Metals Exploration Fund (class CHF)

Hidden Values in the Ground

FACT SHEET as of end of December 2022

Fund Description

The **Metals Exploration Fund (class CHF)** is a sub-fund of the Metals Exploration Fund, which is a niche fund under Swiss law that invests worldwide mainly in strategic metals of mining exploration and junior mining companies.

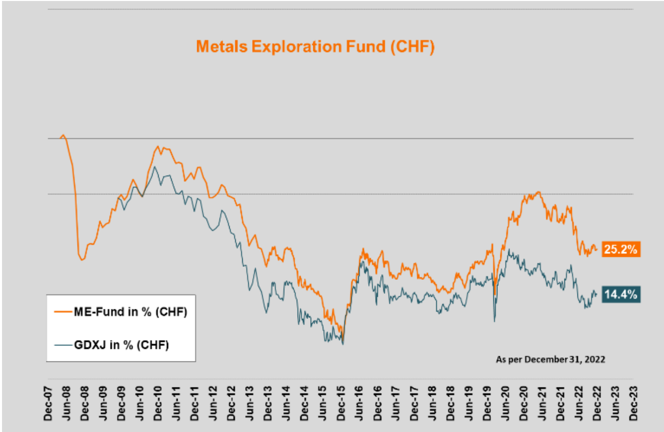
General Fund Information

Investor Profile	Public
Fund Name	Metals Exploration Fund (class CHF)
Fund Type	Swiss contractual investment fund, classified as “other traditional investments fund”
Domicile	Swiss Fund
Tax Transparency	In Germany and Austria
Asset Manager	Dolefin SA, CH-Nyon
Custodian	Banque Cantonale Vaudoise, CH-Lausanne
Fund Mgmt Company	CACEIS (Switzerland) SA, CH-Nyon
Auditor	KPMG, CH-Geneva
Inception Date	December 13, 2013
Financial Year	1 January – 31 December
Subscription	Weekly, cut-off Wednesday 17h00
Redemption	Weekly, cut-off Wednesday 17h00+1week
ISIN	CH0216430709

Additional Information

Nominal per Unit	CHF 100
Management Fees	1.50% p.a.
Hurdle Rate	15% cumulative
Performance Fees	20% of the outperformance realized above the Hurdle Rate with principle of High Watermark
High Watermark	Yes
Max Admin. Fees	0.40% p.a.
Load-up Fees	Maximum 2%
Redemption Fees	0.50% (goes to the Fund)
TER	2.25% p.a. (expected)
Initial NAV	CHF 100
Dividends	Reinvested
Publication of NAV	Swiss Fund Data AG www.caceis.ch
Security lending	none

Performance Graph

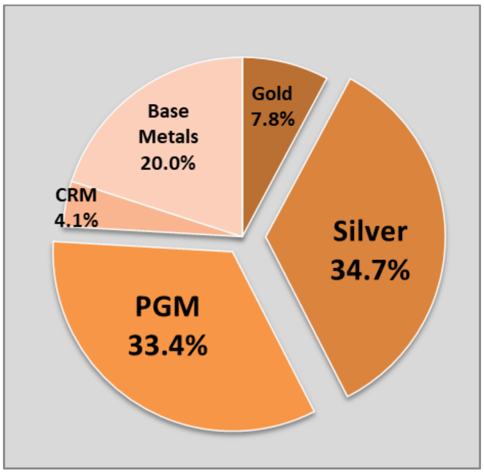


Portfolio Structure

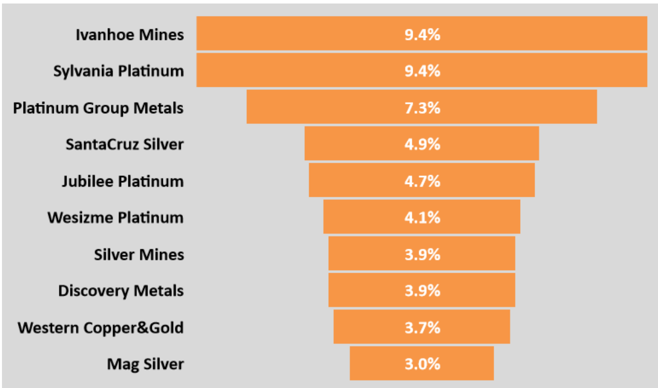
Stock Listings

Australie	**10.2%**	**Canada**	**67.3%**
South Africa	**7.9%**	**UK**	**14.5%**

Metals Allocation



10 Top Holding



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Performance & Risks

NAV as of 31.12.2022	CHF 121.44
Fund since inception	21.44% (*)
Fund (ytd)	-31.11%
Units in circulation (rounded)	399’189
Fund size (rounded)	CHF 48’479’232
Launch date	December 13, 2013

