January 14th, 2026

“Never regret thy fall, O Icarus of the fearless flight, For the greatest tragedy of them all, Is never to feel the burning light”.. Oscar Wilde 1895

Dear Shareholder,

At the end of what has been undoubtedly the best year for gold and gold stocks in almost 15 years, one can be excused for asking “is this where I should get off the bus”. A few shareholders have already decided to take profit or rebalance their portfolios. My children’s trust owns a little more than half of the fund and so with over US$100 million exposure to the fund I too must ask whether I should be reallocating capital elsewhere. However, I remember that when I started the fund in late 2000, I suggested to subscribers that they allocate 5% or 10% of their portfolio to gold stocks and pray that it would not work. The general reply was “why would I invest in something that I did not want to be successful?” and I responded that, if it really works, everything else you invest in will probably be worthless. My fear was, and still is, that we eventually slide into hyper-inflation. Hyper-inflation has nothing to do with too much money chasing too few goods but is a condition that comes along, often quite suddenly, when the general population realises that their Government has issued debt that it can never repay and so, as soon as they receive any new money, they dispose of it into something that might retain value. Sometimes this will mean advancing purchases of consumer goods so that we get what the famous Austrian economist, von Mises, described as a “Crack-up boom”. What we are seeing today seems quite similar to previous losses of confidence in fiat currencies with precious metals paving the way.

We have been persuaded to measure all our investments in US Dollars of Euros or Sterling or Yen and we congratulate ourselves if we return 15 or 20% over the last year. But if we measure our portfolios against real money, gold or silver, we will certainly have lost money last year. Gold has run hard in recent months and, in normal circumstances, should “correct” or “consolidate”, but gold is so under-owned that central banks and wealthy individuals seem to be buying even the most modest pull-backs. Given that the two previous bull markets in gold since the Bretton Woods agreement was terminated by the US in 1971 both saw the gold price rise more than 8-fold fold; in 1974 (from $100 to $860 in 1979) and in 2001 (from $250 to $1920 in 2011) it is not improbable that this present bull market, which started in 2016 at $1060 will also see a rise of at least 8 times to over $8,000 an ounce.

Government debt levels in most countries are far in excess of GDP and with the ability to service this (Figure 7) becoming less believable, savings are being driven into precious metals and other real assets. We are already seeing the precious metals boom spread to other commodities (i.e copper, Figure 2) and it seems likely that this trend will continue, leading to sharply rising inflation, forcing bond yields and Government deficits higher, and further destroying their credibility as stores of value. No-one truly knows how the present geo-political struggle will unfold but the above scenario seems very plausible and, in such an eventuality, gold and particularly gold mining shares (gold, green, Figure 1,2) are likely to outperform almost everything else. There will come a time when one should reduce one’s gold holdings and re-invest in solid equities, but I have concluded that that time is still a few years off.

Brokers , mining managements, and investors are still anticipating this “consolidation” or “correction” in precious metals, and we see US$2500 being used to value mining stocks. If they could be persuaded that $4500 or higher is the new reality, then gold mining shares would be more than double present prices. Whether measured over a shorter time frame from Trump’s first term (Figure 2) or as far back as when the fund started in January 2001 (Figure 1) it has only been the Phoenix Gold Fund against various asset classes that has outperformed real money; the gold price.

Figure 1: Various Indices priced in gold since Fund inception (Jan-2001)

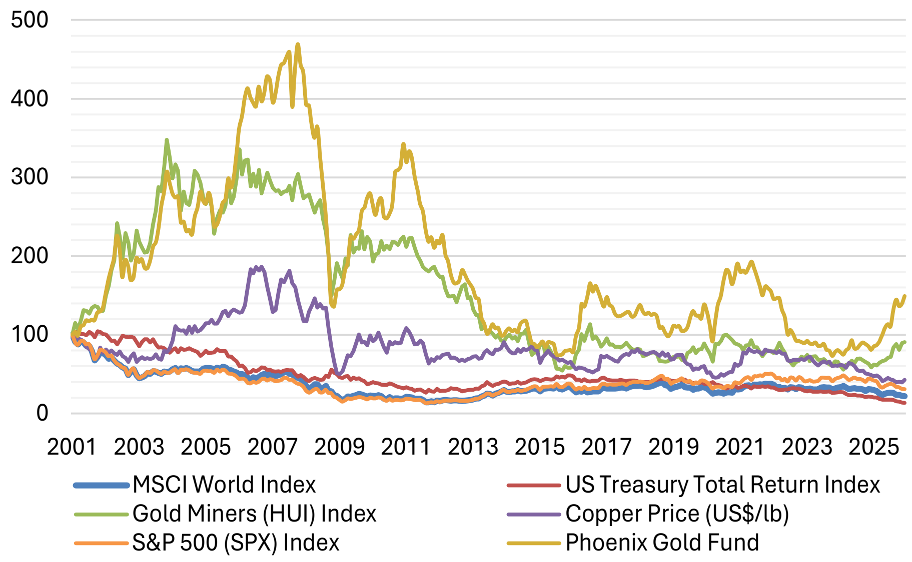
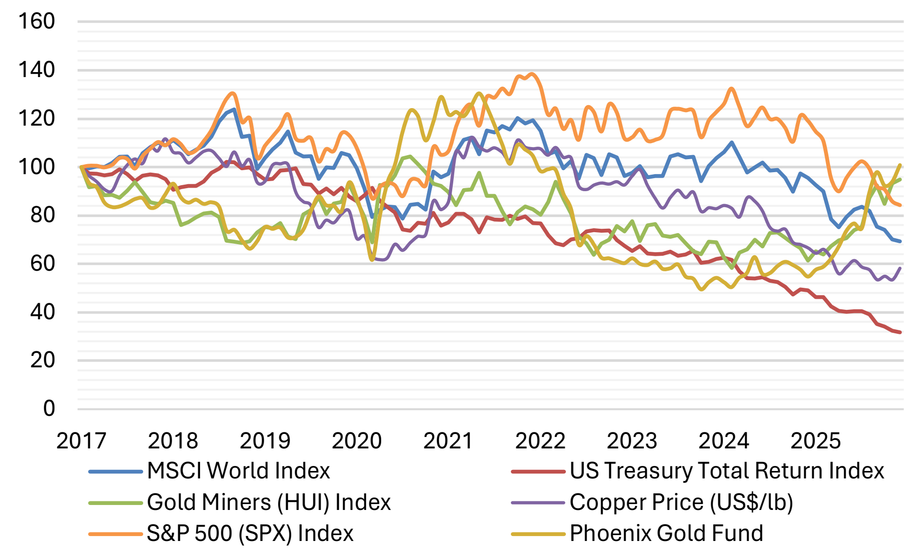


