AIMS Asset Management

PHOENIX GOLD FUND

SERAYA INVESTMENT

July 9th, 2026

If the doors of perception were cleansed, everything would appear to man as it is - infinite"

William Blake's circa 1790 work "The Marriage of Heaven and Hell"

Dear Shareholders,

Since Iran began blockading the Strait of Hormuz at the start of March 2026, in response to the US and Israel opening an air war, markets have focused on little else outside the white-hot AI trade and one deceptively simple question: are the doors to this 20-mile-wide stretch of ocean open or closed? Trump's position on the closure ranged from indifference, "We don't need the Strait open," to indignation, "Open the Strait, you crazy bastards!". The situation increasingly resembled Schrödinger's cat[1]: Open and closed at the same time, depending on which version of the outcome the market chose to observe.

After reportedly being on the cusp of signing a deal more than 38 times over 100 days, Trump, with little sense of irony[2], signed a memorandum of understanding (MoU) at the Palace of Versailles that was heavy on concessions and light on detail. By granting Iran a 60-day grace period to restore passage through the Strait, Trump was trying to put out the fire with gasoline. The weeks since the MoU had been signed have seen the Strait again become a hot conflict with the US blocking any Iranian oil sales and reinstating sanctions that will throw energy markets into turmoil.

As we write Trump declared the MoU over but the urgency to re-work another deal with Iran is highlighted by the Strait's chokehold on global oil markets, with roughly 20% of global oil flows passing through it. Before the conflict, Iran accounted for around 4% of global crude production and 12% of measured oil reserves. By controlling the supply of valuable Arab heavy crude that suits around 70% of American refineries, it now holds more leverage than at any point since the 1979 Islamic Revolution. On the surface, the US appears to be the clear winner, having opportunistically stepped in as exports surged from roughly 3 to 6 million barrels per day, as shown in research from energy economist Jeff Currie at Caryle (dark blue, Figure 1).

Figure 1: US Crude Oil exports and production (Source: Carlyle)

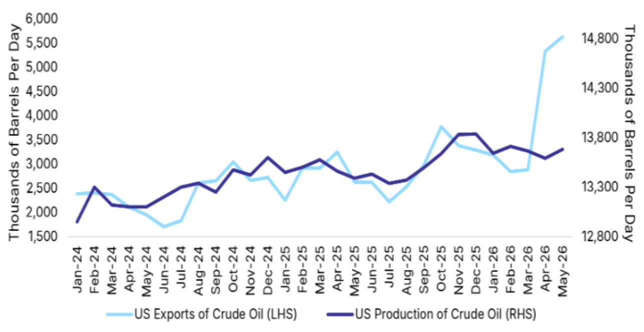
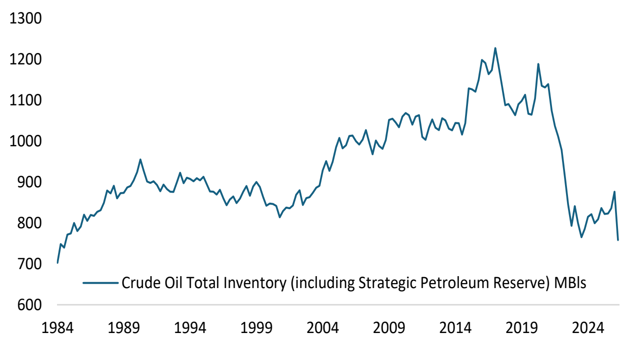


Figure 2: US Crude Oil Inventory (MBls) (Source: Carlyle)



[1] Erwin Schrödinger, The Austrian physicist is best known for an experiment in 1935 to test Quantum Mechanics. In the test a cat placed in a sealed box with poison exists in a simultaneous "alive and dead" state until observed.

[2] Location for the signing of the World War I peace treaty to "end all wars" in 1919.

However, despite record domestic production, mostly from shale oil, the US has been drawing down its strategic buffer. Figure 2 shows the Strategic Petroleum Reserve has halved over three years to 750 million barrels, equivalent to roughly five weeks of domestic consumption, and now sits at its most precarious level since 1983. More significant than export demand has been the release of more than 150 million barrels to stabilise fuel prices and curb inflation. With several hubs in the US domestic crude network approaching operational minimums ahead of the peak driving season, it has become increasingly clear that domestic political pressure will force Trump into a deal of not what he wants but what he needs..

Meanwhile the US economy appears to be growing healthily but under the hood that growth is almost entirely attributable to the mania surrounding Artificial Intelligence (AI). The Bank for International Settlements (BIS) has expressed deep concern that almost $1 Trillion is being invested in AI, much in the form of equity but also large amounts of private debt, circular financing, and other schemes reminiscent of the Dot com balloon. The BIS is very sceptical that this industry, promising as it is for productivity growth, will be able to generate the revenues needed to justify and support this immense capital spending. Particularly when the Chinese AI is available at perhaps 10% of the cost! It fears that this whole investment bubble will go into reverse and bring about a severe recession.

In a tricky quarter, the Phoenix Gold Fund returned -10.4% over Q2’26, ahead of the benchmarks (HUI -17.31%, GDXJ -18.15%) and the gold price itself (-14.14%). The return reflected a tale of two halves. After delivering positive returns in April (+3.89%) and May (+2.50%) despite a falling gold price, the Fund alongside gold equities (HUI -15.64%), suffered their sharpest monthly drawdown since the global financial crisis (October 2008). Alongside March 2026, June 2026 was one of 14 instances since 1970 that the gold price fell by more than 10% in a month. On all but one (August 1973) instance, the gold price was higher two months later. We have also assessed past corrections and determined that staying invested to the earlier stage of the rebound often delivers superior performance.

