

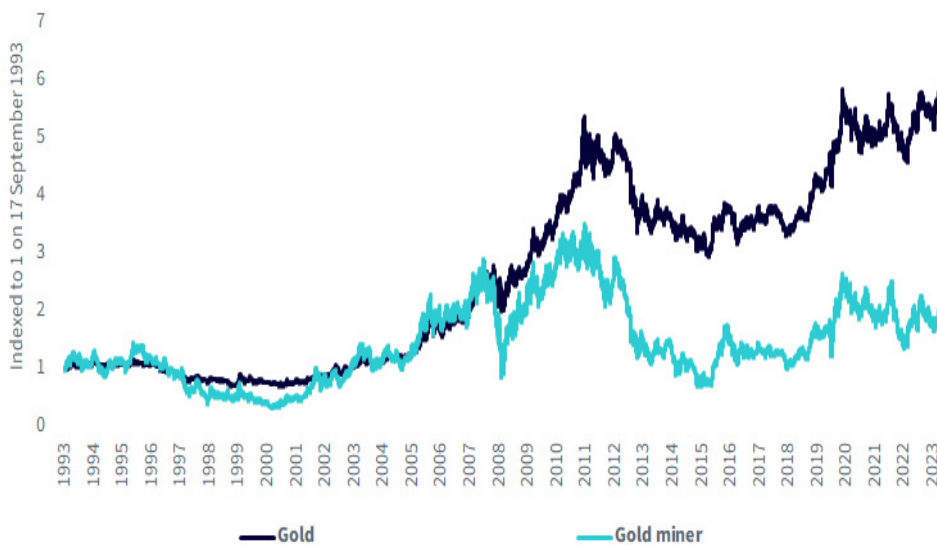
# GOLD BREAKS NEW HIGHS. WILL MINERS FOLLOW SUIT?

Christopher Gannatti – Global Head of Research, Nitesh Shah – Director of Research,  
 WisdomTree Europe  
 03/19/2024

Gold prices have reached new highs, with front-month futures hitting US\$2,203/oz (March 8, 2024).<sup>1</sup> The rally is supported by a sharp rise in speculative long positioning in gold futures markets, marking a positive shift in sentiment following months of decline. This rally has had a quick ascent. Neither [Treasury Inflation-Protected Securities \(TIPS\)](#) nor silver or gold miners have kept up over the past three months. These assets are usually strongly correlated with gold, but the speed of gold’s recent moves left these other related assets behind.

We believe there is catch-up potential. Gold miners have lagged behind gold bullion since their significant drawdown during the global financial crisis of 2008 and 2009 and have largely shown practically no gains over the last two decades. Yet, recently, they have shown signs of performing better: over one-month trailing returns to March 8, 2024, miners are up 8.8% versus 7.0% for gold.

Figure 1: Gold vs. Gold Miners Back to 1993



Sources: WisdomTree, Bloomberg, NYSE Arca Gold Miners, London Bullion Market Association (LBMA) PM Gold price, 9/17/1993–3/8/2024. Past performance is not indicative of future results.