Monthly Returns

in %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008					4.69	-6.48	-15.23	-14.01	-30.26	-52.25	-7.41	2.24	*-77.51*
2009	18.62	1.30	-1.01	8.74	22.74	-7.61	4.73	1.86	18.82	-2.70	17.14	*4.32*	*121.04*
2010	-6.22	4.37	12.24	10.28	-6.86	-9.60	-0.59	7.27	21.74	12.75	14.34	7.68	*83.83*
2011	-10.12	9.41	-2.34	0.40	-9.17	-7.73	0.85	-1.12	-19.66	13.27	-1.96	-7.59	*-33.56*
2012	14.97	0.70	-11.75	-7.01	-16.77	0.09	2.53	4.61	9.85	-3.09	-9.78	-2.06	*-20.16*
2013	-2.04	-8.29	1.52	-20.57	-6.38	-19.64	8.19	5.68	-14.28	-1.74	-11.65	-5.22	*-56.05*
2014	10.95	6.64	-7.57	-2.57	-4.87	17.45	-0.49	-1.59	-18.69	-14.25	1.24	-6.04	*-22.68*
2015	-7.52	6.45	-4.26	-5.13	-1.23	-8.46	-17.30	-3.67	-6.09	9.52	-7.60	-5.17	*-41.96*
2016	-8.50	26.33	15.64	35.38	-1.25	16.77	16.43	-3.96	4.50	-7.3	-4.67	-2.94	*109.14*
2017	18.83	-8.25	-2.73	-7.26	-9.89	-0.91	6.01	8.87	-4.31	0.92	-4.40	8.27	*1.30*
2018	-5.79	-8.04	-0.27	4.01	-2.27	-5.62	-2.72	-5.94	-0.52	1.02	-3.89	0.25	**-26.57**
2019	11.69	13.30	-5.04	-7.53	-0.35	12.78	8.28	6.69	1.87	-0.14	-3.78	17.66	**66.13**
2020	-1.27	-2.90	-30.13	28.99	18.73	10.48	20.12	8.54	-1.10	-5.53	13.17	21.85	**90.39**
2021	-4.68	11.86	-5.89	4.88	4.00	-6.89	-7.10	-7.89	-12.84	19.66	-16.33	2.64	**-21.89**
2022	-3.72	6.30	7.52	-10.46	-10.77	-22.60	7.38	-11.33	-3.33	5.59	9.75	-5.10	**-31.11**

(*) The fund includes performance figures that reproduce those of the Cayman structure launched on May 1, 2008, incorporating the CHF sub-fund since inception with an investment policy similar to its previous structure and managed by the same asset manager.

Sub-Sector Returns 2022 (*)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
Gold	-7.3	6.2	4.5	-16.8	**-5.2**	-28.7	**-2.8**	**-10.6**	-1.0	**-17.0**	**34.2**	0.6	-37.9
Silver	**-28.9**	**19.1**	3.9	**-17.3**	**-33.7**	**-33.1**	**13.1**	-35.0	**5.2**	**12.4**	33.8	-3.4	-63.8
PGM	**4.8**	7.7	**0.5**	**-7.69**	-4.6	-15.2	6.7	-9.1	0.1	-2.4	5.51	-0.9	-16.0
CRM	-0.4	**-4.1**	**8.3**	-15.0	-7.1	**-10.1**	4.4	**2.5**	-9.0	0.9	0.2	**1.4**	-26.8
BM	-5.9	0.1	7.4	-13.7	-11.4	-22.2	-1.3	-6.4	**-10.7**	-9.7	**-3.5**	**-16.1**	-63.8
Average	*-7.5*	*5.8*	4.9	*-14.1*	*-12.4*	*-21.9*	*4.0*	*-11.7*	*-3.08*	*-3.16*	*14.1*	-3.7	***-41.8***

(*) For indication only: Performance based on fund’s holdings, equally weighted, not FX-adjusted. The aim of these statistics is to show the performance attribution of the metals sub-sectors during the reporting month.

Forex Exposure (net rounded)

in %	AUD	CAD	GBP	ZAR	CHF
	36.7	46.5	7.2	7.7	1.9

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Investment Strategy

Review

2022 was a big disappointment for metals investors. Especially precious metals deceived as they were unable to protect wealth against strongly rising consumer prices – at least until the third quarter when they finally bottomed.
It was therefore of lesser surprise that the miners of the monetary metals (Gold, Silver and to a smaller degree Platinum) performed even worse; and the most unpleasant category was found in the higher beta companies of the juniors and explorers' space.