The rotation away from the debasement trade that powered gold equities’ stellar 2025 run and into all things AI has been swift. Technology and semiconductor ETFs have captured roughly 70% of the $1 trillion of current assets under management. Looser monetary policy, with the highest monthly money printing since 2021, has sustained the market’s animal spirits. Leverage, measured by margin debt at 4.5%[3] of nominal GDP, went parabolic over Q2’26 and now exceeds levels seen at previous market tops. Any market correction or rate shock could trigger margin calls and drain liquidity from equities into other asset classes. In that maelstrom, with real yields in our view failing to adequately compensate investors for ongoing debasement, we expect gold to continue acting as a store of wealth.

Market Review

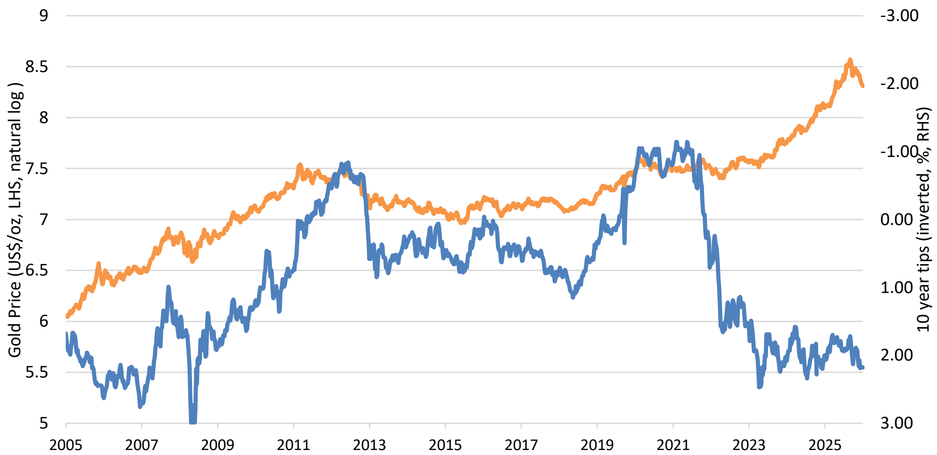
As sentiment towards a conclusion of the conflict in the Middle East turned more optimistic over April and May, it was a return to “risk-on” with the S&P500 having its best quarterly return (+14.9%) across Q2’26 since Q2’20 with May alone (+10.42%) being the best return since November 2020 (+10.75%). The main contributor was the NASDAQ-100 Technology Sector (NDXT) that returned a blistering +55.1% for Q2’26. The momentum of the artificial intelligence (“AI”) trade was encapsulated by Elon Musk’s SpaceX raising a record $85 billion (ans $25 billion from the bond market) for its IPO on a 100 times revenue multiple.

[3]Margin debt is the amount of money investors borrow from their brokerage firms to purchase securities, using their existing portfolio as collateral. The Margin Debt as a % of nominal GDP of previous tops; 2000 Tech Bubble (3.1%), global financial crisis (2.9%), Pandemic (3.7%), currently trend (May 2024 – 2.2%, May 2026 4.5%.).

The buoyant market conditions contrasted to the hawkish stance from new Fed chair Kevin Warsh who in contrast to his predecessor Jerome Powell, refrained from "jawboning" the market with forward guidance of rate decisions. His "discomfort" with inflation above 2% was immediately reflected in the bond market which soon priced several rate hikes, reversing the expectation in February of at least one more cut. The pivot soon reflected in the real 10-year Treasury yield breaching 2.20% for the first time since 2024 (blue, Figure 3). Since this represents the opportunity cost of holding gold (that pays no interest) the gold price (presented as Natural log price[4], in orange in Figure 3) had its steepest monthly fall (-11.72%) in June since the global financial crisis (GFC) of October 2008 (-16.9%).

Late in Q2'26 Gold crossed its 200-day average to breach $4,000/oz that pointed to speculators that entered the blow off top in gold at the start of 2026 exiting with monthly ETF outflows (~100 tonnes) the most since February 2021. This re-established the long-held correlation (Figure 3) that gold prices soften on positive real yields with the structural break seen since 2022 reflecting robust central bank demand in response to sanctions on Russian assets.

Figure 3: Gold Price (as a natural log) vs 10 year Treasury Inflation-Protected Securities (TIPS) (inverted) (Source: Bloomberg)



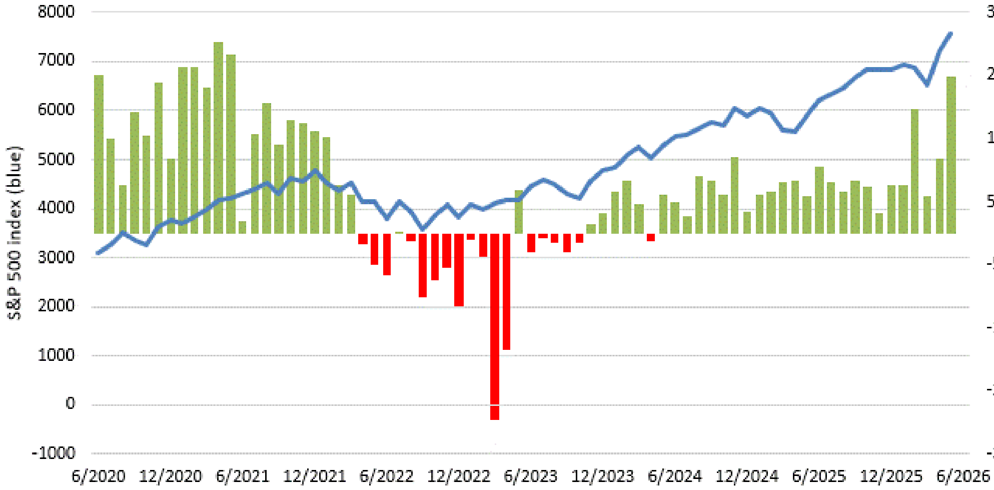
The debasement trade - are reports of its demise an exaggeration??