## Hedge Funds Are Buying Gold Miners

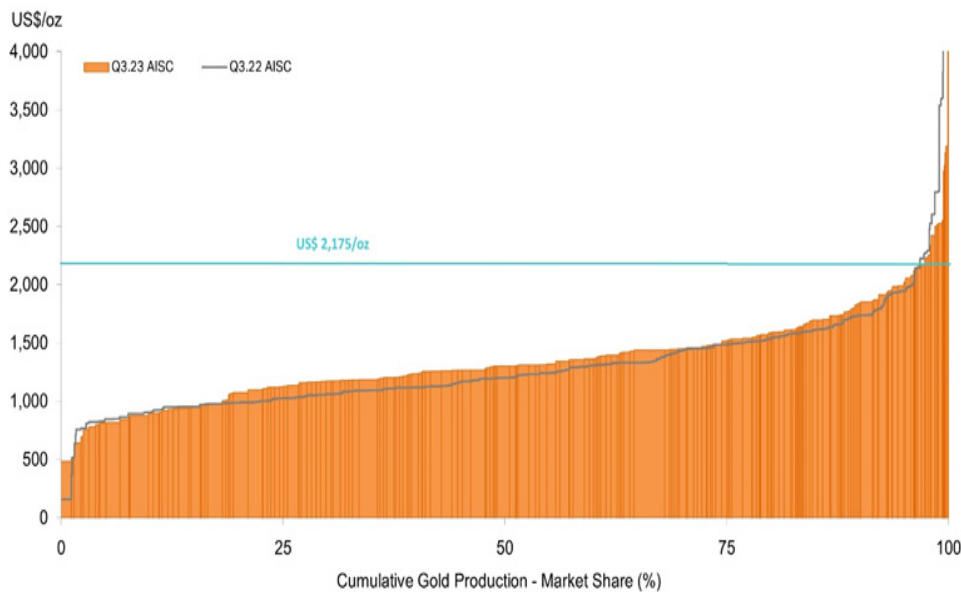
Hedge funds have started to pay attention. Fund managers like Stanley Druckenmiller (of Duquesne Family Office) are reported in their latest 13F filings to have been buying gold miners like Barrick Gold and Newmont, moving away from technology firms like Amazon and Alibaba.<sup>2</sup>

## Gold Rally Should Drive Miner Profitability Higher

Analysts have pointed to declining ore grades, more difficult operating conditions—including higher labor and energy costs—and less geopolitical stability as some of the reasons that miners have struggled in the recent past.

However, the profitability of gold miners will increase substantially. Using Metals Focus’s All-in-Sustaining Costs (AISC)<sup>3</sup> curve, we estimate more than 95% of global gold production is profitable at current prices. And at the 50th percentile, we could have miners with greater than US\$700/oz AISC margin. If current gold prices are sustained, we believe that gold miners could see substantial improvements to margins. Moreover, current prices should encourage mine expansion, adding volume to current operations.

Figure 2: Gold Miners’ All-in-Sustaining Costs Curve



Sources: Metals Focus Mine Cost Service, WisdomTree, December 2023.

### Consolidation and Share Buybacks

The drift between gold prices and miners may also drive consolidation in the industry as miners seek to become more operationally efficient. Last year, Newmont announced the purchase of Newcrest.

Harmony Gold CEO Peter Steenkamp told Reuters, “I think it’s going to be inevitable that there will be some sort of consolidation, because exploration has been lacking for such a long time and for people to replace assets they will have to look at what their neighbors have and what the opportunities will be.”<sup>4</sup>

In January 2024, Perseus Mining announced a takeover bid for Silvercorp.<sup>5</sup> Small- to medium-sized miners are likely to be deal-making targets.

Miners may also seek to make buybacks to use surplus cash. Kinross Gold, under pressure from activist investor Elliott Management, has done precisely that, and its stock has rallied 47% in the past year (March 13, 2013, to March 12, 2024).<sup>6</sup>

### WisdomTree Solutions

WisdomTree offers gold-related [“efficient-core”](#) solutions to help bring gold into a portfolio and provide greater portfolio diversification without sacrificing other slots in a total portfolio pie.

Efficient-core solutions tied to gold offer exposure to an equity benchmark and add gold futures on a leveraged basis. Because the gold exposure is leveraged, a \$100 exposure to the strategy can give you \$90 exposure to the specific equities, \$90 exposure to gold futures and \$10 cash collateral (earning rates comparable to [U.S. Treasury bills](#)).

WisdomTree offers two efficient-core strategies with gold: one with an exposure to broad

U.S. equities ([WisdomTree Efficient Gold Plus Equity Strategy Fund, GDE](#)) and the other with an exposure to gold miners ([WisdomTree Efficient Gold Plus Gold Miners Strategy Fund, GDMN](#)). With gold and broad equities both rallying, the case for [GDE](#) has been compelling for some time.

With miners now at an exciting inflection point, we believe it is time to think about [GDMN](#). The Fund has risen almost 20% between February 27, 2024, and March 11, 2024, playing off both gold and gold miner rallies, which we will see in figure 3c.

Clearly, gold’s price has appreciated, but the metal has diverged from the miners for the last two decades. Many allocate to both individually, and [GDMN](#) allows an efficient package of both in one.