Figure 2: Various Indices priced in gold from Jan-2017 (Source: Bloomberg)



**Using time series close of month value not total shareholder return, normalised to starting end of month gold price at; Figure 1: Jan-2001; $265/oz, Figure 2: Jan 2017; $1210/oz*

DecQ’25 Letter to Shareholders

President Trump at his inauguration declared that 2025 would usher in a Golden Age. This has certainly been the case; however it is the yellow metal that has been in the limelight, up 65% and its best year since 1979. Trump claims of that ending eight wars in as many months are Nobel Peace prize worthy, yet his war on everything is expanding and accelerating. Military action abroad, tariff uncertainty and Federal bank intervention have all undermined the credibility of the US Dollar as the reserve currency, having its worst year (-9.4% on the DXY) since 2003. Representing 40% of the $346 trillion of global debt, US debt was downgraded from AAA to AA+ over 2025 for the first time since 2011 and the honeyed words of Scott Bessent haven’t attracted new buyers of US bonds with the 30 year yield at a 4.84%, last seen leading into the GFC. This hardly instils safe haven status and has intensified de-dollarisation, with gold representing 26% of $13 trillion of global FX reserves held by foreign central banks, having doubled in barely five years.

While the Fed only cut a meagre three times (from 4.5% to 3.75%) over 2025, Trump, ever the real estate salesman, has opined that he would like rates at 1%, a directive expected to be aimed at the new (yet presumably independent) Fed chairperson to be appointed in 2026. The Fed's own projections are for three further rate cuts (to 3%) over 2026, set against a "K shaped" economy where robust consumer spending and monumental AI related capital expenditure (sell side forecasts are over US$600B in 2026) point to a strong economy (GDP of 4.3% over Q3'25), yet several surveys (see Figure 3) point to the living standards for the majority being at all-time low. This juxtaposition is explained by the steepest fall in wage growth since the GFC (red, Figure 4) despite inflation (blue, Figure 4) not returning to the target of 2% since prior to the pandemic. We expect US inflation will remain sticky, as by definition, it is the devaluation of the currency, a prolonged and lasting effect of unfettered M2 money supply (US$15 to US$22.5 trillion) post pandemic.

Figure 3: Economic Conditions Index (Source; University of Michigan survey)

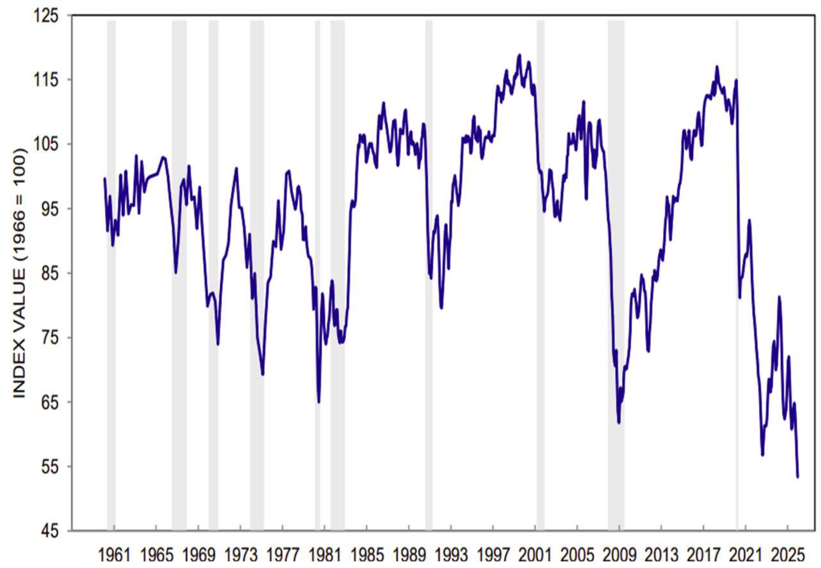
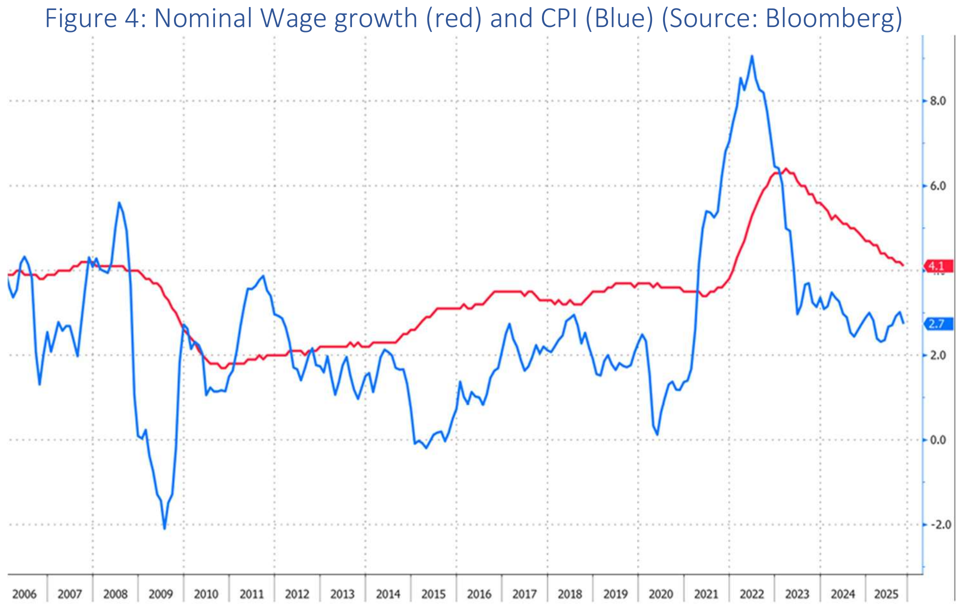


