



Gold diggers welcome

Why miners offer the most compelling play on gold's rally.

Update
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Gold certainly doesn't lack labels: it's been called the ultimate safe haven, the currency of last resort and even a barbarous relic. But in today's world of weaponised finance and rising geopolitical tensions, its role as a neutral asset may yet be its greatest strength.

The shiny metal has chalked up a 1,000% rise over the past 25 years, leaving the S&P 500 well and truly in the dust. However, it's gold's recent rally that's really turning heads: after notching up 40 record highs in 2024, it's already added more than 30 this year and is still going strong.

While gold has long played a defensive role in times of uncertainty (and we've seen plenty of that lately), this rally reflects more than short-term fear. It signals a structural shift in how investors, and central banks in particular, are navigating a new era of geopolitical risk.

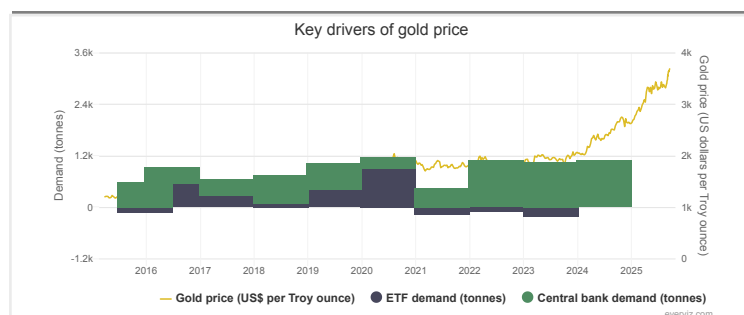
Heading for the stars

Gold prices have nearly tripled over the past decade but their recent ascent has caught even seasoned analysts by surprise. At the start of 2025, LBMA forecasts averaged \$2,700 for the year but gold has already passed \$3,600. And Goldman Sachs sees scope for further gains, forecasting a year-end rise to \$3,700 (or up to \$3,900 if the US slips into recession).

Historically, gold's strength has been linked to risk aversion, with investors piling into gold ETFs after the global financial crisis and again during the pandemic. But the current rally is driven by more than just market anxiety; it reflects a deeper structural shift.

As the chart below shows, central banks have emerged as the dominant buyers of gold in recent years, aiming to reduce reliance

Fig.1: Central Bank Demand Has Driven Up Gold Prices



Analysts:

Jo Groves
jo@keplerpartners.com



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on dollar-based reserves and shield themselves from the risk of financial sanctions. Goldman Sachs notes that central bank gold purchases rose five-fold following the freezing of Russian assets in 2022 - a clear illustration of hedging against weaponised finance.

China, for example, has doubled gold's share to 8% of total reserves but this still lags far behind the 70%-plus levels seen in the US and Germany. A pilot programme allowing Chinese insurers to allocate up to 1% of assets to gold could also inject billions into the gold market.

This growing demand reflects not just inflation or interest rate dynamics but a wider push to diversify away from the dollar and reduce vulnerability to Western sanctions, creating a powerful, longer-term tailwind for gold prices.

Discounted exposure to a bull market

In theory, gold mining equities should outperform the physical metal in bull markets thanks to

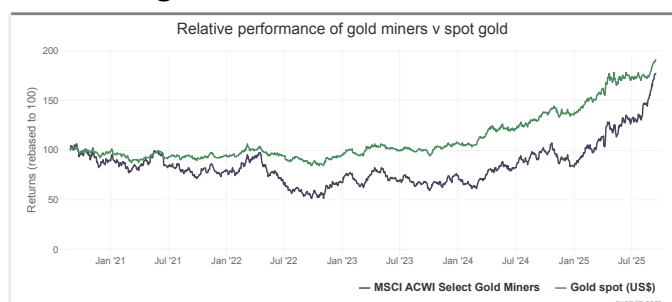


operating leverage. As gold prices increase, profits should grow disproportionately due to the fixed-cost nature of mining operations. In turn, this boosts free cash flow and dividends, supporting stronger share price performance.

Historically this has held true, particularly around the time of the global financial crisis. From 2002 to 2011, the price of gold rose 420% while gold mining equities (using the NYSE Arca Gold BUGS Index as a proxy) delivered returns of more than 660%.

However, this dynamic has reversed during the recent gold run, with gold miners significantly lagging gold prices over the past five years, albeit this has narrowed in the last month.

Fig.2: Gold Prices And Mining Equities Have Diverged



Source Bloomberg (as at 16/09/2025)

The reasons for this divergence are well-documented: rising input costs, energy price volatility, labour shortages, geopolitical disruptions and long lead times to bring new production online. But with gold at record highs and cost pressures easing, miners could offer a compelling way to access the gold story at discounted valuations.

Being selective

BlackRock World Mining (BRWM) offers a one-stop shop for diversified commodities exposure, combining precious metals such as gold with industrial metals underpinning the net zero transition. This diversification helps to manage risk as individual commodities are subject to different supply-demand and macroeconomic dynamics.

Managers Evy Hambro and Olivia Markham believe the broader mining sector remains well-positioned, with strong demand drivers and constrained supply providing long-term support for prices. Many mining companies have focused on paying down debt and returning capital to shareholders rather than investing in new capacity, reinforcing this supply-demand imbalance.

Against this backdrop, BRWM has increased its allocation to gold, which accounted for just under a third of the

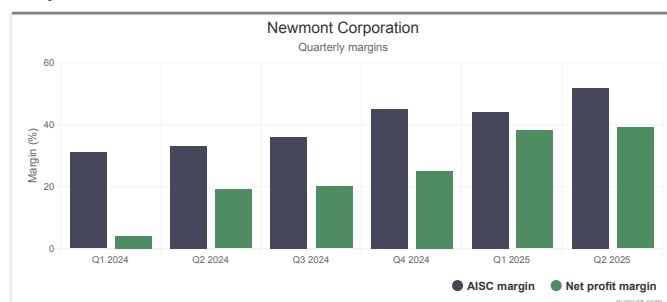
portfolio (as at 31/07/2025). With inflation moderating and energy prices falling, gold miners are beginning to deliver on their long-awaited earnings potential.

The trust's exposure includes leading gold producers such as Newmont, Agnico Eagle and Kinross, alongside Wheaton Precious Metals, a royalty company offering exposure with lower operational risk. All four holdings have delivered share price gains of more than 70% year-to-date, buoyed by rising margins and burgeoning investor interest.

Newmont leads the pack with a 100%-plus rise in 2025 alone, boosted by better-than-expected Q2 earnings and record free cash flow. As one of the world's largest gold producers, it offers exposure to more than half of the world's Tier 1 gold mines, providing resilience and scale through large, long-life and low-cost operations.

Newmont has also delivered an impressive expansion in margins: its All-in Sustaining Cost (AISC) margin (the profit per ounce of gold) has risen significantly over the past 18 months, driving higher net profit margins.

Fig.3: Newmont Is Delivering On Margin Improvements



Source: Newmont Corporation Q2 2025 results. AISC margin based on total gold co-product AISC and average realised gold price, net profit margin based on net income.

Despite recent gains, valuations across the sector remain attractive. Many gold miners still trade below replacement cost, and with continued geopolitical uncertainty and central bank demand, gold prices look well-supported.

With improving margins, gold miners offer a discounted route into the rally, with BRWM offering broad-based exposure across both gold and the broader mining universe.

All data as at 16/09/2025 and returns in US dollars, unless specified otherwise.

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