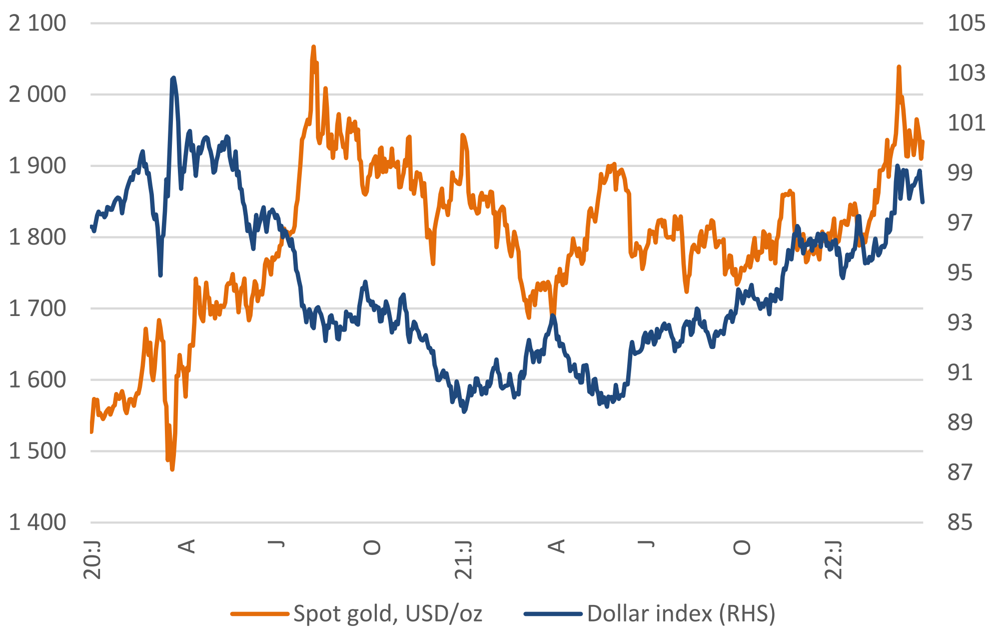
VERNY CAPITAL

Global Gold Market Updates

Spot gold surged past USD2,000-level in early March, driven by high commodity prices and risk-aversion from escalating geopolitics

Spot Gold vs. USD Index, as at 30 March 2022



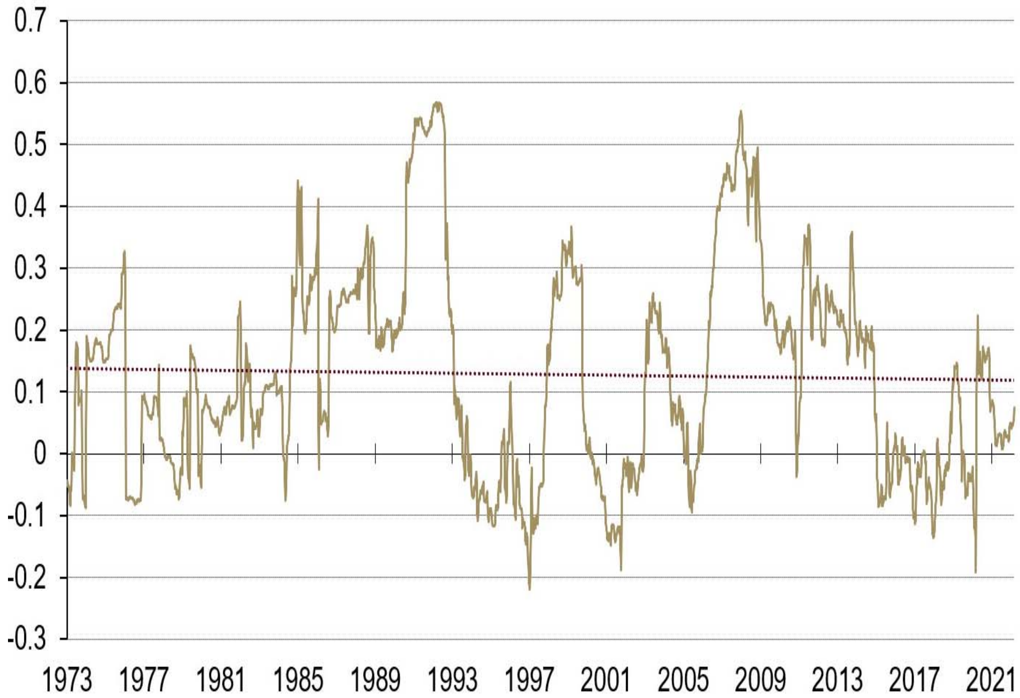
US' Gold Futures, 1-Year Trend, as at 30 March 2022

- ✓ **Spot gold surged past USD2,000/oz on 8th March, nearly touched the August 2020 record, driven by continued concerns on geopolitics, rising commodity prices and the potential implications for the global economy**.
- ✓ Spot gold price has eased in recent weeks to USD1,933.85/oz as at 30th March, having gained 6.4% in February and 1.3% in March.
- ✓ **Expect spot gold price to remain resilient amidst equity and bond weakness, geopolitical risk, soaring inflation – enhancing gold proposition for effective diversification and portfolio hedge**.