In our opinion the speed and size of interest rate hikes by western central banks combined with a major sell-off in general equities, bonds, cryptos and other financial assets simply forced investors out of the metal space. Throughout 2022, our focus was therefore put on incoming data pointing to a slowdown in economic activity what in turn eases inflationary pressure.
We explained the "paradox" that only once consumer prices start falling, monetary metals like Gold, Silver and others will resume their upward path. By September (Silver, Platinum) respectively November (Gold) prices hit their lowest level for the year and have since recuperated their losses. These lows coincided with the peak in core US consumer prices supporting our theory.
The table below illustrates the wild swings during 2022:

(all in USD)	Open	High	Low	Close	% High-to-Low
Gold	1'830	2'070	1'614	1'824	-22%
Silver	23.29	26.94	17.53	23.96	-35%
Platinum	974	1'180	816	1'070	-31%
XAU[1]	131	171	101	121	-59%

While the metals above recovered practically all their losses, mining indices from producing companies (e.g., XAU) were also able to make up most of their prior price erosion during the year-end rally. But again, the high-beta stocks among the juniors and explorers finished 2022 sensibly lower. The Silver Junior Producer ETF, "SILJ", lost 14% and the result was even worse for pure exploration companies.

Our ME-Fund ended the year with a loss of little over 31% in Swiss Francs; a larger hit due to the composition of the portfolios' weighting towards exploration names, two junior miners that went bust because of mining accidents, and our allocation to Silver and Platinum companies.

As depressing as our 2022 performance has to be reported, we lived through similarly difficult periods in the past (or worse) since the launch of this fund in 2008 (see return tables on page 2), what did not deter to establish a decent relative outperformance compared to the reference product over the years.

[1] Gold-Silver Index

Outlook

Going into 2023, we have a long list of potential triggers for a sustainable and lasting coming upward cycle - in order of importance:

- Burden of indebtedness forcing western central banks to restart monetizing government debt (QE).
- A second round of inflation (e.g., food) with increasing awareness that inflation is here to stay.
- Geopolitics (from a unipolar- to a multipolar world[2]).
- Critically low warehouse inventories in many different metals.

In this Outlook we will elaborate on the burden of indebtedness and touch on possible coming food inflation. The other issues will be discussed in coming publications.

One of the biggest dangers for investors is to become indifferent to an unsolved problem over time. This human behavior is comprehensible, and the take goes like this: *If financial markets do not react to a looming problem, it cannot be a problem!*

Over time, unsolved problems only amplify meanwhile investors' perception continues to wane. Then, one day and almost out of nothing, comes the day of the reckoning. Elderly professionals certainly remember multiple episodes of this kind. Here one of many examples we like to tell:
In Spring of 2006, we, at Dolefin, received emails on a daily basis from US mortgage brokers aggressively promoting their services: "*your mortgage application will be approved in less than 1 minute"* - a clear sign of overheating. It took 2 more years until the massive housing bubble did finally burst and its deep impact took many investors by surprise.

Today's "forgotten" risk lies in the unsolved debt problem of western governments. But one may ask why should it blow up now?

In our view it has to do with cost associated to servicing these debts. As an example, although US Government debts rose by almost 400% from January-08 through July-22, the interest cost rose by only 85%. That is because of a decade-long, central bank induced ultra-low interest rate policy that has hidden the normalized (true) interest costs. As we know, higher rates become a cash drain with each debt instrument that needs to be refinanced upon maturity – so, there is a certain time lag until the effect of higher interest costs come through.

[2] as per famous Zoltan Pozsar from Credit Suisse

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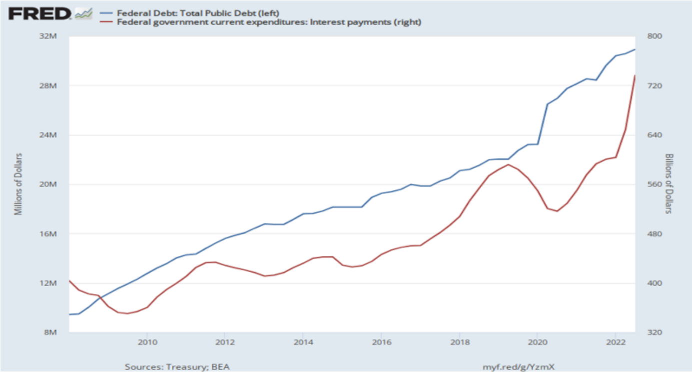

As per end of 2022, the US public outstanding debt stood at USD 31.4 trillion and, to be conservative, we add a further USD 2.5+ trillion new fiscal spending and the running deficit to the current fiscal year. Now, let's say that the average interest rate is at 4.50%: on those +/- USD 34 trillion public debts the interest cost would already be the double from the number on the chart above on Government debts alone (USD 1.5 trillion vs US 0.73 trillion); obviously states, counties & municipalities not included. Such interest expenses would correspond to 30% of the USD 4.8 trillion in revenues estimated by the Congressional Budget Office (CBO)…

Also, it is questionable if the estimated tax revenues by CBO will be collected with household assets dwindling – less capital gain taxes from investment portfolios and likewise less from the housing market are to be considered.