Figure 4: Nominal Wage growth (red) and CPI (Blue) (Source: Bloomberg)



Given the level of debt servicing confronting the US government ($9 trillion maturing in 2026), it appears in their interest for the Fed to maintain accommodative rate cuts despite elevated inflation. The reversion of the yield curve(blue above 0, Figure 5) highlights that while the front end (2 year rate) is being eased, the worsening debt outlook is keeping the10 year rate beyond 4%. The current bull steepening phase is the most pronounced since the GFC and a prelude to all subsequent US recessions (grey, Figure 5) since 1990. The picture is even more stark over the longer duration, with the 30-year yield remaining at over 4.8% through the easing phase from 2025, highlighting a steeping yield curve and falling demand of US treasuries from foreign buyers.

Figure 5: 10-2-year US treasury yield spread (Source: FRED)

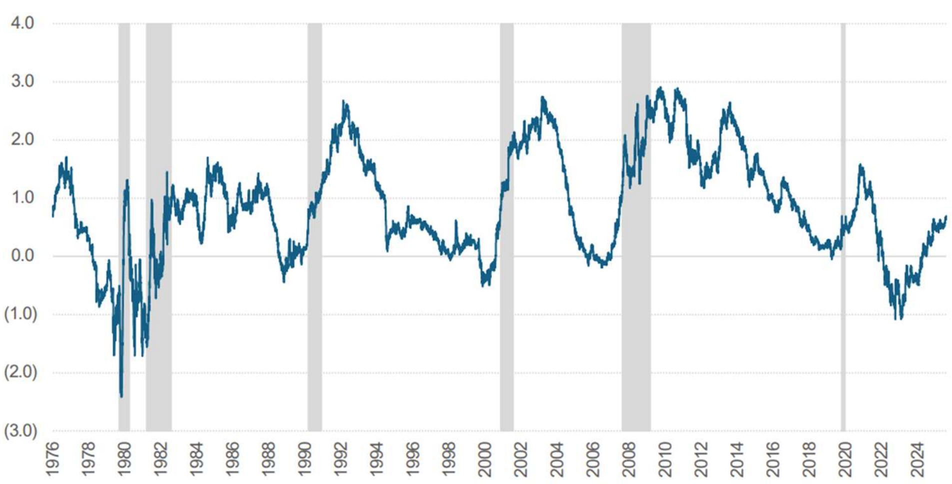


Figure 6: Key US Government Balance sheet items (Source: MacleodFinance)

	2000	2025	Increase
US debt to GDP	54%	126%	233%
Federal government gross debt $bn	5,674	38,561	680%
GDP $bn	10,457	30,620	293%
Federal government revenues $bn	1,956	5,230	267%
Ratio of debt growth to revenue growth			2.54

The increased maturity risk reflects the debt fuelled bubble that has characterised the first quarter of this century. Figure 6 shows that government gross debt has risen 2.3 times faster than the GDP growth it has produced and close to three times faster than the revenue that it has generated to pay back the incurred interest. This all points to a debt trap, that has only accelerated despite imposing tariffs that were projected to provide ~$150 billion of revenue (equal to 0.5% GDP) since Liberation Day (April 2025), minuscule to the $970 billion expected to be paid on interest alone across 2025. Figure 7 below highlights the imperilled situation of the US government balance sheet, where interest repayments alone are at over 4% of GDP. Trump's first budget over 2025, despite the rhetoric of "draining the swamp" and 43-day government shut from October 1, was no different to the largesse of the previous Administration, with fact 1 of the One Big Beautiful Bill leading to a deficit of $1.78 trillion that equated to ~7% of GDP (Figure 7).

The US Budget last ran a surplus in 2001 and since this time reported US Gold Reserves have remained flat (8,100 tonnes) which only represent 2.5% of total outstanding government debt, the lowest gold backing in history. The lack of participation of the US treasury in gold accumulation since the GFC has been notable. The Rest of the World (led by China) has accumulated gold at a growth rate of ~2% every year since 2008, a direct response to protect against the deteriorating value held of US denominated assets from the onset of substantial quantitative easing post the GFC (M2 Money supply growing at 7.8% since).

Global central bank gold holdings are now at their highest level in fifty years, symbolic of the price inelastic demand that will continue to grow if US deficits prevail, if the last twenty-five years is instructive. China, having doubled its central bank reserves over the last decade to 75Moz has accumulated gold for the last fourteen months straight, in line with its de-dollarization objectives. China's foreign exchange reserves are only 8% held as gold, (if official figures can be believed) comparatively low to G7 countries (+20%) and its near-term goals of a broadening of the acceptance of the digital Yuan with some gold backing along with obtaining some sanction insurance from potential asset freezing will continue to drive demand.

Figure 7: Government Debt vs GDP for various countries (Source: Crescat Capital)