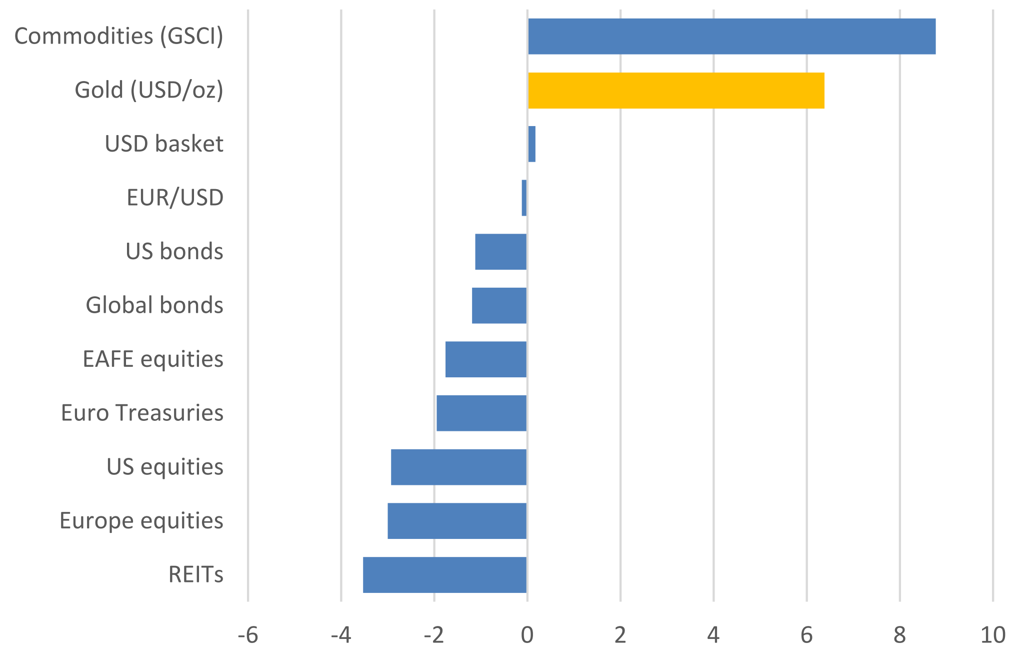
Source: London Bullion Market Association, Reuters, VC

Gold price tends to lag the price movement in other commodities, but gold has historically outperformed in the longer-term

Gold vs. Oil Returns Correlation, 1973-2021



Commodity Price Performance, % Change in February



✓ Gold and oil prices tend to outperform during high inflation periods but for different reasons. The long-term correlation between gold and oil prices is close to zero (-0.2 to +0.5 at any given time during 1973-2021).

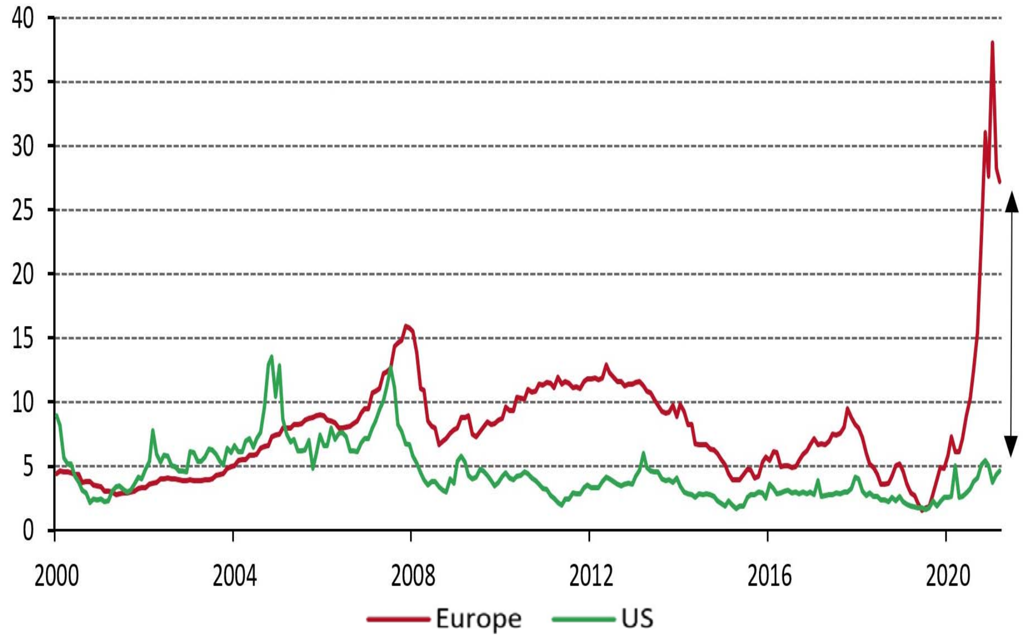
✓ High oil (and other commodity) prices can result in high inflation. When high inflation persists, investors look for hedges and this often increases the appeal of gold as investment, leading to higher gold price.

