

AEX Gold

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The return of generalist funds to gold is helping to drive the price even higher

How much more momentum could there be in the gold sector? Quite a lot if you consider that generalists investment funds have been largely absent from the sector for years, and are only just now beginning to return in scale.

They've been nosing around for a little while now.

Back in May, Citigroup said that "new non-traditional investors in bullion, including insurance companies and pension funds" are buying into the gold sector and supporting higher prices.

As events turned out, they were right to do so. Because in May, the gold price was still hovering at around US\$1,700 an ounce. Since then, the price has gone way past US\$2,000, a rise of around 15% in the space of a few handy months.

True, the equity markets have done well over that time too, but drilling down into the broad recovery in the indices you get a much more mixed picture when you get to individual equities and sectors. And currencies aren't much better. As a store of value bonds remain the number one destination for investment capital.

But yields are dropping to near zero levels, and there is the very real possibility now that with all the new stimulus money that's being created to fund the coronavirus welfare schemes, inflation will start to wipe out the real - as opposed to the relative - value of government debt.

One of the drawbacks in gold has traditionally been that it offers no yield, but if the debt instruments of the major economic powers don't either, then the reasons for not holding gold suddenly diminish. After all, holding gold protects against the risks of default and inflation, and in some circumstances - like the ones we're seeing now - allows you too book considerable capital gains.

So, it's perhaps not surprising that the generalists are waking up to what mining specialist like Sprott have know for a good long time. Dedicating a percentage of your portfolio to gold represents the ultimate hedge.

And although physical gold holdings in ETFs are now bigger than the central bank holdings of some of the major western powers, there are other ways to play this market too.

Thus it was no surprise to see generalist institutions appearing on the register of London's first major gold listing in a good long while, that of AEX Gold (LON:AEXG).

AEX raised £43mIn in conjunction with a listing on London's Aim market, and amongst the major investors on the register where Livermore, a special situations specialist, and a major Danish pension fund.

AEX plans to use the new money to bring an old mine in Greenland back into production and to work up a potential

Price: 47.5

Market Cap: £84.12 m

Share Information

Code: AEXG

Listing: AIM

52 week	High	Low
	53	44

Sector: Gold & silver

Website:

Company Synopsis:

AEX Gold is focussed on building a full-cycle gold company in South Greenland's gold district. AEX was founded in 2017 as an exploration company with a focus on locating high-grade gold deposits in Greenland. The Corporation currently owns five licences in South Greenland covering an area of 828 km², meaning it has established an unrivalled footprint and the largest gold licence portfolio in Greenland.

action@proactiveinvestors.com

resource in the near neighbourhood that could run to upwards of two million ounces. It also has a wider exploration portfolio that presents significant longer-term growth potential.

Raising capital like this from generalists would have been extremely difficult as recently as two years ago, as bit coin and the North American cannabis revolution sucked in all the speculative money.

But now that gold is grabbing the headlines again in spectacular fashion, things are changing fast. It's not unusual - indeed it's common - to look back on the recent performance of gold company equities and see a two-fold, threefold or even fourfold rise.

The generalists want some of this action, especially since they see considerable value being wiped out in other areas, like traditional retail, tourism and aviation.

And yet, we're still only at the beginning of this trend.

Gold ownership among the professional classes remains low. The total value of investor positions in gold futures and exchange-traded funds is equivalent to just 0.6% of the US\$40tn in global funds, according analysis by UBS.

Some industry watchers reckon that percentage could double in short order, and even though the gold sector would even then only account for a tiny fraction of global investment holdings, the value uplift for those who have taken positions in the sector is likely to be significant.

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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