In figures 3a and 3b, we showcase some of the performance of both [GDE](#) and [GDMN](#), compared to the following:

- [VanEck Gold Miners ETF \(GDV\)](#): This has been the largest ETF in the space. [GDMN](#) is a different exposure, as we explained, which has a .90 beta exposure to those related equities but adds the .90 [beta](#) to gold futures as well.
- [SPDR Gold Shares \(GLD\)](#): GLD is the largest strategy providing exposure to physical gold. This helps show how the straight equities and combo with gold futures compare to the physical metal.

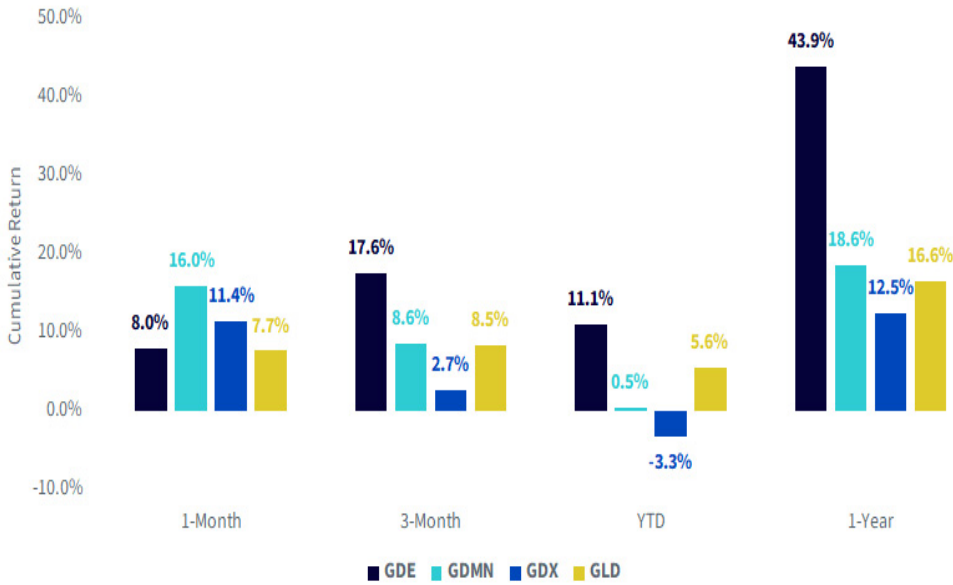
When we are thinking about miners (GDV), capital-efficient gold plus miners ([GDMN](#)) and capital-efficient gold plus equities ([GDE](#)), it’s important to bring the discussion back to how these exposures compare to that of the price of gold.

Figure 3a: Standardized Performance Comparison

Fund Name	Ticker Symbol	Expense Ratio	Inception Date	1-Year	3-Year	5-Year	7-Year	10-Year	Since Inception
WisdomTree Efficient Gold Plus Equity Strategy Fund (NAV)	GDE	0.20%	3/17/22	32.64%	N/A	N/A	N/A	N/A	5.92%
WisdomTree Efficient Gold Plus Equity Strategy Fund (MP)	GDE	0.20%	3/17/22	33.30%	N/A	N/A	N/A	N/A	6.24%
WisdomTree Efficient Gold Plus Gold Miners Strategy Fund (NAV)	GDMN	0.45%	12/16/21	13.21%	N/A	N/A	N/A	N/A	3.88%
WisdomTree Efficient Gold Plus Gold Miners Strategy Fund (MP)	GDMN	0.45%	12/16/21	13.05%	N/A	N/A	N/A	N/A	3.74%
VanEck Gold Miners ETF (NAV)	GDV	0.51%	5/16/06	10.27%	-3.10%	9.47%	6.99%	4.91%	-0.58%
VanEck Gold Miners ETF (MP)	GDV	0.51%	5/16/06	9.96%	-3.25%	9.38%	6.93%	4.89%	-0.60%
SPDR Gold Shares (NAV)	GLD	0.40%	11/18/04	13.35%	2.52%	9.54%	8.15%	5.13%	7.96%
SPDR Gold Shares (MP)	GLD	0.40%	11/18/04	12.69%	2.34%	9.53%	8.27%	5.11%	7.88%

Source: WisdomTree, specifically data is from the PATH Fund Comparison Tool, as of 12/31/23. NAV denotes total return performance at net asset value. MP denotes market price performance.