The restored confidence in the US dollar, with the DXY index (+3% over June) to a 12-month high by the end of June, centred on Warsh talking up fiscal discipline and, by extension, dollar credibility. The largest monthly sell-off in gold since October 2008 suggests the market believes the US dollar's attributes are becoming sounder and that the debasement concerns powering the recent gold bull market were overstated. We think that conclusion ignores fundamentals that have barely changed.

The bedrock of the US fiat monetary system is money supply, measured by M2. Figure 4 shows that in May 2026, M2 grew at its fastest rate since April 2021, the peak of pandemic-era money printing. The first beneficiaries of balance sheet expansion are typically Wall Street rather than Main Street. As shown over the past five years, and over a much longer period, increased money supply has coincided with capital flows into equities at expanded valuations, with the S&P 500 trading on a P/E ratio of 32x versus its long-run average of 17.4x.

[4] $\log_e(x)$ where x is gold price ($/oz) and e is Euler's number (2.71828) to present growth data.

Figure 4: S&P500 index (blue) vs change in M2 money supply ($B) (Source: Bloomberg)



This is grounded in basic monetary theory, known as the Fisher Equation: M × V = P × Y. In this framework, M is money supply (M2), V is the velocity of money in circulation (M2V), P is the price level, and Y is real GDP. The framework has a long-run focus because increases in money supply can take 12 to 24 months to flow through to inflation. The 40% increase in money supply at the height of the pandemic in 2020, for example, was later reflected in inflation (CPI) peaking at +9.1% in 2022.

In growth-rate form, the equation becomes: Money growth (%ΔM) + velocity growth (%ΔV) ≈ inflation (%ΔP) + real GDP growth (%ΔY). As a simple exercise, we used the most recent US Federal Reserve data to estimate the implied inflation rate of +5.74% p.a., which we view as a proxy for current currency debasement.

Figure 5: Calculating Price inflation using the Fischer equation. (Source Bloomberg, DRAM Research)

			31/12/2025	31/05/2026		
variable	**value**	**unit**	**start**	**end value**	**change (Δ)**	**annualized Δ**
M	Money supply	US$B	22353.4	23052.3	3.13%	7.67%
V	Velocity	Ratio	1.410	1.411	0.07%	0.17%
P	PRICE (USD)	%				5.74%
Y	Real GDP	%	24180.4			*2.10%*

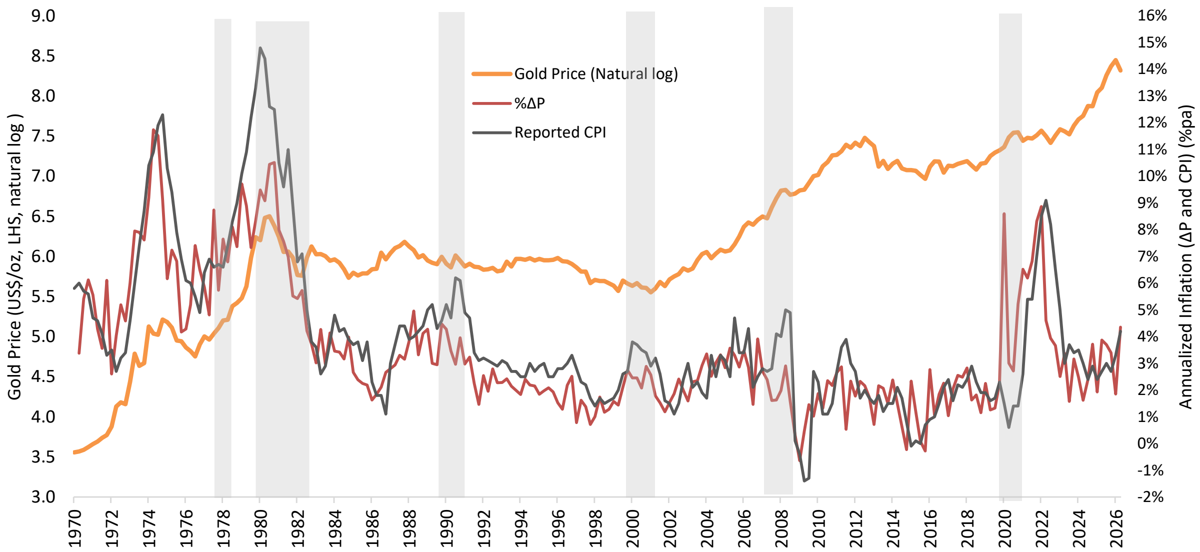
Where %ΔP is inflation, rearranged for annualised %ΔP ≈ %ΔM + %ΔV - %ΔY

The point of this basic exercise is to show that increasing money supply alone does not necessarily lead to debasement. Debasement occurs when money supply growth exceeds real economic output. When that level of debasement, in this case +5.74% p.a., exceeds real investment yields, such as the TIPS yield of +2.25% p.a. shown in Figure 3, and reported inflation, with May CPI at +4.1%, fiat cash and fixed-income bonds deliver a net loss in purchasing power. This makes hard assets, scarce commodities and equities more attractive.

The question, then, is whether this debasement trend is slowing or continuing, and what has driven the gold price since 2023? In Figure 6 below, we chart the gold price, shown in natural log form in orange, since US dollar convertibility ended in August 1971. We also estimate quarterly inflation (%ΔP) over this period through using the grown-rate equation and calculations shown in Figure 5. We annualise this figure and compare it with reported inflation, CPI, shown in black in Figure 6.