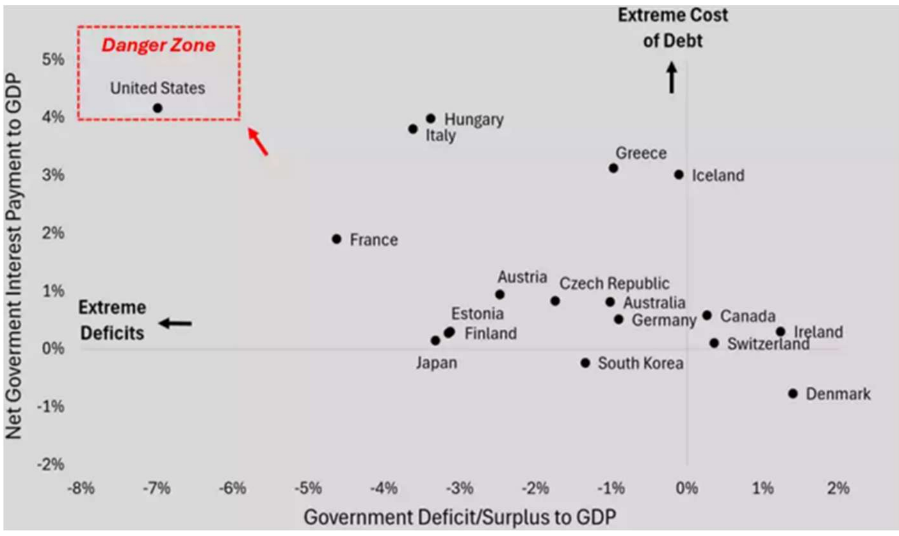
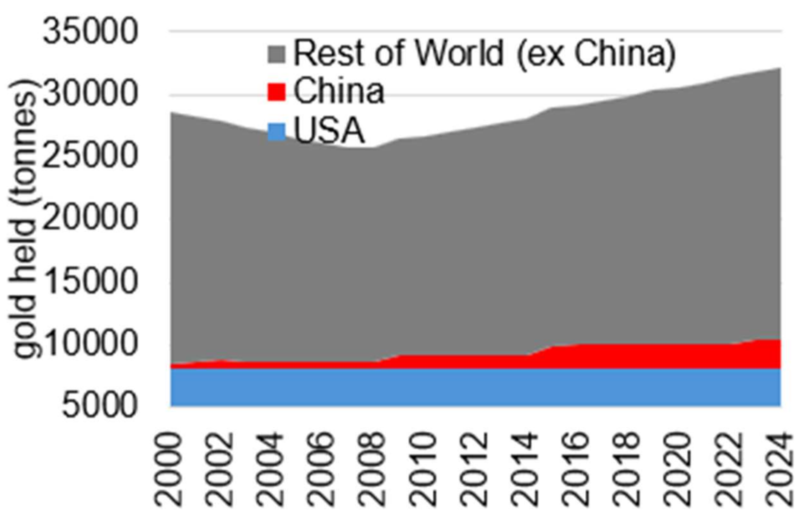


Figure 8: Central Bank gold reserves (Source: World Gold Council)

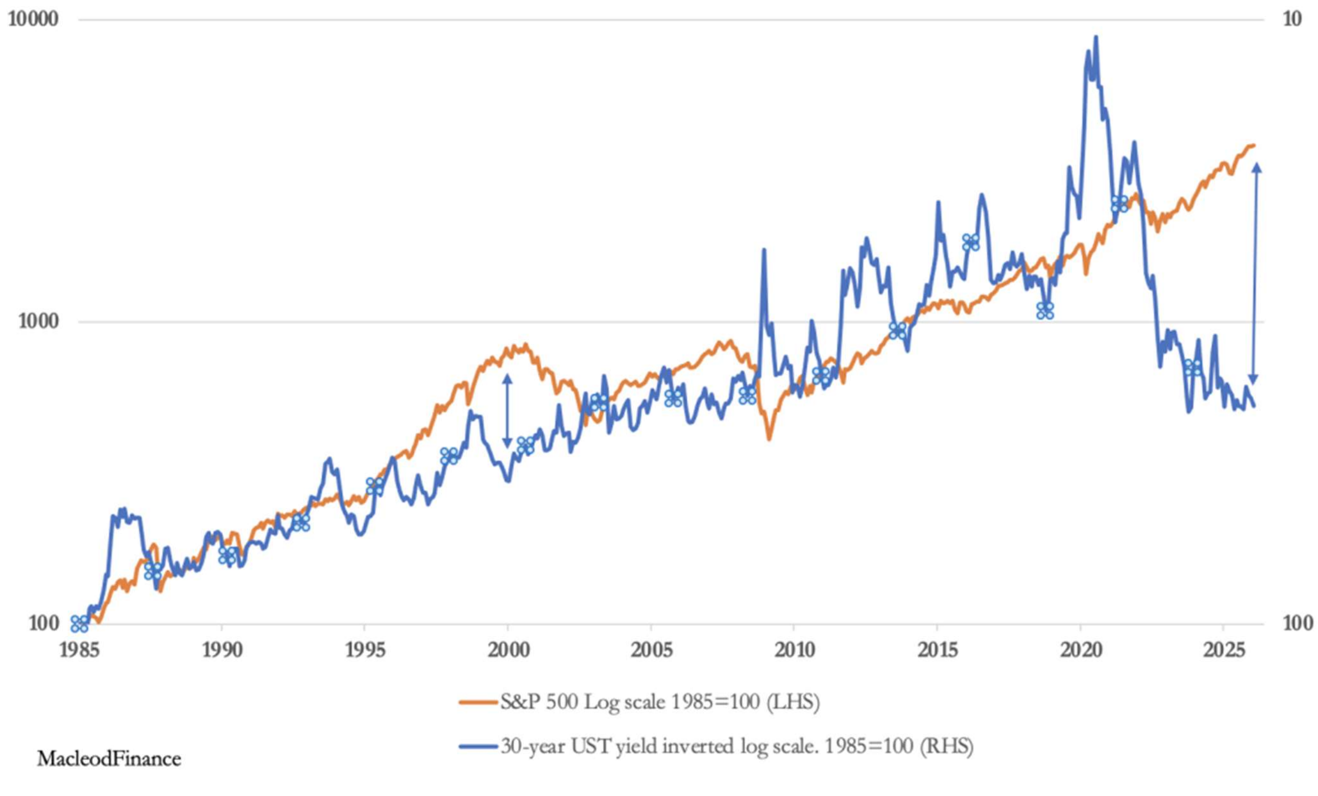


Gold stocks observations

The expansion of debt fuelled by looser credit and by negative real rates has driven investors to plough into equites, driving the S&P 500 to all-time highs, up 17% over 2025. The traditional 60/40 equities/bond portfolio has underperformed over the last decade, with the disparity against the returns on long maturity bonds (30-year treasury yield) at a record high. We found the chart (Figure 9) from gold market pundit Alasdair Macleod quite instructive. This illustrates that despite three cuts to the overnight rate by the Fed over 2025, the long end of the yield curve at 4.8% (48, blue on RHS of Figure 9) is at a level last seen in mid-2007 during the twilight of the five year bull run in equities (S&P 500 doubled from 2002-2007). Over the next eighteen months with the bursting of the credit bubble, the S&P500 fell 50%, with the long-term correlation to bonds established over 2010.