✓ As such, **gold price tends to lag the price movement in other commodities, but gold price has historically outperformed in the longer-term**.

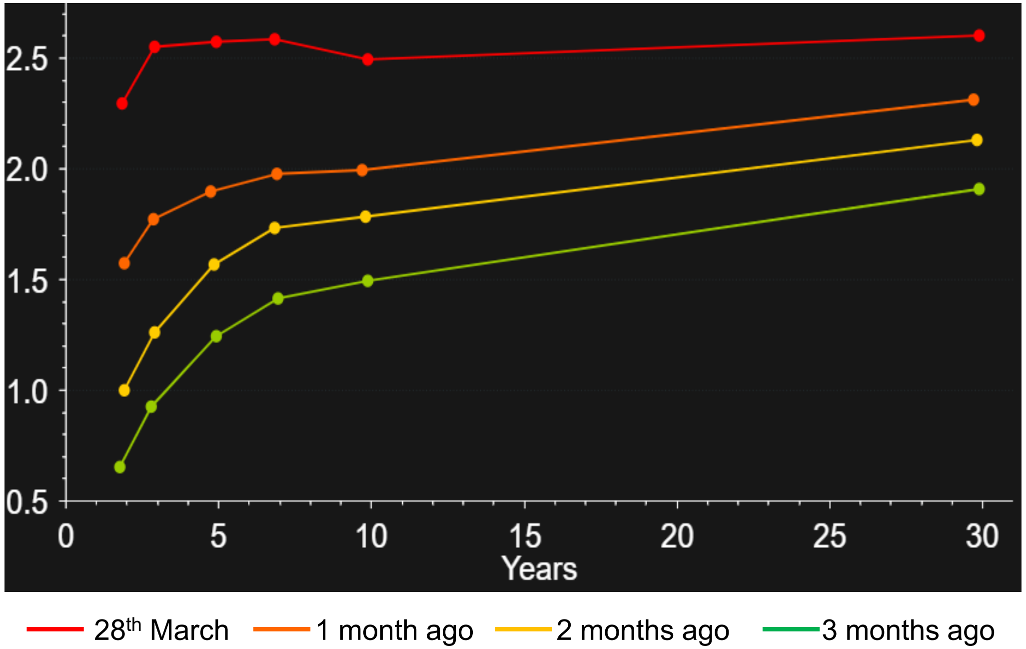
Source: Reuters, World Gold Council, VC

Current economic data do not point to a material risk of stagflation, but a prolonged high global commodity prices could make global stagflation risks a reality