The point is to show that debasement, shown in red, typically moves first as the market expects increased money supply to be absorbed by economic growth. Since money supply accelerated from the start of 2026, currency debasement has increased which we have observed historically to support the gold price before requisite rate increases occur.

Figure 6: Gold Price (orange) vs inflation as CPI (black) and (%ΔP) (Source: Bloomberg)



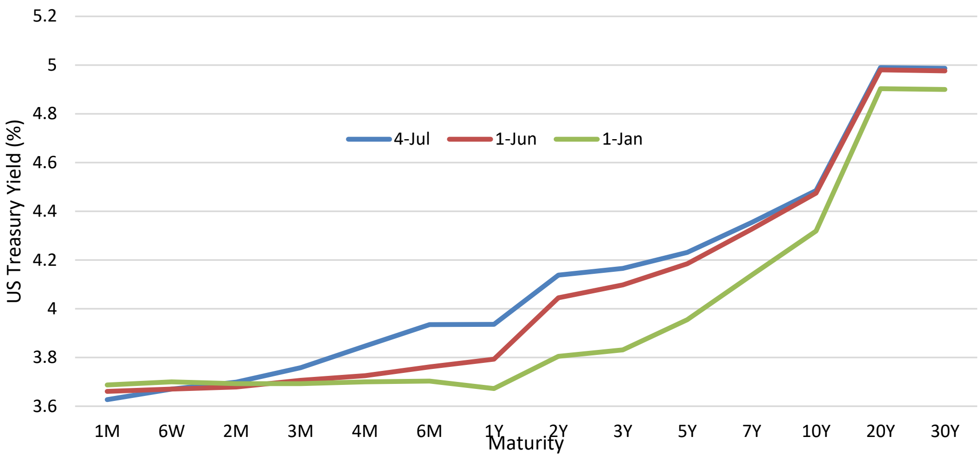
While higher real yields will remain a headwind for gold, we believe gold's role as a store of value remains as relevant as ever in an environment of rising debasement.

According to Warsh, Inflation is a choice – is it of convenience?

For the US, where debt-to-GDP stands at 122%, up +4% YoY, moderate inflation and a gradually depreciating US dollar have become more politically palatable than running a budget surplus, which was last achieved in 2001. Inflation increases the denominator, nominal GDP, but not the accumulated stock of debt. Headline austerity measures that Trump ushered in have fallen short on delivery (DOGE savings at $215 billion vs its $1 trillion goal) with the May 2026 update of a $1.7 trillion deficit. Around 90% of outlays are mandatory programs, with Medicare, Social Security and net interest each approaching $1 trillion per year.

Of the $39.4 trillion in public debt, roughly one-quarter, or $9.8 trillion, must be rolled over during 2026. Much of this debt was issued during the pandemic-era ZIRP (zero interest rate policy) setting, resulting in an average borrowing cost below +3%. The Treasury has been refinancing through short-term Treasury bills, currently around +3.6%, while the steepening yield curve leaves long-term rates stubbornly just below +5.0%. The Federal Reserve has limited ability to influence the long end of the yield curve, where the risk premium reflects a growing deficit that is around 6% of GDP.

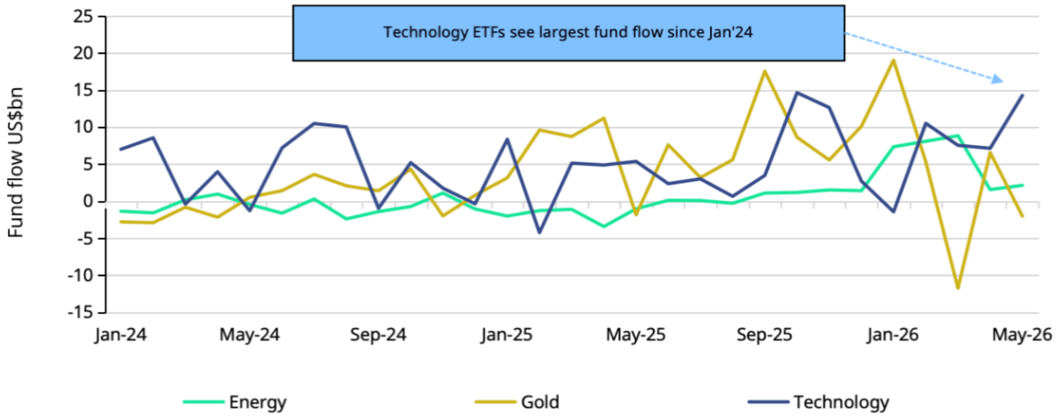
Figure 7: US Treasury Yield expectations at various dates over 2026 (Source: Bloomberg)



ETF tactical headwinds but central banks provide structural tailwinds

The heavy correction in gold over Q2'26 reflects a tactical switch from gold into other asset classes, but that shift was not uniform across investors. Following record seasonal inflows of $11.5 billion over January and February, North American investors liquidated $18.7 billion over the past four months. Investors in Q2'26 rotated away from gold into risk-on sectors such as technology and made tactical allocations to energy because of the Middle East conflict. These more than offset gold ETF outflows as shown in Figure 8.

Figure 8: ETF flows over 2026 (Source: World Gold council)



The World Gold Council outlook, released in early July, found that 89% of survey respondents expect global central bank gold reserves to increase over the next 12 months. Importantly, 50% expect their own institutions to increase holdings.

During March 2026, Gulf Arab states and regional countries such as Turkey heavily liquidated gold holdings, swapping and selling 128 tonnes. Over April and May, we expected this selling to plateau. By the end of May, overall central bank demand remained positive YTD, and we expect central banks to continue providing structural demand. China's central bank in June bought 15 tonnes of gold, its largest monthly purchase so far this year being the 20th consecutive month of increases to its gold reserves.