Over 2025 we have seen the divergence of the S&P 500 to the long bond greater than ever, but, given the lack of demand for US dollar denominated treasuries in preference to gold from traditional buyers, we see little hope that long term bond yields will not continue to rise. For the forty-year correlation to be re-established, a huge correction in the stock market looms, making it unsurprising that several bulge bracket strategists are advocating to increase gold's allocation in portfolios. Bank of America in September, for example are encouraging investors to consider up to 40% exposure to gold as a complete replacement to bonds as a haven asset. As we had highlighted in our most recent newsletter (Page 1 here) the investable portion of the gold market at ~US$5 trillion is a fraction of the bond market and further rotation out of stocks and bonds has the potential to drive a monumental surge in the gold price .

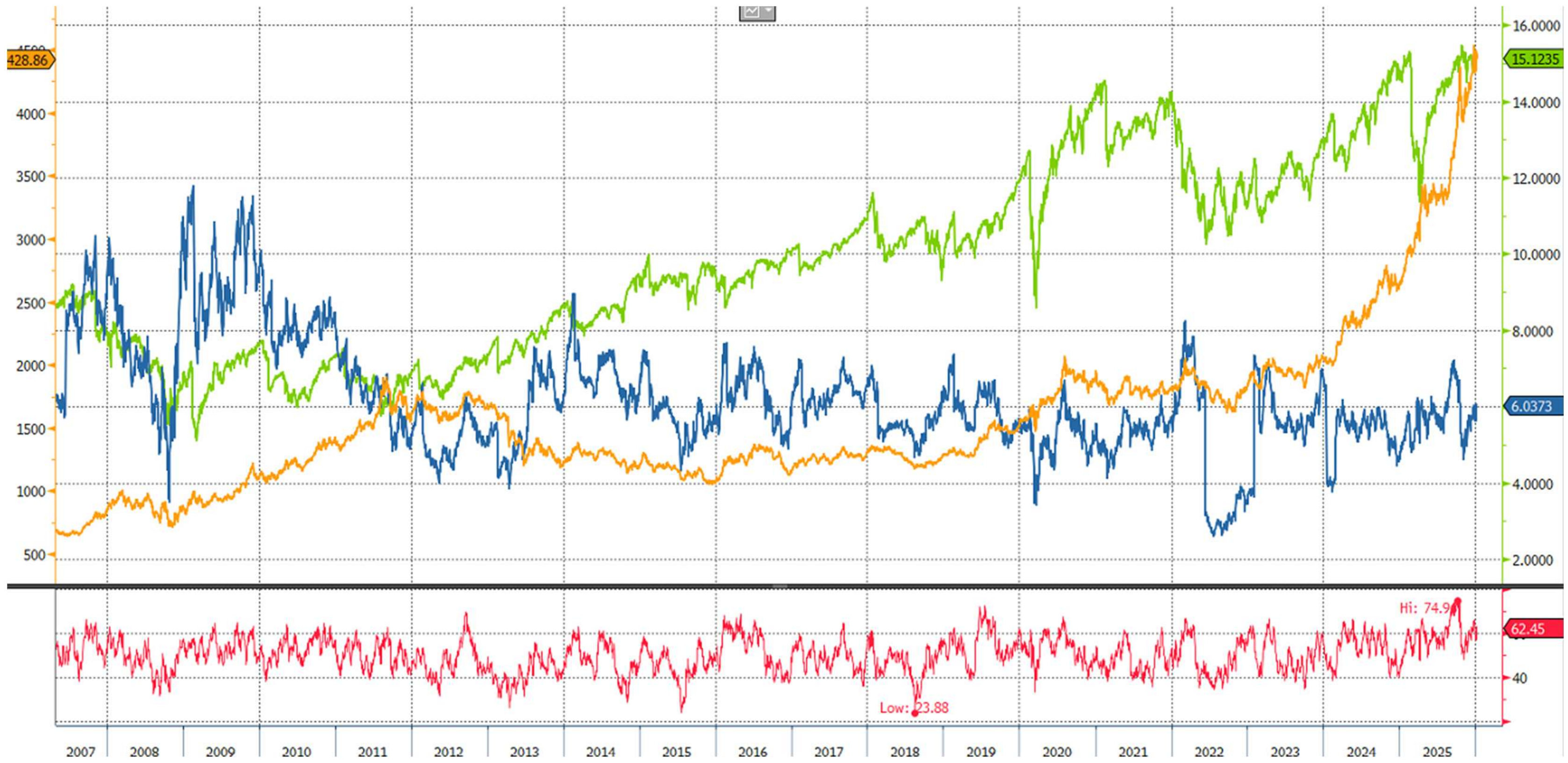
Figure 9: Valuation gap between 30 year US Treasury and S&P 500 (Source: MacleodFinance)



The S&P500 is trading at record high multiples of around 15 times earnings (green, Figure 10 below) explained by growth orientated AI stocks representing 30% of total market capitalisation. Given the aggressive accounting practises (particularly depreciation as noted by a recent Seraya Investment Insight here) along with financing $1 trillion of capex commitments, any steam that comes out of the lofty valuations will likely re-allocate to sectors on cheaper multiples.

The Gold stocks, (defined by the HUI, blue Figure 10 below) despite returning 155% over 2025, have not expanded multiples beyond their long run range of 5-7 times EV/EBITDA. Much of the reason for this is that gold producers over 2025 have been the beneficiaries of a historically high gold/oil price, (2025 average of 60 vs 30 year average of 20) thereby expanding operating margins towards 55% on average for major producers over the most recent Q3'25 reporting season. One reason for gold equities to still move higher is that many sell side gold price estimates diverge markedly from the forward curve (Figure 11) due to under estimating future operating costs (AISC, US$/oz) which have risen ~10%pa since 2020 for most producers.

