

AEX Gold

08:44 07 Aug 2020

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 known 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.

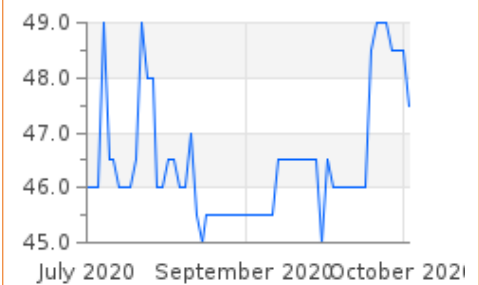
Thus it was no surprise to see generalist institutions appearing on the register of London's first major gold listing in a good long while, that of AEX Gold (LON:AEXG).

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

Price: 47.5

Market Cap: £84.12 m

1 Year Share Price Graph



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

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

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

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

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.

In exchange for publishing services rendered by the Company on behalf of AEX Gold named herein, including the promotion by the Company of AEX Gold in any Content on the Site, the Company receives from said issuer annual aggregate cash compensation in the amount up to Twenty Five Thousand dollars (\$25,000).