Gold has also moved ahead of US Treasuries in the global central bank reserve mix. According to the European Central Bank's [June 2026 review] (Figure 10), gold accounted for 27% of total official global reserves at the end of 2025, ahead of US Treasuries at 22% and the euro at 15%. While this move reflects the tripling of the bullion price in little more than five years, it also reflects gold's lack of counterparty risk and global acceptance as new trading alliances emerge outside the US-dollar-based system.

Figure 9: Central Bank Gold net purchases Jan 2024 to May 2026 (Source: World Gold council)

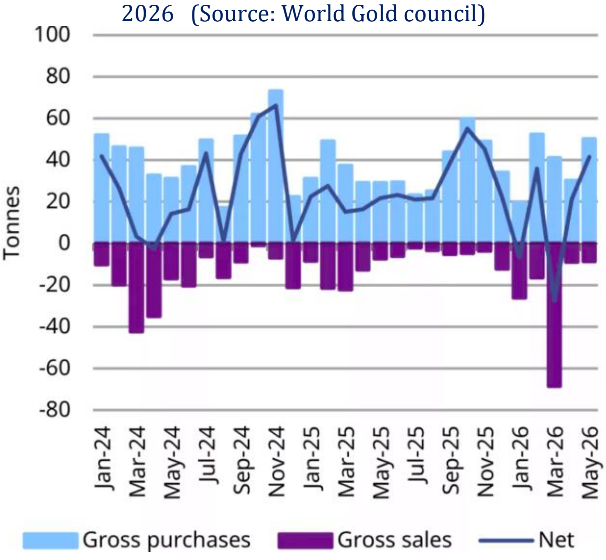
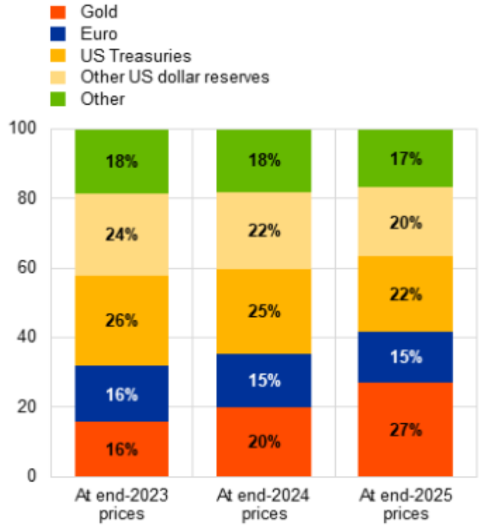


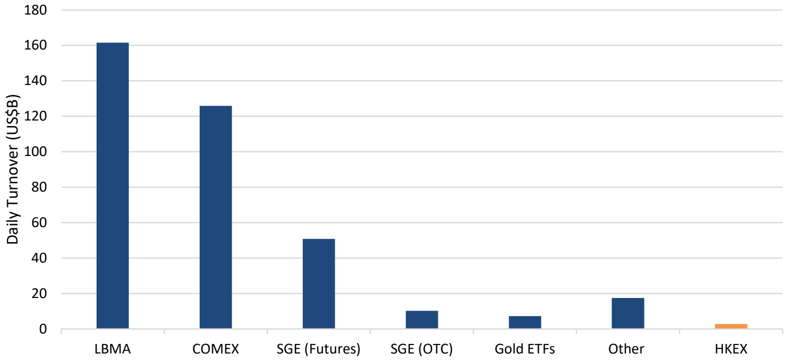
Figure 10: Shares of official central bank reserves (Source: European Central Bank)



Hong Kong commences over the counter gold clearance – an option away from LBMA?

This week, Hong Kong's new Precious Metals Clearing System (PMCC) began operations, establishing a regional clearing platform for over-the-counter (OTC) precious metals transactions. The PMCC's quoted price, HAU, is linked to the Shanghai Gold Exchange (SGE), while the system aims to build vaulting capacity up to 2,000 tonnes of by 2030, compared with roughly 5,130 tonnes at the Bank of England.
The PMCC has adopted the London Bullion Market Association (LBMA) model by facilitating "unallocated" gold transactions. These transactions give holders a claim on a pooled stock of gold held in custody, rather than assigning specific bars to individual participants. This structure should improve liquidity, reduce operational friction, and make it easier for global banks to participate. Five tier-one banking institutions already hold seats on the PMCC board. Like the LBMA, the PMCC also offers physical delivery of 400 oz, (12.44 kg) bars. This differentiates it from COMEX's paper-led futures market, which primarily operates through futures contracts rather than direct physical allocation.
HAU should strengthen gold price benchmarking and improve international connectivity. Unlike the SGE, which remains primarily domestic, HAU is priced in USD and is designed to reflect gold prices more accurately during Asian trading hours. Chinese yuan futures are also under development.
Singapore has also outlined plans to launch a related gold clearing system over the next year. Together, these initiatives could challenge London's dominance in OTC precious metals trading and reflect Asia's growing role in investor-led gold demand.