Figure 10: Forward EV/EBITDA (x) of HUI Index (Blue,RHS), S&P500 (Green) Gold Price (US$/oz, LHS, Orange). HUI Index RSI (Red RHS) (Source: Bloomberg)



To assess which gold producers provided the most share price torque to the 65% increase in gold price over 2025, in Figure 12 we have measured returns against financial gearing for all the cash flow producing companies within the GDX index. While most producers have robust balance sheet, those that had some leverage (higher net debt/EBITDA) generally provided enhanced per share returns. Two portfolio companies stood out in Aris Mining (ARIS-TSX) (red) which returned a 350% return as it reached maximum drawn debt ahead of increasing production to 500kozpa as its second mine in Colombia comes online. Conversely DPM Metals (DPM-TSX) (green) returned 230% as despite being close to 30% cash backed as it was materially discounted on account of a short mine life. This has been more than addressed through the acquisition of Adriatic Metals in Bosnia and discovery of what we view as an exciting discovery of over 2Moz called Coka Rakita deposit in Serbia. In both situations it appears that material production growth is being rewarded in the market and view this as likely to migrate down to developers over 2026, given the significant increase in merger and acquisitions over 2025.

Figure 11: Gold Price Forecasts (Source: Bloomberg)

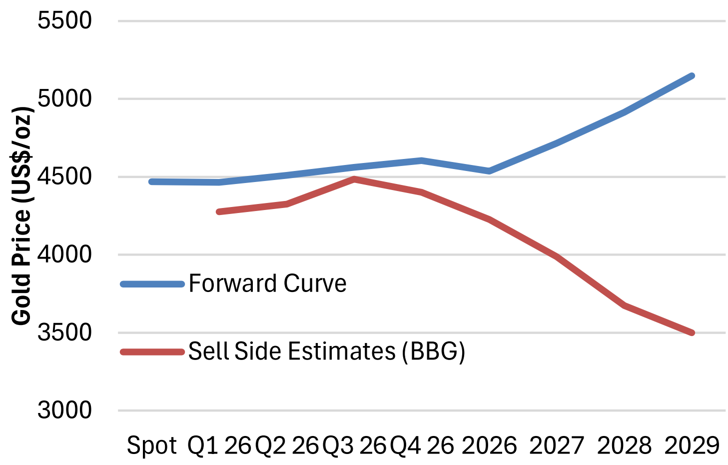
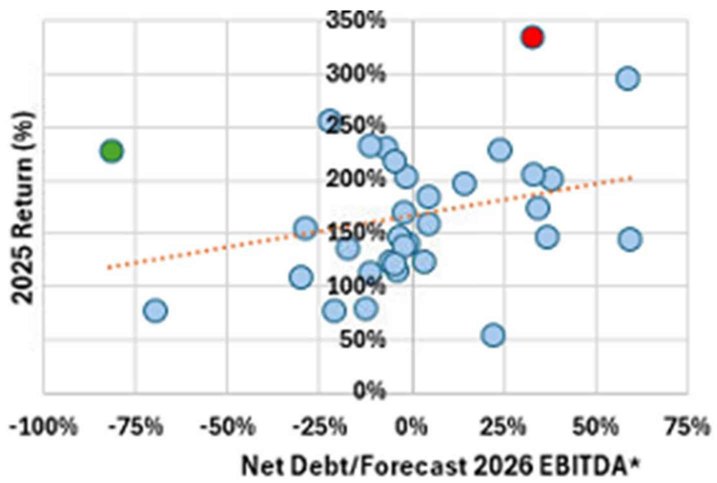


Figure 12: GDX producers 2025 return vs Net Debt/2026 forecast EBITDA (Source: Bloomberg)



Tether's demand for gold is untethered...

Over 2025, stable coin company Tether has emerged as one of the most aggressive and significant purchasers of gold globally. As the market capitalisation has surged beyond US$180B, Tether's strategy has evolved from purely backing their stablecoins with U.S. treasuries to accumulating physical gold faster rate than any single centre bank (Figure 13). Having purchased 19 tonnes of gold over H1'25, Tether accelerated its purchases to 26 tonnes in Q3'25 and continues to buy around 3 tonnes per week over Q4'25 to currently hold 116 tonnes valued at US$17 billion.

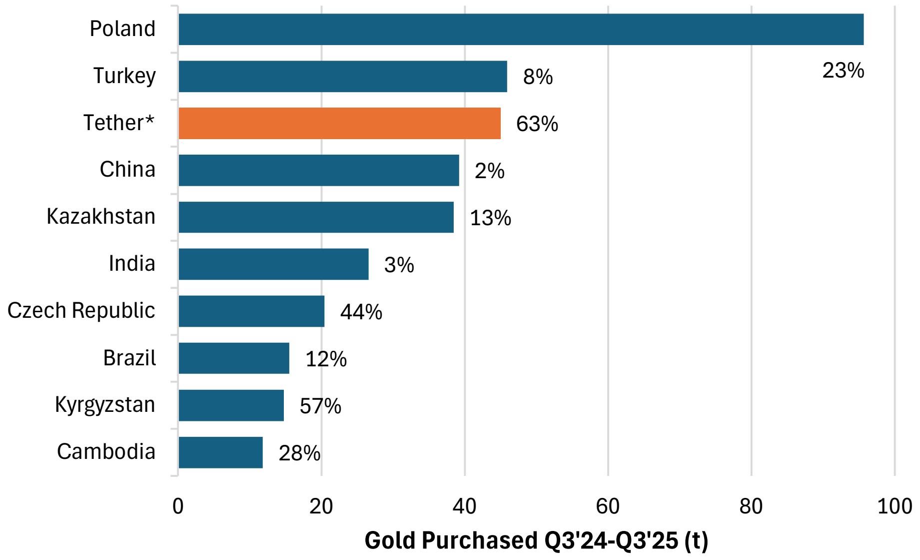
The inventory is segmented currently across two categories.

- Corporate reserves of ~104 tonnes that are held as a reserve for the US treasuries based stable coin and
- Around 12 tonnes that back their tokenized gold product (XAUt) that is 100% vault-held, fully redeemable and fee free.

The legitimacy of Tether as a "borderless central bank" rather than a fad cypto company is evident, with the company now the 17th largest holder of US Treasuries and transacting over US$50B of payments per day, more than Visa. Tether Gold has over 50% market share of gold token products reflecting its "allocated" status, meaning specific physical bars in Tether owned vaults are legally mapped to specific tokens, and importantly not reliant on third party custody from a large investment bank.