Figure 3b: Gauging the Recent Inflection, with Data as of 3/11/24



Source: WisdomTree, specifically data is from the PATH Fund Comparison Tool, accessed as of 3/12/24.

Figure 3c: The Recent Miner Rally from February 27, 2024, to March 11, 2024



Source: WisdomTree, specifically data is from the PATH Fund Comparison Tool, accessed as of 3/12/24.

Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

For the most recent month-end and standardized performance and to download the respective Fund prospectuses, click the relevant ticker: [GDE](#), [GDMN](#), [GDX](#), [GLD](#)

**When Considering Equities, One Cannot Forget the Fundamentals**

While short-term momentum can be nice and “confidence-inspiring,” it’s important to also look under the hood to note the fundamentals. A short-term rally supported by fundamentals has a better chance of sustaining into the medium or even longer term.

Looking at figure 4, we see:

- [GDMN's](#) gold mining stocks have a substantially lower [price/earnings](#) and [price/book ratio](#), particularly gauged against the [S&P 500 Index](#).
- [GDMN's](#) gold mining stocks will likely never look as strong on a [return-on-equity](#) or profitability basis. With the current exposures of the world's largest companies in the S&P 500, [MSCI World](#) and [MSCI ACWI Indexes](#), it would be tough to see mining stocks competing on a profitability basis.
- [GDMN's](#) trailing sales growth, trailing earnings growth and forward earnings growth estimates look very strong against even the tech-heavy S&P 500. The forward estimates may not even account for the record-high gold prices increasing the profitability of these companies. If share prices respond to these fundamentals, it could signal a noteworthy opportunity.

**Figure 4: GDMN's Gold Mining Stocks on a Fundamental Basis against Major Equity Benchmarks (as of 2/29/24)**

Characteristics	GDMN	S&P 500	MSCI World	MSCI ACWI
Weighted Average Market Cap (\$bn)	\$12.9	\$742.4	\$529.8	\$487.5
Over \$10 billion	48.9%	99.4%	96.8%	94.6%
\$2 billion - \$10 billion	38.6%	0.6%	3.2%	5.3%
Under \$2 billion	12.6%	0.0%	0.4%	9.2%
Number of Holdings	51	503	1479	2919
<b>Valuation</b>				
Price/Earnings	16.7	21.1	18.7	17.8
Price/Book	1.3	4.8	3.4	3.1
Price/Sales	2.4	2.8	2.2	2.0
<b>Profitability</b>				
Return on Equity (ROE)	5.6%	17.6%	15.0%	14.2%
Return on Assets (ROA)	3.3%	4.1%	2.6%	2.4%
Percentage Negative Earnings (TTM)	17.9%	1.3%	2.6%	2.8%
<b>Growth</b>				
Trailing 5-Year Sales Growth	31.7%	12.9%	12.9%	13.1%
Trailing 5-Year Earnings Growth	14.0%	11.6%	10.8%	11.0%
Forward Earnings Growth Estimates	14.7%	14.5%	13.8%	14.4%

Source: FactSet, with data as of 2/29/24. \$bn stands for "billions." TTM stands for "trailing 12-month." S&P 500 represents S&P 500 Index. MSCI World represents MSCI World Index. MSCI ACWI represents MSCI ACWI Index. You cannot invest directly in an index.

**Figure 5: Important Information Regarding Funds within This Report**



If you are interested in diving more into the comparison of these Funds, please check out our [Fund Comparison Tool](#).

<sup>1</sup> Source: Bloomberg.

<sup>2</sup> "DUQUESNE FAMILY OFFICE LLC", *whale wisdom*, <https://whalewisdom.com/filer/duquesne-family-office-llc>

<sup>3</sup> All-in sustaining costs is a non-GAAP (generally accepted accounting principles) metric introduced in 2013 and adopted by most gold miners. It provides a comparable metric that reflects as closely as possible the full cost of producing and selling an ounce of gold. The “sustaining” nature of the metric includes both operating and capital expenditure. The cost curve recognizes that each mine has a different cost structure. The volume of gold production can be read across the horizontal axis, and production is ordered from lowest to highest cost producer.