Global Natural Gas Prices, USD/mmbtu



US Treasury Yield Curves, %

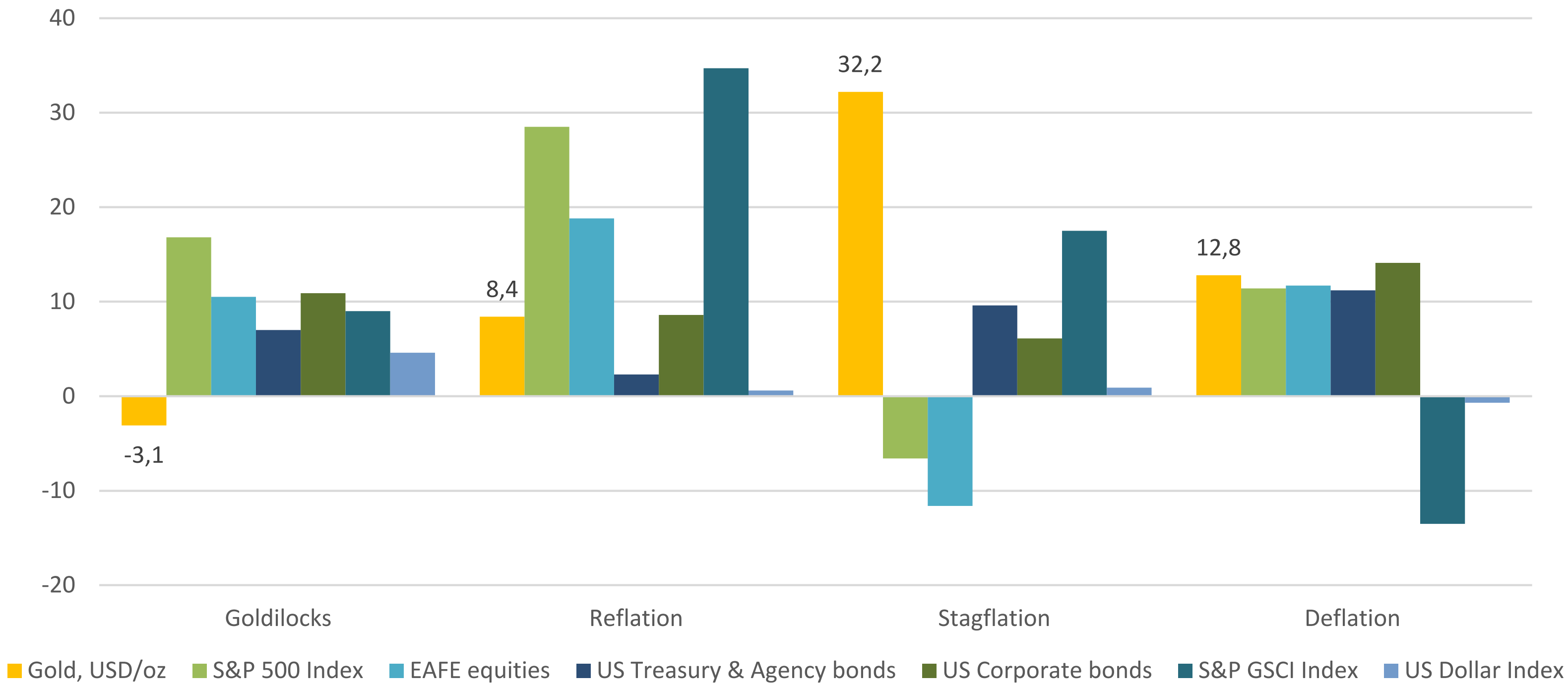


- ✓ **The risk of stagflation is rising globally**, especially in Europe, underpinned by a combination of high commodity prices, high energy dependency, a weaker economic and financial positions – all now exacerbated by geopolitics.
- ✓ At the most recent monetary policy meeting, **the European Central Bank discussed on the possibility of stagflationary shock**, although incoming economic data do not point to a material risk of stagflation now.
- ✓ **In the US, economic data still signals resilience**. The Treasury yield curve shifts upwards to reflect higher interest rates, **however at the same time the yield curve has also flattened significantly (the spread between long and short-term yields have narrowed). A flattening yield curve reflects market expectations of a potential economic correction moving forward**.
- ✓ Should global commodity prices stay high for a prolonged period, global stagflation risks could become a reality.

Source: European Central Bank, Reuters, World Gold Council, VC

Gold has historically outperformed in periods of stagflation

Gold vs. Selected Assets, annualised adjusted return since 1Q73, %



<u>Definition of economic environment</u>
Goldilocks = Economic condition that is neither overheated nor too cold to cause a recession
Reflation = Economic growth spurred by government stimulus, either fiscal or monetary or both
Stagflation = High inflation, stagnant economic growth
Deflation = General decline in prices for goods and services

