

# IXIOS GOLD

A sub-fund of IXIOS Funds, a French SICAV UCITS approved by AMF  
 The Objective of IXIOS Gold is to outperform the NYSE Arca Gold Miners Net Total Return Index

## PROTECTING THE DOWNSIDE, PRESERVING THE UPSIDE

IXIOS Gold is a thematic sub-fund designed for investors seeking a long term investment in precious metals producers. The sub-fund is invested in **well managed gold and silver miners** that focus on value creation for shareholders. The investment selection follows **a rigorous process** that aims to manage the many risks inherent in this volatile sector.

### KEY REASONS TO INVEST

- Gold has proved to be **a valuable portfolio hedge against severe corrections** in financial markets globally, currency volatility and failures of central bank policy
- An **exposure to high quality gold miners** can offer attractive leverage to the gold price and strong risk diversification characteristics
- Our process aims to **preserve these attractive characteristics while controlling the risks** that have often led to value destruction in times when the gold price has fallen
- We manage a concentrated portfolio of 25-30 companies combining our risk control process with a **rigorous approach to valuation**

### ABOUT IXIOS

IXIOS is an Asset Management company within the Exane Group. Incorporated in France in January 2019 IXIOS manages the umbrella fund IXIOS Funds, a French SICAV, which currently has two compartments: IXIOS Smart Manufacturing and IXIOS Gold managed by **David Finch** and **Nan Zhang**.

IXIOS runs global long only funds built around long-term, high conviction themes. It manages highly concentrated portfolios using a rigorous stock selection process based on fundamental and strategic analysis.

The majority of gold mining companies have historically been poor stewards of investor capital, destroying more value in down cycles than they have created in up-cycles. Recognising and managing the main risks is fundamental to achieve long term value.

**The investment process is based on a six stage filter to minimize the many dangers that are intrinsic to the sector.**

- 1. Political risk:** gold is often found in countries where the rule of law is a flexible concept. The history of gold mining is littered with examples of the expropriation of assets, unilateral increases in taxes and the imposition of punitive royalties.
- 2. Balance sheet risk:** debt has often been the downfall of gold miners. Adding debt leverage to an already highly operationally leveraged business has had catastrophic consequences in bear markets for gold.
- 3. Costs risk:** gold miners with high production costs quickly fall into loss if the gold price falls.
- 4. Mine life risk:** gold mines on average have short lives and managers of these assets often engage in value destructive acquisitions at the wrong point in the cycle to extend the life of the company.
- 5. Development risk:** building a mine is a complex infrastructure project subject to cost and time overruns. Companies with a single mine are particularly vulnerable to this risk.
- 6. Management risk:** a number of gold miners have been poorly managed. Poor capital allocation, weak governance and unaligned remuneration have been rife.



# A RIGOROUS INVESTMENT PROCESS THAT PRODUCES A CONCENTRATED HIGH QUALITY PORTFOLIO

## How we manage the risks

**Political Risk** Choose companies with assets mainly in North America and Australia. Little exposure to risky jurisdictions with a history of resource nationalism.

**Balance Sheet Risk** Invest only in companies with no debt or a clear short term path to a net cash balance sheet.

**Costs Risk** Look for bottom quartile costs and a capacity to generate free cash flow with gold at USD1000.

**Mine Life Risk** Look for well above average mine life and brownfield exploration potential.

**Development Risk** Avoid companies that are over dependent on the development of one or two assets.

**Management Risk** Analyse capital allocation and operational track record. Invest in companies with impeccable corporate governance and aligned remuneration.

## Valuation Criteria P/NAV, FCF yield, EV/EBITDA

Source: IXIOS Asset Management

### SUB-FUND LEGAL INFORMATION

#### ISIN Codes

F Share: FR0013412871  
I Share: FR0013412889  
P share: FR0013412897

#### Entry Fees

Up to 5% at the discretion of the advisor

#### Minimum initial subscription

F Share: \$5 000 000  
I Share: \$100 000  
P share: 1 share

#### Management fees

F Share: 0.8%  
I Share: 1.35%  
P share: 2.00%

#### Performance fees

15% over benchmark with HWM absolute

#### Exit fees

None

#### Benchmark

NYSE Arca Gold Miners Net Total Return Index

#### Recommended investment horizon

> 5 years

### PRINCIPAL INVESTMENT RISKS

Lower Risk Potentially lower return ← 1 2 3 4 5 6 7 → Higher Risk Potentially higher return

The sub-fund is rated 7 on a scale of 7, a high risk/return fund profile which reflects its ability to be up to 100% exposed to equity markets.

The risks described below are not exhaustive: it is the responsibility of investors to analyse each investment's risk and to come to their own option.

**The sub-fund does not offer a capital guarantee and is exposed to a risk of loss in capital.**

**Discretionary management risk:** the discretionary management style is based on expectations of the performance of different markets. However, there is a risk that the sub-fund may not be invested in the best-performing values at all times.

**Equity risk:** the value of a stock may change depending on factors specific to the issuer but also on exogenous, political or economic factors that may lead to substantial variations in the net assets which may have a negative impact on the performance of the sub-fund.

**Concentration risk:** the sub-fund may concentrate its investments in assets belonging to certain specific sectors of the economy, and they will consequently be subject to the risks associated with the concentration of investments in the sectors in question.

**Liquidity risk:** the sub-fund may be invested in securities with a low issuance size that may have limited liquidity, resulting in an increased price volatility.

**Exchange rate risk:** assets may be exposed to exchange rate risk when currency exposure of certain assets of the relevant sub-fund denominated into another currency.

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The prospectus and the list of the countries for distribution to non-professional investors are available from the investment management company upon request. In particular, the investment funds sub-funds cannot be offered or sold, directly or indirectly, in the United States or to or for the benefit of a US PERSON, according to the definition of «regulation S». The contents of this document cannot be reproduced, in full or in part, or distributed to third parties, without prior written approval of IXIOS Asset Management.