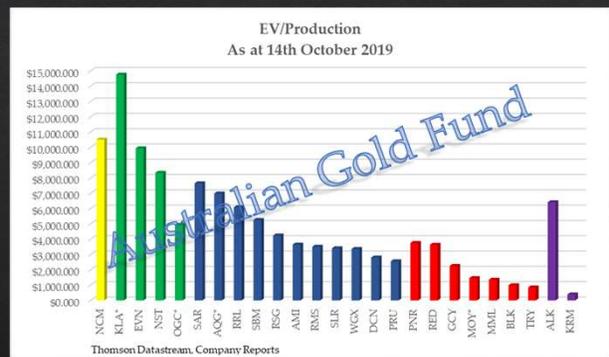
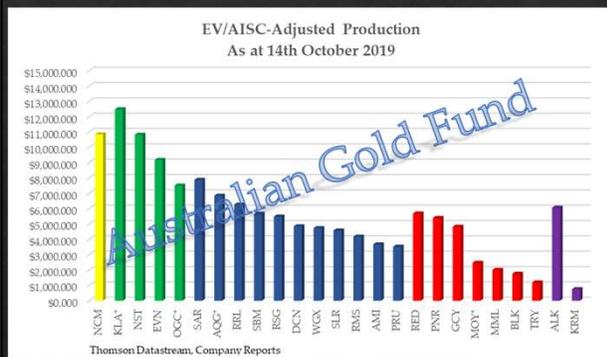
Not all ounces are equal!



September Quarterly Outcome			
	Production	AISC	Cash Flow Generation
ALK	Overachieved	Overachieved	Negative
AQG	Underachieved	On Track	Negative
BDR	On Track	On Track	N/A
BLK	On Track	On Track	Negative
DRM	On Track	Underachieved	Positive
EVN	Overachieved	On Track	Positive
KRM	Underachieved	Underachieved	Negative
MML	On Track	On Track	N/A
MOY	Overachieved	On Track	Negative
NCM	Underachieved	On Track	N/A
NST	Overachieved	Underachieved	Positive
OGC	Overachieved	On Track	Positive
PNR	N/A	N/A	Negative
PRU	On Track	On Track	Positive
RED	Underachieved	Underachieved	Negative
RMS	On Track	On Track	Positive
RRL	On Track	Overachieved	Positive
RSG	Underachieved	Underachieved	Negative
SAR	Overachieved	Overachieved	Positive
SBM	Overachieved	Overachieved	Positive
SLR	Underachieved	Overachieved	Positive
TRY	N/A	N/A	N/A
WGX	N/A	N/A	N/A

7

EV/AISC-ADJUSTED PRODUCTION



Our measure penalises high cost production:

- ◆ EVN less expensive than NST
- ◆ DCN is more expensive than WGX, SLR, RMS, AMI and PRU
- ◆ RED is more expensive than PNR due to higher AISC over 2019

8

AUSTRALIAN GOLD FUND

OUR PORTFOLIO

	% Portfolio by Market Value	Range	
Cash	1.5%	2-10%	Top 5 Holdings <i>Red 5 Limited</i> <i>Resolute Mining</i> <i>Ramelius Resources</i> <i>Westgold Resources</i> <i>Perseus Mining</i>
Mega Producer	0.0%	0-20%	
Large Producer	5.4%	0-40%	
Mid-Tier Producer	69.4%	0-60%	
Junior Producer	18.5%	0-60%	
Micro Producer	2.1%	0-20%	
Late-Stage Developer	0.5%	0-10%	
Early-Stage Developer	1.1%	0-10%	
Explorer	0.0%	0-5%	
Precious Metals ETF	1.4%	0-30%	



2019 GOLD AND ALTERNATIVE INVESTMENTS CONFERENCE 9

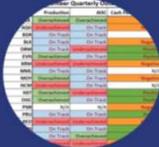
9

AUSTRALIAN GOLD FUND

OUR WEBSITE

- ◆ <https://goldfund.com.au>
- ◆ Content free of charge – pay it forward!

OUR RESEARCH



Gold Mining Company Analysis Reports

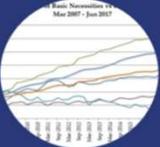
Valuation and SWOT analysis reports on selected ASX-listed gold mining companies. Re-visit every now and then as new reports will be made available especially after annual, half-year and quarterly reports are announced



In-Depth Research Reports

We present deeper research and analysis into factors that may influence the economy and the financial markets and the valuation of gold mining companies

New June quarterly summary report!



General Economic Commentary

Find brief commentary regarding the latest in the global and local economy. This may include discussions about economic data releases, central bank policies and trends relating to asset and property markets



2019 GOLD AND ALTERNATIVE INVESTMENTS CONFERENCE 10

10

HOW TO CONTACT US

- ✦  - brian.chu@goldfund.com.au
- ✦ **HotCopper** Username: brianchu82
- ✦  @austgoldfund

Or drop a note at our website!