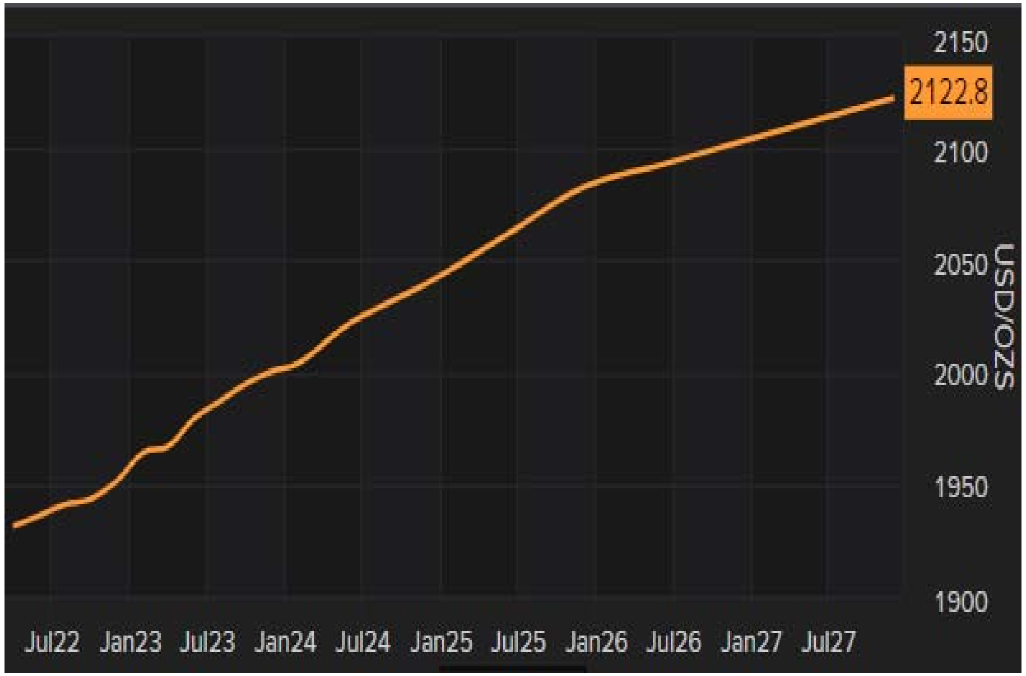
✓ Reflation could explain the current global economic condition i.e. economic growth spurred by government stimulus. Gold's current performance reflects its historical track record in reflationary environments, i.e. lagging the performance of general commodities but with the potential of catching up.

✓ Equity and bond weakness, geopolitics, rising inflation are currently supporting gold performance. **Should the global economic condition turns into stagflation mode, historical track record shows gold could outperformed other asset classes**.

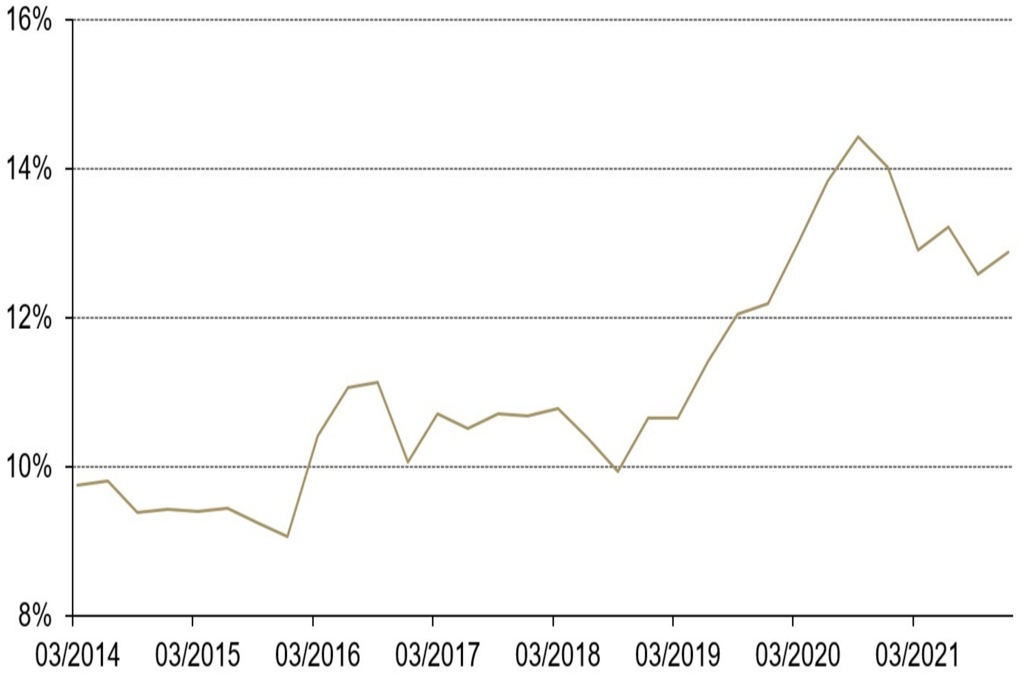
Source: World Gold Council, VC

Gold price should not see the same level of volatility as commodities in general, supported by hedging nature of gold investment

Gold Price Forward Curve, as at 30 March 2022



Gold as % of Global FX Reserves



- ✓ Global commodity prices have risen exponentially in recent months, potential resolution to existing geopolitics could see prices correct significantly. However, gold price is not expected to experience the same level of volatility should there be a price correction.
- ✓ This is because (i) global gold supply has not experienced the same magnitude of disruption as other commodities, (ii) sufficient global gold stockpiles, (iii) global gold demand driven by strategic investors looking for longer-term diversification and risk hedging assets, (iv) any price correction provides buying opportunity and this could cushion the impact of potential price pullback.
- ✓ Reuters poll shows spot gold price forecast of USD1,778.33/oz average in 2022 and USD1,708.47/oz average in 2023.