With over US$100B in treasuries holdings providing over US$5B of annual income, Tether are not just purchasing gold but have spent close to US$500M investing in gold royalty assets. Due to the limited opportunities of listed equities, over 2025 Tether have rapidly acquired significant holdings in most of the small cap (<US$1.5B) royalty companies such including Elemental Altus (27% holding), Versamet Royalties (13%), Gold Royalty Corp (10.2%) and Metalla Royalties (6.7%). All these companies have royalty exposure to assets of various quality and Tether's "basket" approach to investing signifies a determination to hastily convert dollar denominated interest revenue into inflation insensitive gold linked cash flows that sit outside the US regulators, particularly as Tether is El Salvador based. With publicly listed equity investments, we expect this move will only further enhance the legitimacy of Tether's business model with moves afoot to IPO potentially in 2026 with a US$500B valuation mooted.

Figure 13: Top 10 countries ranked by Central Banks gold purchasing from Q4'24-Q3'25 (t and YoY change (%)) (Sources: WGC, Tether attestation report)



**Tether data is from Q1-Q3'25 only*

Silver Market – let's get physical

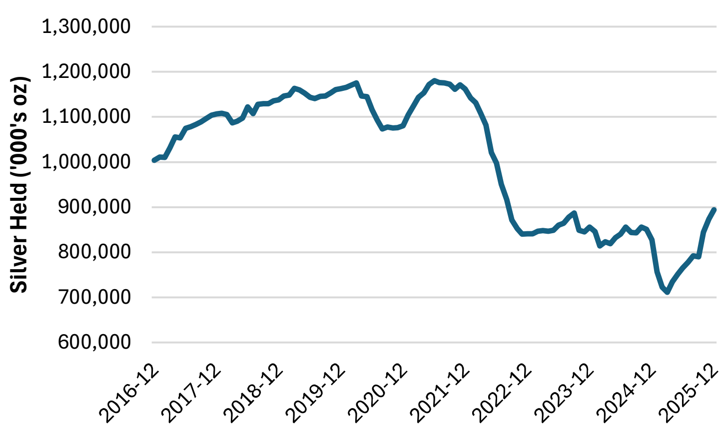
The stunning performance of silver over 2025 (up 165%) reflected the coalescence of several factors that created a shortage in the physical market. Holdings in physical backed silver ETFs have surged over 2025, rising by more than 150 million ounces to 850 million ounces (red, Figure 14), sequestering close to a year of annual production. The total amount of metal held by the funds is still below a peak set during a retail investment surge around the GameStop mania of 2021 but have been instrumental in eroding available supplies in an already tight physical market. Figure 14 (red) shows holdings in the funds have risen every month but one this year. Similarly, across H2'25 the silver price rose across each consecutive month, the most pronounced rally since 1979.

Having only rarely peaked above US$2/oz across the last decade, the premium of the physical silver price in Shanghai over COMEX was sustained over US$5/oz over December 2025, an all-time high. As we write, the premia is now at US$9/oz reflecting a silver price of $94/oz. China, which represents 65-70% of the refined silver trade globally, is expected to introduce export restrictions from January 2026 and further exacerbate tightness in the physical market. This highlights the lack of available physical silver that traders could source to take advantage the pricing arbitrage, with LMBA holdings dipping below 700Moz (Figure 13) over 2025, and one month lease rates spiking to 39% (seven times usual) over October 2025.

Across December as the silver price spiked from $50/oz to $80/oz COMEX raised margin requirements on silver three times for a 30% increase in total . This increase in collateral demands (now equal to ~8% of contract value) triggers forced selling amongst small traders, with such moves benefitting short sellers. However, flushing out small speculators on Comex or at the LBMA is not going to enable the large bank speculators to cover their rumoured huge short positions.

We will be watching closely if the US places tariffs on imported silver, which is probably unlikely as there is limited domestic production and therefore this could prevent physical silver from accessing the market and pressure silver prices further. Conversely western institutions reportedly hold short positions totalling over 4.4 billion ounces which equals over five years of annual production. Given much of this is transacted through the fractional reserve system on COMEX, if counterparties demand/stand for delivery beyond the typical 10% physical settlement, there is potential for sharply higher prices with any force majeure to offer cash settlement further undermining the trust in paper based commodity markets.

Figure 14: Silver ETF Holdings (Red, LHS, (Boz), Silver Price (Blue, RHS, US$/oz) (Source: Bloomberg) Figure 15: LBMA Silver stock ('000's oz) (Source: LBMA*)*



Phoenix Gold Fund DecQ'25 performance

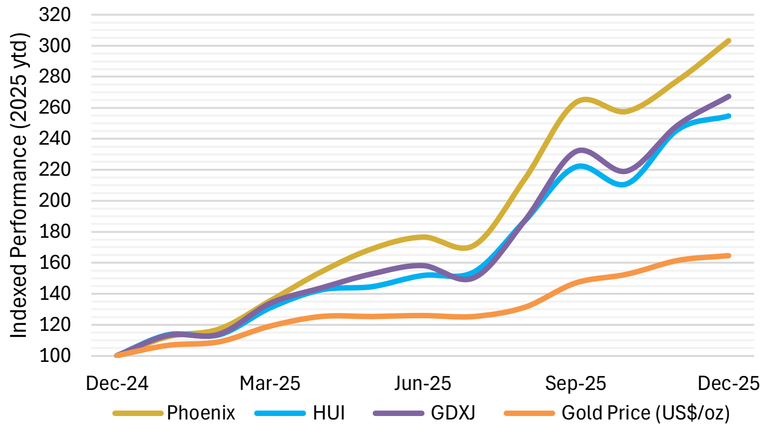
Over DecQ'25 the PGF returned 15.14% ahead of the HUI (14.77%) and in line with the GDXJ (15.35%). This saw the PGF have its best year on record returning 203.34% over 2025, comfortably ahead of the HUI (154.55%) and the GDXJ (167.21%). Throughout the quarter the fund mostly kept pace with the appreciating gold price, however October presented a weaker month as some of our producers were sold off after reporting Q3 earnings. While the gold price appreciated 11.93% over the quarter, the silver price was up 73%, which led to a disproportionate contribution from our silver stocks that comprise 8% of NAV at DecQ'25 close.