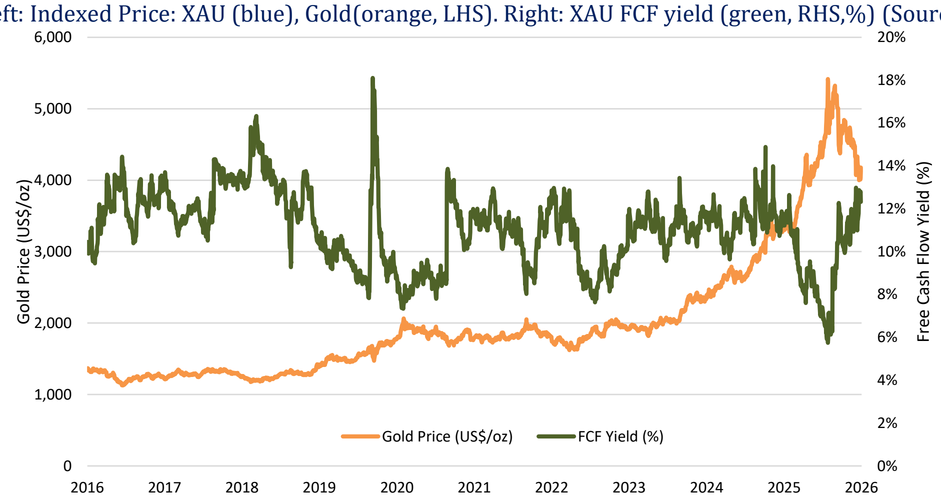
Figure 11: Average daily gold volumes ($B) of main gold markets (Source: World Gold Council)



Gold Stock Observations: Lustre has worn off but what do past corrections teach us?

Gold stocks corrected sharply in Q2'26, with the HUI index returning -17.3%, its largest quarterly pullback since Q2'22 (-29.10%). While returns were broadly in line with the gold price in April (-4%) and May (+2%), June saw the HUI retreat -15.65% as producer earnings estimates were downgraded to reflect lower gold-price assumptions and higher costs from oil-price volatility. Despite these revisions, producers are again trading around their long-term average forward free-cash-flow yield of roughly 12%, as shown in green in Figure 12. Early Q2'26 reporting indicates that cost inflation is below expectations, with most producers still maintaining operating margins above +40%.

Figure 12: Left: Indexed Price: XAU (blue), Gold(orange, LHS). Right: XAU FCF yield (green, RHS,%) (Source: Bloomberg)



Having become overbought on most technical indicators by late February, the -11.72% monthly fall in the gold price over June can be placed in historical context. Prior to 2026 there have been 14 instances since 1970 where gold fell by more than 10% in a month. Gold was higher two months later in 13 of those periods, the exception being -2.85% in October 1973. This suggests that tactical drawdowns are a shorter term feature of longer-term structural bull markets in gold.

The four main fast corrections in the gold price since the 2008 GFC saw gold decline by an average of -28%, as shown in Figure 13. Producer and junior leverage typically amplified these moves, with the 2013 washout particularly brutal for juniors (GDXJ -68%). One reason producers have held up somewhat better this time, in our view, is that they entered the correction with operating margins above +40% and strong balance sheets, supported by low gearing.

Figure 13: Previous Gold Corrections and index performance (Source: Paradigm Research)

Episode	Gold	S&P Gold Index	GDX	GDXJ
2008	-34.1%	-57.0%	N/A	N/A
2012/13	-34.3%	-55.7%	N/A	-67.6%
2020/21	-19.1%	-31.9%	-37.2%	-30.6%
2022	-22.0%	-41.4%	-39.4%	-50.3%
2026 current	-27.3%	-33.5%	-37.0%	-40.1%

Having now seen a gold-price drawdown of roughly -25% to -30%, broadly in line with prior corrections, duration becomes the key unknown. The current drawdown from the late-January high of $5,589/oz has lasted around five months, while recent historical drawdowns have extended to as long as eight months. This explains the net outflows from gold-producer ETF products, as many investors remain neutral while awaiting clearer direction on US interest rates.

In investing, the adage is being too early is as good as being wrong. However, sitting fully on the sidelines during past gold rebounds has often proved expensive. Figure 14 below shows that once the low is in, the first one to three months often deliver the strongest returns within the recovery. Our view is that the long end of the US yield curve indicates that structural tailwinds remain in place for a recovery in the gold price. As such, the recent pullback has provided us with an opportunity to revisit some quality companies at attractive valuations.

Figure 14: Previous recoveries after gold corrections and index performance (Source: Paradigm Research)

Asset	Avg 1M	Avg 3M	Avg 6M	Avg 12M
Gold	+9.8%	+17.5%	+16.1%	+25.6%
S&P Gold Index	+22.8%	+41.3%	+27.0%	+44.9%
GDX	+14.0%	+30.5%	+27.2%	+25.9%
GDXJ	+18.6%	+30.7%	+11.5%	+20.1%

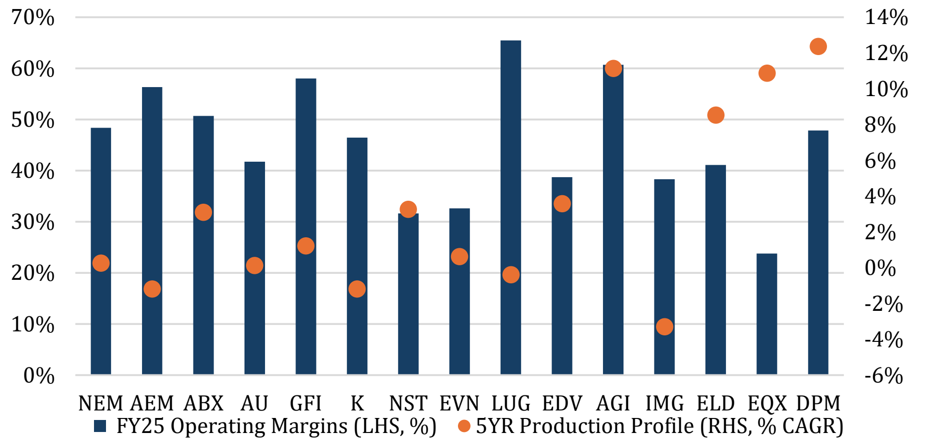
Gold Producers – Show me the money; But what about growth?