Source: Reuters, World Gold Council, VC

Regional gold insights and updates

China's net gold imports via Hong Kong fell 13.7% to their lowest level in nearly a year in February, as Lunar New Year holidays and high prices could have dented appetite. Net imports were 20.734 tonnes in February, down from 24.016 tonnes in January. The Hong Kong data may not give a full picture of Chinese purchases as gold is also imported through Shanghai and Beijing.

- ✓ SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, reported its gold holdings rose 0.5% or 5.5 tonnes to 1,093.18 tonnes on 25th March from 1,087.66 tonnes on 24th March. Year-to-date, **SPDR gold holdings increased by 12%**.

The London Bullion Market Association and the World Gold Council announced on 28th March that they are working with gold refiners, traders and shippers to create a database of gold bars in an effort to prevent trade in counterfeit metal and allow buyers to trace gold origin. Several key players have submitted data to a pilot scheme that should extend worldwide eventually

Switzerland exported 119.9 tonnes of gold to China and Hong Kong and 44.9 tonnes to India in the first two months of 2022. Swiss exports of gold to China in February eased from the previous month's of 5-year high. Switzerland is the world's biggest refining and transit centre.

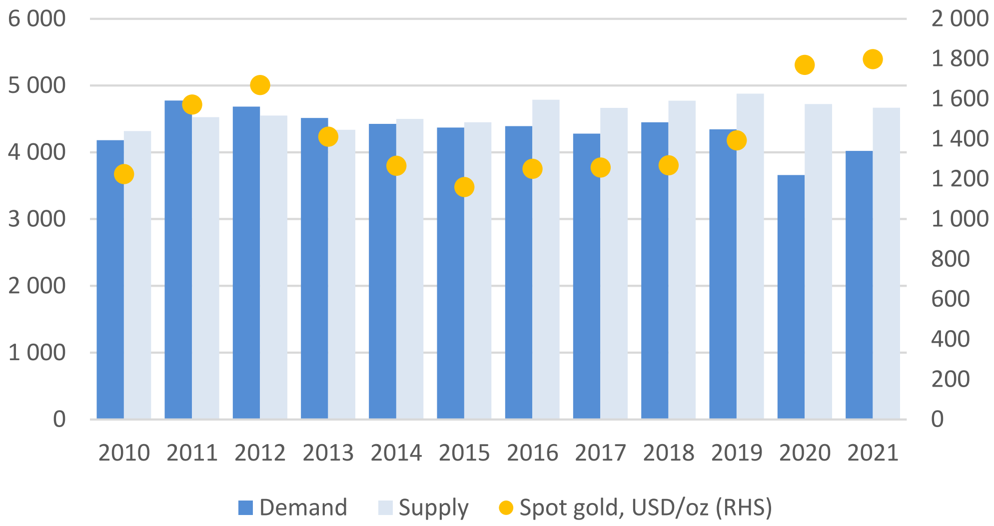
India's gold imports fell by 11.45% to USD4.7bln in February, with average monthly gold imports of 76.57 tonnes during April 2021-February 2022

The **Central Bank of Russia announced in end-February that it would resumed gold buying from the domestic market** following international sanctions, the first time in two years. CBR accumulated 1,900 tonnes of gold during 2006-2020. Russia's gold reserves stood at 2,300 tonnes as at end-January, at 21% of total reserves

Source: Reuters, official announcements

Appendix 1: Gold – charting growth in 2021

Global gold demand rose by 10% YoY to 4,021t in 2021, fuelled by 4Q21 demand which jumped ~50% to a 10-quarter high.



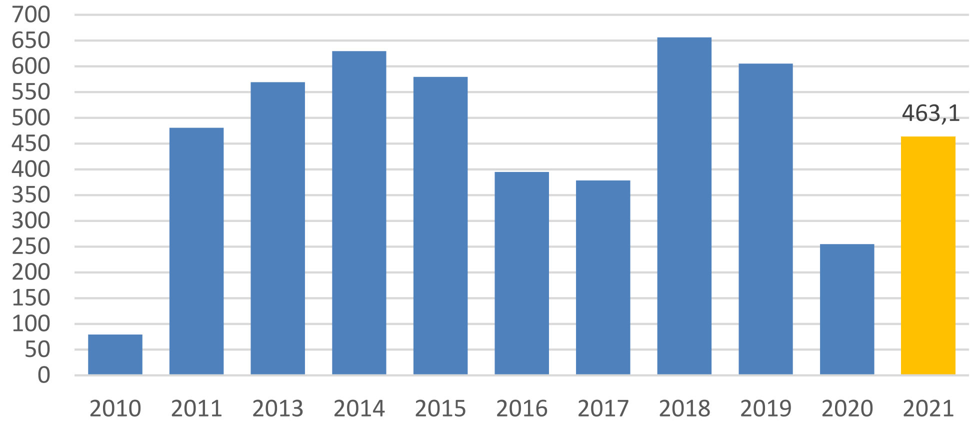
Jewellery demand from consumers increased 52% YoY to 2,124t in 2021, matching the 2019 total, driven by China (+63%) and India (+93%).

