



Gold funds burst out of the blocks with rocketing returns; Commodities

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Body

Australian gold funds are shaping up for a bumper year as mining companies start to capitalise on record prices, helping the stocks to finally catch up to the performance of the precious metal.

Portfolio managers were left frustrated last year after a jump in production costs held back ASX-listed gold producers from riding the rally in the spot prices to record levels. The VanEck Gold Miners exchange-traded fund climbed nearly 20 per cent in 2024 versus a 38 per cent rally for the gold price in Australian dollars.

But easing cost inflation that has plagued the mining sector for the last three years and an ongoing surge in prices has seen the trend reverse course. VanEck's Gold Miners ETF is up 17 per cent already this year while the Aussie dollar spot price has climbed 6.3 per cent.

Local fund managers are bullish that gold has much further to run after the US dollar price climbed above \$US2942 an ounce for the first time and the Australian dollar gold price breached \$4500 an ounce.

Victor Smorgon Partners' **Resource** Gold Fund returned a chunky 13.3 per cent in January and portfolio manager Cameron Judd believes the valuations of ASX gold stocks still don't reflect the outlook for the yellow metal.

"Gold's performance in times of uncertainty or crisis could see it push towards \$US3600," Mr Judd said. "Despite the strong gold price performance and fundamentals supporting further appreciation, gold miners are trading at discounted valuations on the ASX."

Wall Street's biggest banks believe a \$US3000 price tag is imminent. Citi said it was possible within the next three months, while JPMorgan has a year-end target of \$US3150. Bank of America said on Thursday that gold could reach \$US3500 an ounce if investment demand rises 10 per cent this year.

The unprecedented surge in the gold price has been fuelled by investors seeking safe haven assets as US President Donald Trump unleashes aggressive trade and geopolitical policies. There are fears the president will accelerate inflation, forcing central banks to raise rates in a way that damages global growth.

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Victor Smorgon's top holdings include ASX-listed Vault Minerals and the world's largest gold miner, US-based Newmont, which recently acquired Newcrest. The fund also owns Australia's biggest gold miner, Northern Star, which agreed to buy rival De Grey in a \$5 billion deal.

Mr Judd is also expecting international companies to make further plays for local miners and explorers given the cheaper valuations of ASX gold stocks, aided by a weak local currency.

"The lower Australian dollar makes gold miners even cheaper to buy as demand for the precious metal rises," Mr Judd said.

Collins St Asset Management is also finally starting to reap the benefits of the catch-up in gold stocks after taking a stake in a basket of miners through its flagship value fund nearly two years ago. Founder Michael Goldberg said the opportunity was so large that the firm launched a special situations fund in March 2023 focused solely on gold stocks.

He believes the sector is finally ready to realise its potential after the Collins St Special Situation Fund surged 13 per cent, after fees, in January. It's up another 9 per cent so far in February.

"I think 2025 might be the year that we see a rapid catch-up," he said. "Not relying on higher gold prices per se, but just a recognition by the market of the earnings potential for those companies, in particular the early-stage producers."

Collins St is focused on small and mid-cap companies, which have a lower cost of production, unhedged sales books and an ability to ramp up sales and output in the near term. This includes Catalyst Metals, Black Cat, Westgold **Resources** and **Ramelius Resources**.

Argonaut's Global Gold Fund has also shown signs of a rebound following a disappointing 2024 when the portfolio returned just 4.5 per cent net of fees. The fund stormed back in January with an 8.8 per cent return. Its top five holdings - Perseus Mining, Evolution Mining, Ora Banda, **Ramelius Resources** and Ora Gold - represented 55 per cent of the portfolio.

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