During the quarter, TSX-listed producers released their 2025 results, confirming record operating margins above +40% for most companies, as shown in Figure 15 below, which also includes ASX majors NST and EVN. While much of this had been priced in over the corresponding 12-month period, with the HUI index returning +158% in 2025, valuations had not moved beyond the long-term average free-cash-flow yield of around 12%, as shown in Figure 12.

Gold producers remain in excellent health and are generating record free cash flow, but the industry's core challenge remains unchanged: Replenishing reserves to backfill production profiles. The two largest producers, Newmont Mining (NEM) and Barrick Gold (ABX), both change CEOs over the past 18 months, and have undertaken asset sales designed to reduce operating risk and strengthen balance sheets. The consequence, however, is that both companies now have flat to declining production outlooks for this decade, as shown in orange in Figure 15.

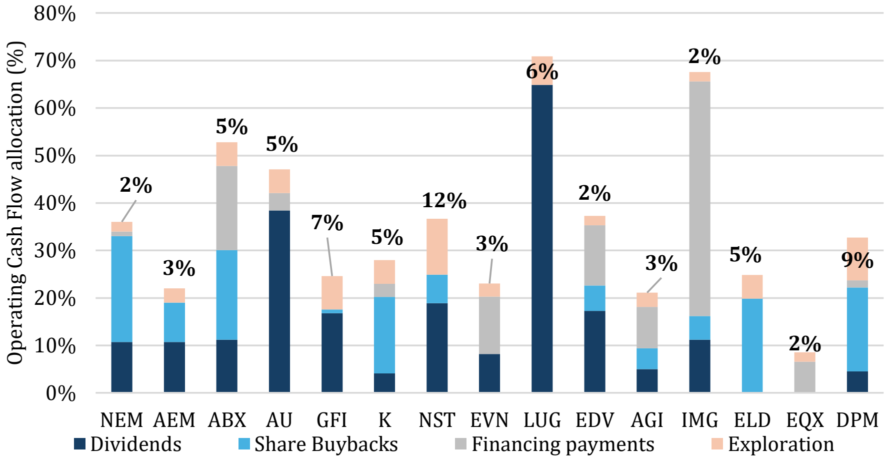
They are not alone. Among the top 15 gold companies shown in Figure 15, only four companies, ELD, DPM, EQX and AGI, are projected to grow production by more than +5% per year from their current portfolio assets. In the case of ELD, DPM and EQX, this growth has come through scrip-based acquisitions of mines that entered production within the past 12 months, diluting shareholders by at least +25% to buy that immediacy of growth.

Figure 15: Top 15 Gold Companies 2025 operating margins and consensus 5 year production growth (Source: Bloomberg)



The flat production outlook among the majors also reflects how capital has been allocated. In Figure 16, we analyse the allocation of operating free cash flow across four discretionary segments: Shareholder returns through dividends and buybacks, debt reduction, shown as net financing payments, and capitalised exploration expenditure. One trend is clear across all companies: Exploration receives the lowest allocation of free cash, ranging from 2% to 12%. The certainty and immediacy of cash returns, including special dividends, offer more appeal than the uncertainty of exploration and often provide a clearer demonstration of total shareholder return.

Figure 16: Top 15 Gold Companies allocation of operating cash flow (%) across segments (Source: Bloomberg)



Having underinvested in exploration, management teams now face the uncomfortable reality of declining production profiles. They can address this through two obvious measures. More recently, they have relied on a rising gold price to preserve operating margins and earnings multiples, allowing them to mine lower-grade ore from existing assets. However, once required gold reserves are exhausted, acquiring junior companies becomes the fastest way to replenish ounces. This "buy-rather-than-build" pattern is characteristic of a more active M&A landscape and aligns with the bull market we have experienced.

Figure 17 below summarised a selection of North American +$ 100m gold deals since January 2024. While the list is not exhaustive, most transactions used scrip, reflecting management's view that acquisitions could create per-share accretion. To test this, we have highlighted in green the deals where the acquirer has outperformed the HUI index since the deal announcement. In our view, *these deals are value accretive.* The broader point is that M&A must be applied judiciously. In the musical chairs of an active bull market, to get a seat, acquirers often shortcut due diligence and end up with assets that fall short of expectations.
The gold deals listed also provide a rough price of acquisition, measured in $/oz. Earlier-stage developers typically trade at a discount below $100/oz, while producers and highly synergistic companies, by location or strategy, can command premiums above $1,000/oz. These levels also reflect the prevailing gold price at the time.

At the spot gold price at the time of writing, $4,300/oz, the typical developer with a resource and study work underway was valued on average at $122/oz. This provides a guide to the upside we still see at Sitka Gold Corp (SIG-TSX), which trades at $55/oz despite growing its resource from 2.77 Moz to 5.12 Moz over the past four years. Despite its stellar one-year run of +330%, Omai Gold Mines (OMG-TSX) also does not appear materially expensive in our view. Encouragingly, both companies confirmed in June-quarter updates that they have added to their resource bases at an average cost of around $5/oz, which the market now values at $55/oz to $135/oz. We consider this an attractive risk/reward scenario, and it underpins our 35% portfolio weighting toward developers. With both companies funded to undertake resource-extension drilling, we view them as prime takeover targets for larger producers should the industry's preference to buy rather than drill for future resources continue.

Figure 17: Recent major deals of TSX listed Gold Companies: January 2024 – May 2026 (Source: Bloomberg). Portfolio holdings shown in orange.