Sources of gold demand	2020	2021	% YoY chg
Jewellery fabrication	**1,327.4**	**2,220.9**	**+67**
Technology	302.8	330.2	+9
Investment	1,773.6	1,007.1	-43
Total bar & coin	899.6	1,180.4	+31
ETFs & products	874.0	-173.3	-
Central banks & institutions	255.0	463.1	+82
Global gold demand	**3,658.8**	**4,021.3**	**+10**

Bar & coin investment jumped 31% YoY to an 8-year high of 1,180t in 2021. 4Q21 demand was 318t, the highest since 2016.

Tonnes	2020	2021	% YoY chg
Bar & coin	**899.6**	**1,180.4**	**+31**
China	198.9	285.5	+44
India	130.4	186.5	+43
Gold-backed ETFs	874.0	-173.3	-
Total investment	1,773.6	1,007.1	-43

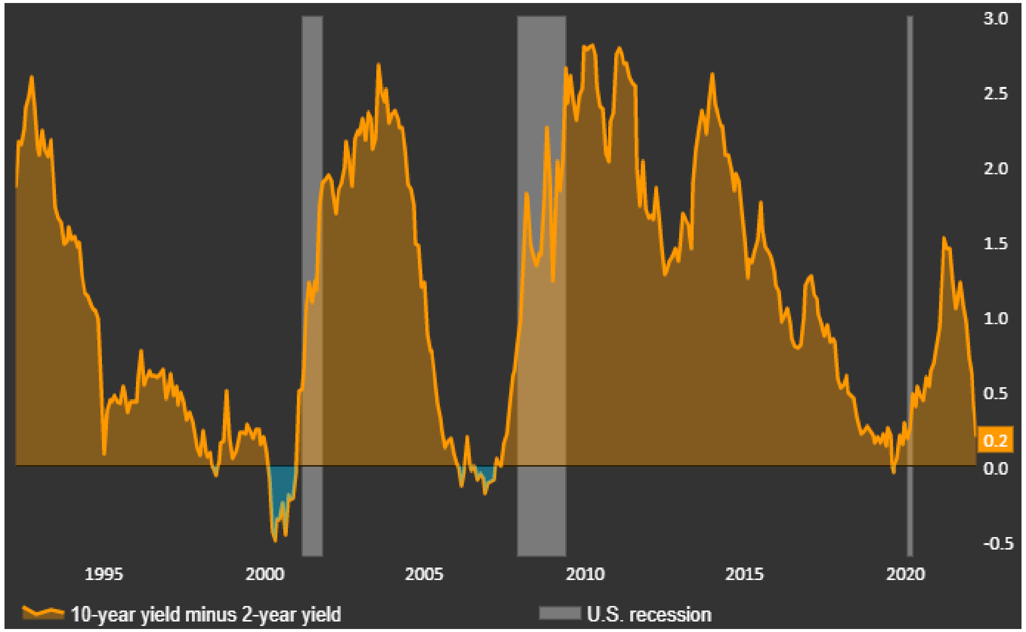
Central banks accumulated 463t of gold in 2021, 82% YoY higher, lifting global gold reserves to a near 30-year high.