<sup>4</sup> Source: Nelson Banya, “Harmony Gold CEO says gold sector consolidation ‘inevitable,’” *Reuters*, 3/1/23.

<sup>5</sup> Source: "Perseus Mining announces intention to make takeover bid for OreCorp Ltd", *Globe Newswire*, <https://www.globenewswire.com/news-release/2024/01/22/2812645/0/en/Perseus-Mining-announces-intention-to-make-takeover-bid-for-OreCorp-Ltd.html>

<sup>6</sup> Source: Bloomberg.

#### Important Risks Related to this Article

Nitesh Shah is an employee of WisdomTree UK Limited, a European subsidiary of WisdomTree Asset Management Inc.’s parent company, WisdomTree Investments, Inc.

For current Fund holdings, please click the respective ticker: [GDE](#), [GDMN](#). Holdings are subject to risk and change.

**GDE:** There are risks associated with investing, including the possible loss of principal. The Fund is actively managed and invests in U.S.-listed gold futures and U.S. equity securities. The Fund’s use of U.S.-listed gold futures contracts will give rise to leverage, magnifying gains and losses and causing the Fund to be more volatile than if it had not been leveraged. Moreover, the price movements in gold and gold futures contracts may fluctuate quickly and dramatically and have a historically low correlation with the returns of the stock and bond markets. U.S. equity securities, such as common stocks, are subject to market, economic and business risks that may cause their prices to fluctuate. The Fund’s investment strategy will also require it to redeem shares for cash or to otherwise include cash as part of its redemption proceeds, which may cause the Fund to recognize capital gains. Please read the Fund’s prospectus for specific details regarding the Fund’s risk profile.

**GDMN:** There are risks associated with investing, including the possible loss of principal. The Fund is actively managed and invests in U.S.-listed gold futures and global equity securities issued by companies that derive at least 50% of their revenue from the gold mining business (“gold miners”). The Fund’s use of U.S.-listed gold futures contracts will give rise to leverage, magnifying gains and losses and causing the Fund to be more volatile than if it had not been leveraged. Moreover, the price movements in gold and gold futures contracts may fluctuate quickly and dramatically and have a historically low correlation with the returns of the stock and bond markets. By investing in the equity securities of gold miners, the Fund may be susceptible to financial, economic, political or market events that impact the gold mining sub-industry, including commodity prices and the success of exploration projects. The Fund may invest a significant portion of its assets in the securities of companies of a single country or region, including emerging markets, and thus, the Fund is more likely to be impacted by events and political, economic or regulatory conditions affecting that country or region or emerging markets generally. The Fund’s investment strategy will also require it to redeem shares for cash or to otherwise include cash as part of its redemption proceeds, which may cause the Fund to recognize capital gains. Please read the Fund’s prospectus for specific details regarding the Fund’s risk profile.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.



Related Funds

+ [WisdomTree Efficient Gold Plus Equity Strategy Fund](#)

+ [WisdomTree Efficient Gold Plus Gold Miners Strategy Fund](#)

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).



**IMPORTANT INFORMATION**

**U.S. investors only:** Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.  
You cannot invest directly in an index.

## DEFINITIONS

**Treasury Inflation-Protected Securities (TIPS)**: Bonds issued by the U.S. government. TIPS provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. When a TIPS matures, you are paid the adjusted principal or original principal, whichever is greater.

**Treasury Bill**: A treasury bill (T-Bill) is a short-term debt obligation backed by the U.S. government with a maturity of one month (four weeks), three months (13 weeks) or six months (26 weeks).

**Beta**: A measure of the volatility of a security or a portfolio in comparison to a benchmark. In general, a beta less than 1 indicates that the investment is less volatile than the benchmark, while a beta more than 1 indicates that the investment is more volatile than the benchmark.

**Price-to-earnings (P/E) ratio**: Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

**Price-to-book ratio**: Share price divided by book value per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

**S&P 500 Index**: Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

**Return on Equity (ROE)**: Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

**MSCI World Index**: Captures large and mid-cap representation across 23 Developed Markets (DM) countries.

**MSCI ACWI Index**: A free-float adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.