With the Federal Reserve Bank (Fed) reducing its balance sheet (selling Treasuries and mortgage-backed securities) we wonder who will stand ready to finance this ever-increasing funding gap.

To finish the first potential trigger listed at the beginning of this *Outlook*, we simply argue that absent of a renewed and large money printing effort by the Fed (QE) as to finance the funding gap, the bond market is likely doomed.
That said, we simply cannot imagine a scenario where the US central bank would allow a full-blown debt and financial crisis, potentially much larger than all previous financial disaster combined.

It seems to us that more and more investors became more sensible to this very topic over the last couple of weeks. A policy change by the Fed as to avoid such a scenario would immediately push precious metals, their miners and other commodities higher.

We briefly touch on the second trigger of our list - *A second round of inflation* - but we shall deliver more detailed thoughts and analysis in coming publications (factsheet or weekly mailings).

Coming higher food prices are directly related to higher energy and fertilizer costs in 2022:
Farmers had simply been spending less for fertilizers what will result in lower output this coming spring-summer season (time lag between seeding and harvesting). Less crop will also lower future meat production (e.g., feeder cattle) going forward.

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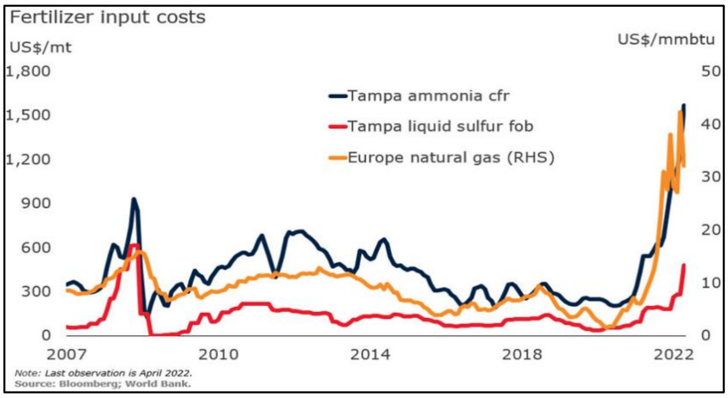


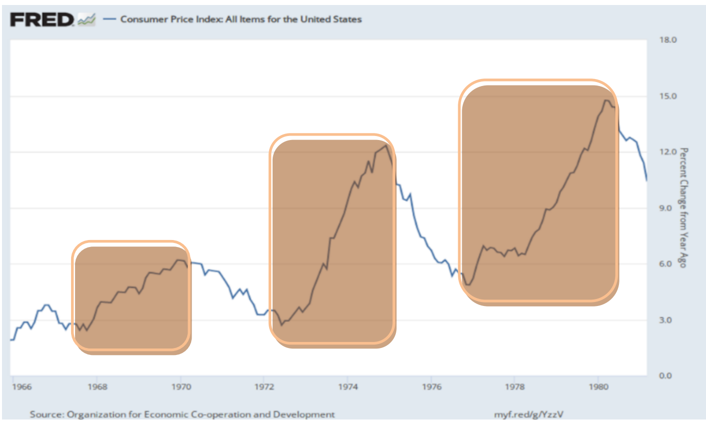
Also, weather related issues like droughts and floods in the northern and southern hemisphere argue for less food production in 2023, too.

We advise all our clients to sharpen their sensibility towards food related news and analysis. Any such crisis would heighten the risk for social unrest (the "Arab Spring" was directly related to exploding wheat prices back in the 2000's).

From a financial market perspective, we would argue that food inflation is almost impossible to get controlled by central banks – although they can print money, they cannot print food!
Fiscal responses in form of food price cap may follow with the effect of bringing a short-term relief but long-term pain (food producers losing profit margin and eventually stop producing).

All said, investors may finally wake up and realize that inflation is broad-based and likely to stay for longer. By then, metals and their miners will again behave like they are supposed to do.

The three cyclical inflation trends during the late 60's and through the 70's (chart below) may well serve as a valid template for what is likely coming in 2023 and beyond:



"In a secular bull trend, the only risk investors are facing is to exit too early!"