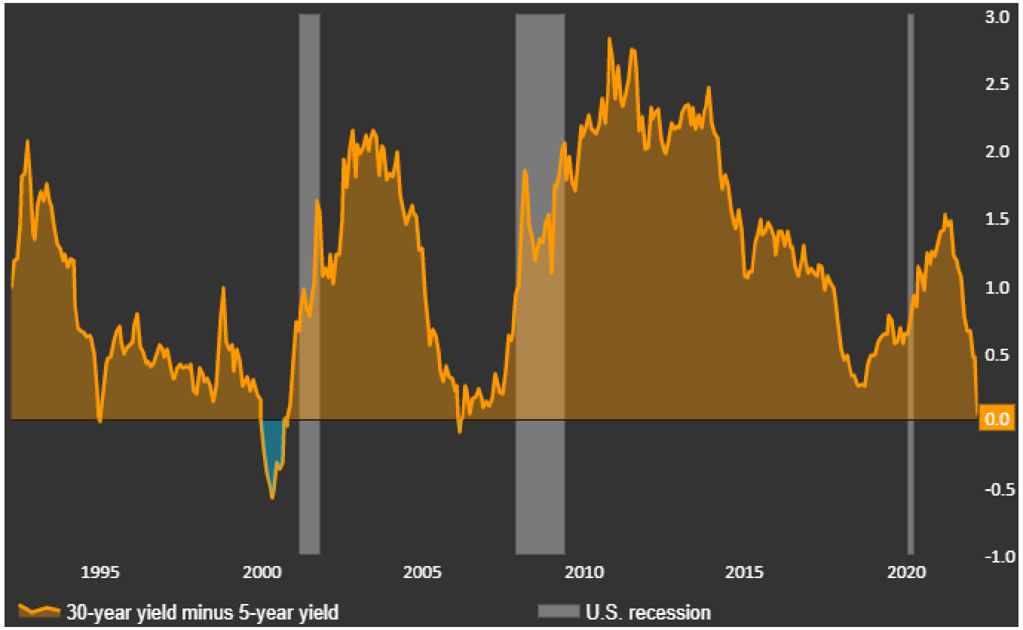
Source: World Gold Council, VC

Appendix 2: US yield curve inversions and US recessions

US 10-Year Yield Minus 2-Year Yield, %



US 30-Year Yield Minus 5-Year Yield, %



- ✓ The US yield curve has inverted before each recession since 1955, with a recession following between six and 24 months.
- ✓ Yields of short-term US government debt have been rising quickly this year, reflecting expectations of a series of rate hikes by the US Federal Reserve, while longer-dated government bond yields have moved at a slower pace amidst concerns policy tightening may hurt the economy.
- ✓ As a result, the shape of the Treasury yield curve has been generally flattening and in some cases inverting briefly. The spread between 5 and 30-year US Treasury yields fell to as low as -7bps on 28th March, moving below zero for the first time since February 2006. The spread has collapsed from a positive 53bps at the start of March.
- ✓ Meanwhile in the overnight index swaps market, the yield curve between 2 and 10-year swap rates inverted for the first time since late 2019 and last stood at -4bps.

Source: US Federal Reserve Bank of San Francisco, Reuters, VC

Disclaimer & Disclosures

The Investment Team Market Intelligence of Verny Capital LLP (hereinafter referred to as the “**Research Team**”) have prepared this Report (hereinafter referred to as the “**Report**”). The Research Team certifies that all views expressed in this Report reflect the Research Team’s personal professional views. The Report is based on the information and methodologies taken from the sources which the Research Team considers to be reliable and have used public and other data which was not independently verified. While the Report is intended to be as accurate as possible, the Research Team and/or Verny Capital LLP make no guarantee, warranty or representation of any kind under any applicable law, express or implied, as to the accuracy or completeness of the information contained in the Report or otherwise, and it should not be relied on as such, and expressly disclaim under any applicable law any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Report or any statement in it. Further, the forward-looking statements speak only as at the date of the Report. The Research Team and/or Verny Capital LLP make no undertaking to update this Report or its contents after the date of the Report notwithstanding that such information may have become outdated or inaccurate. Notwithstanding above, the Research Team may change information contained in this Report at any time without notice.

Neither the Research Team nor Verny Capital LLP or any of its officers, employees shall be liable for any losses or damage that may result from any use of or reliance upon the information contained in the Report as a consequence of any inaccuracies in, errors or omissions, if any, in the information which the Report may contain or otherwise arising from the use and/or further communication, publication, or other disclosure of the information contained in the Report. Reliance upon any information in the Report is at the sole discretion and risk of the reader. Receipt and continuing review of the report shall be deemed agreement with, and consideration for, the foregoing.

This Report is solely intended for general information purposes only. Verny Capital LLP states that this Report is not in any sense, and shall not be construed under any applicable law, as an offer or solicitation of an offer to any person of the purchase or sale of any assets or securities in any jurisdiction; the Report and any materials contained therein shall not be relied upon for any purpose whatsoever, including but not limited to, for investment or any other decisions.

No portion of this Report may be copied, published, used or duplicated in any form by any means or redistributed without prior written consent of Verny Capital LLP. In addition, Verny Capital LLP expressly prohibits the use of any portion of the Report, whether by reference, by incorporation, or otherwise, in any prospectus, IPO materials, or other filings in any jurisdiction with financial supervisory or other authorities, or in any public materials on which any investment or any other decisions might be based.