Date	Buyer / target	Deal value, US$	Target Company	Contained Resource (Moz)	(US$/oz resource)	Gold Price (US$/oz) at deal	Main Consideration	Acquirer since deal (%)	Acquirer vs HUI (%) since deal	Gold Price since deal (%)
27-Mar-24	Alamos Gold / Argonaut Gold	US$325mn	Producer	5.21	62	2195	Scrip	187%	-1%	96%
8-Apr-24	Westgold / Karora Resources	~US$814mn	Producer	4.7	173	2339	Scrip/Cash (90/10)	128%	-36%	84%
22-Apr-24	G Mining Ventures / Reunion Gold	~US$640mn	Construction	5.9	108	2327	Scrip	375%	200%	85%
12-Aug-24	Gold Fields / Osisko Mining	US$1.57bn	Construction	3.7	424	2473	Cash	N/A		74%
10-Sep-24	AngloGold Ashanti / Centamin	US$2.5bn	Producer	12	208	2517	Scrip/Cash (88/12)	216%	87%	71%
12-Dec-24	Agnico Eagle / O3 Mining	~US$144mn	Developer	2.52	57	2681	Cash	N/A		60%
23-Apr-25	Equinox Gold / Calibre Mining	US$1.8bn	Producer	6.5	225	3288	Scrip	60%	-18%	31%
27-Apr-25	Alkane Resources / Mandalay Resources	~US$358mn	Producer	2.65	135	3320	Scrip	115%	37%	30%
16-Jul-25	AngloGold Ashanti / Augusta Gold	~US$145mn	Developer	1.92	76	3347	Cash	N/A		28%
28-Jul-25	Torex Gold / Prime Mining	US$327mn	Developer	2	164	3315	Scrip	46%	-14%	30%
30-Oct-25	Fresnillo / Probe Gold	US$560mn	Developer	10	56	4025	Cash	N/A		7%
3-Nov-25	Coeur Mining / New Gold	US$7.0bn	Producer (Silver)	6	1167	4001	Scrip	2%	-18%	7%
26-Jan-26	Zijin Gold International / Allied Gold	~US$4.0bn	Producer	17.4	230	5009	Cash	N/A		-14%
9-Apr-26	G Mining Ventures / G2 Goldfields	~US$2.2bn	Construction	3.53	623	4767	Scrip	-15%	2%	-10%
20-Apr-26	Agnico Eagle / Rupert Resources	US$2.12bn	Developer	4.23	501	4821	Scrip	-26%	-8%	-11%
13-May-26	Equinox Gold / Orla Mining	US$5.1bn	Producer	11.67	437	4740	Scrip	-23%	-5%	-9%

Date	Company	Duration (months)	Beginning resource (Moz)	Updated resource (Moz)	Approx Cash burn, US$	Cost Base (US$/oz)	Enterprise Value (US$m)	Trading Value (US$/oz)	Metres drilled for resource change	Metres planned 12 months
14-Apr-26	Omai Gold Mines	10	6.35	7.89	6.7	4.4	1065	135	15,000	50,000
25-Feb-26	Sitka Gold Corp	48	2.77	5.12	14	6.0	283	55	38,500	60,000
	Developer at US$4,300/oz					**5.2**		**122**		

Phoenix Gold Fund Q2'26 performance

During Q2 2026, the PGF returned -10.29%. ahead of the HUI (-17.31%) and GDXJ (-18.15%). Across April and May, the PGF generated a positive return despite a weaker gold price. In June, however, the gold price fell -11.72%, its steepest decline since October 2008 at the onset of the global financial crisis, when gold fell -16.89%. Gold equities therefore sold off sharply, with the PGF declining -15.86% in June, broadly in line with the HUI and GDXJ.
The sell-off was broad-based. Most portfolio categories, from senior producers to explorers, corrected by -15% to -20%. The largest detractors to Q2 2026 performance were two of the portfolio's stronger performers in 2025: Heliostar Metals (-1.76% to P&L), and Thor Explorations (-1.66% to P&L). We believe the investment thesis for both companies remains intact. Beyond the lower gold price, we have seen no fundamental deterioration, and both companies retain the ability to fund production growth from operating cash flow.
A corporate transaction in May 2026 also affected Q2 2026 performance: the nil-premium, scrip-based merger between two of our larger senior producer holdings, Equinox Gold, (-0.68% to P&L), and Orla Mining, (-0.42% to P&L). We (along with the market -see Figure 17) questioned the strategic merit of the transaction, as the asset bases appeared to offer limited operational synergies. In our view, the deal prioritised immediate scale over per-share value creation.
With both companies entering capital-intensive project development phases, the combined asset portfolio will require disciplined prioritisation and rigorous capital allocation to deliver shareholder value. Since announcing the transaction, the acquirer, Equinox Gold, has underperformed the index by -9%. Management now needs to rebuild shareholder confidence by demonstrating clear execution against its stated strategy.

Figure 18: PGF vs benchmarks Q2'26 (Source: Bloomberg)

Month	PGF	GDXJ	HUI	Gold Price
April	3.89%	-3.08%	-3.94%	-1.08%
May	2.50%	2.54%	2.04%	-1.68%
June	-15.85%	-17.64%	-15.64%	-11.72%
Q2'26	-10.38%	-18.15%	-17.31%	-14.14%
Q1'26	-4.75%	5.50%	11.08%	8.07%
YTD	-14.64%	-13.65%	-8.15%	-7.21%

The June quarter demonstrated that, as greater speculation entered the gold market, the pace of any correction would likely be rapid, particularly as the white-hot AI sector provided other opportunities for investors to chase. With the market stretched on most measures and the bond market fragile, with the 10-year yield at 4.65% for only the second time since 2007, gold should continue to provide ballast against any financial turbulence ahead. With gold stocks in their best financial health for many years, we continue to see attractive opportunities to enhance returns.

Yours Sincerely,

Larry Hill

David Crichton-Watt

PHOENIX
GOLD FUND

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