Trading activity was more subdue over DecQ'25, as we to profit in some strong performers from 2025 such as Talisker Resources (TSK-TSX) where our debentures converted to shares over DecQ'25 and trimmed into the buoyant interest in Omai Gold Mines (OMG-TSX). Through DecQ'25 we were presented with a deluge of capital raisings with seven of our top ten holdings raising equity however we shied away from most deals to deploy in other emerging opportunities. One recent portfolio addition is New Pacific Metals Corp (NUAG-TSX) which hosts to large primary silver projects in Bolivia that once developed could place the company as a top five global silver producer.

Figure 16: PGF vs benchmarks for SepQ'25 (Source: Bloomberg)

	PGF	GDXJ	HUI	Gold Price
Oct	-2.19%	-5.41%	-4.97%	3.73%
Nov	7.74%	13.50%	16.64%	5.91%
Dec	9.27%	7.45%	3.54%	1.89%
DecQ'25	15.14%	15.35%	14.77%	11.93%
SepQ'25	49.24%	46.52%	46.14%	16.83%

Figure 17: PGF vs benchmarks for YTD to end DecQ'25 (Source: Bloomberg)



At the end of DecQ'25 the PGF portfolio was allocated 30% to developers, 19% to explorers, 26% to junior producers (<200kozpa), 11% to senior producers, 8% to silver companies and the balance to royalties and other instruments (such as convertibles). The fund held very limited cash however expect to receive a cash payments of close to ~3% of NAV over the forthcoming quarter from all cash take overs of Probe Gold (PRB-TSX) and Loncor Gold (LN-TSX) that we have voted in favour of over DecQ'25.

When compared to 35 listed funds of similar mandates to PGF, DecQ'25 was slightly below average (Figure 18), however the strong performance through the year saw the PGF as the best performing fund (Figure 19) over $200m NAV when measured across 2025.

Figure 18: PGF (orange) vs peer funds - DecQ'25 returns

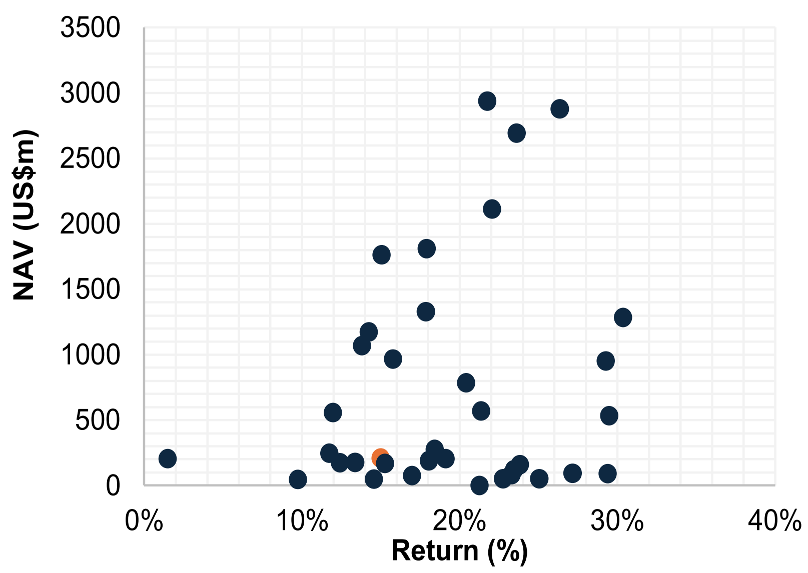
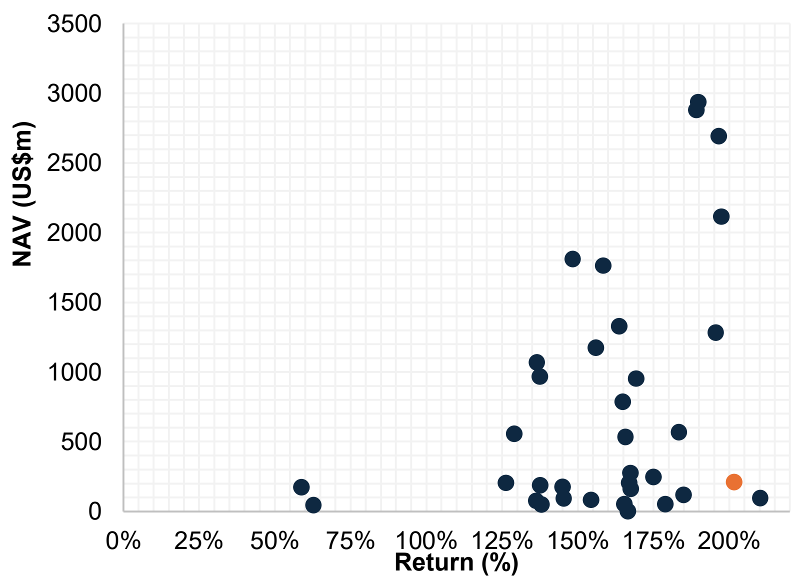


Figure 19: PGF (orange) vs peer funds – 2025 returns (Sources: Bloomberg)



Having come off an exceptionally strong 2025 delivering an encore will be a tough ask and we are mindful of the inherent volatility that characterizes our investing history and the nature of the fund. We remain disciplined on investing in companies with undervalued potential and as jarring as it has been to watch in this buoyant market, will avoid opportunities whose fundamentals don't meet our investing criteria.

With the geo-political uncertainty likely to spill over into the financial market it appears that the advocacy to migrate from speculative assets to real assets is becoming more mainstream. With the top 100 gold companies valued at ~US$1 trillion being a quarter of NVIDA alone we view the sector is substantially under owned as a proven investment (Figure 1,2) to hedge against a deteriorating US dollar.

We thank you for your continued support as we navigate the opportunities and challenges ahead.

Yours Sincerely,

Larry Hill

David Crichton-Watt