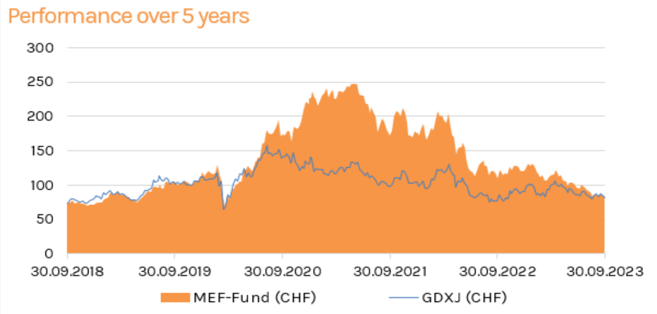
September 2023

Metals Exploration Fund (class CHF)

Long-only equity fund investing in monetary & industrial metal companies

The fund invests in a broad range of listed companies worldwide active in the exploration, extraction, manufacturing, processing or distribution of precious metals, base metals and critical metals.



Top 10

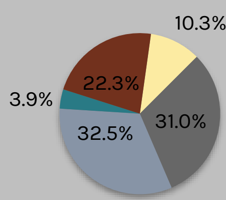
Sylvania Platinum	10.7%
Ivanhoe Mines	10.5%
Platinum Group Metals	6.9%
Jubilee Platinum	5.0%
Silver Mines	4.6%
Western Copper & Gold	4.1%
Wesizme Platinum	3.7%
Southern Silver Exploration	3.6%
Hudbay Minerals	3.3%
Santacruz Silver Mining	3.2%

Performance History

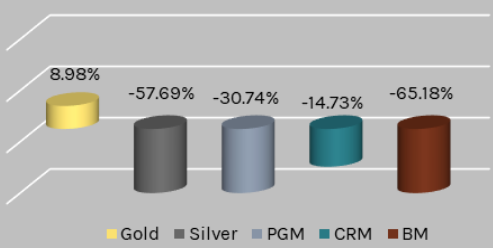
(in %)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023	3.61	-9.15	-0.07	-1.90	-8.06	-7.34	-0.97	-8.30	-2.63				-30.49
2022	-3.72	6.30	7.52	-10.46	-10.77	-22.60	7.38	-11.33	-3.33	5.59	9.75	-5.10	-31.11
2021	-4.68	11.86	-5.89	4.88	4.00	-6.89	-7.10	-7.89	-12.84	19.66	-16.33	2.64	-21.89
2020	-1.27	-2.90	-30.13	28.99	18.73	10.48	20.12	8.54	-1.10	-5.53	13.17	21.85	90.39
2019	11.69	13.30	-5.04	-7.53	-0.35	12.78	8.28	6.69	1.87	-0.14	-3.78	17.66	66.13
2018	-5.79	-8.04	-0.27	4.01	-2.27	-5.62	-2.72	-5.94	-0.52	1.02	-3.89	0.25	-26.57
2017	18.83	-8.25	-2.73	-7.26	-9.89	-0.91	6.01	8.87	-4.31	0.92	-4.40	8.27	1.30
2016	-8.50	26.33	15.64	35.38	-1.25	16.77	16.43	-3.96	4.50	-7.3	-4.67	-2.94	109.14
2015	-7.52	6.45	-4.26	-5.13	-1.23	-8.46	-17.30	-3.67	-6.09	9.52	-7.60	-5.17	-41.96
01.05.2008 – 31.12 2014													**-83.60**

NAV as of 29.09.2023	CHF 84.41	**Fund manager**	Active Niche Funds SA, CH
Fund since inception (2008)	-15.59%	**Custodian**	Banque Cantonale Vaudoise, CH
Units in circulation	393'924	**Mgt & Administrative Agent**	Caceis (Switzerland) SA, CH
Assets under management	CHF 33'251'870	**Liquidity: Subscription - weekly**	cut-off Wednesday 5 PM
Number of holding	53	**Redemption - weekly**	cut-off Wednesday 5 PM + 1 week

Metals Allocation



Sub-Sector Return (YTD)



ISIN	CH0216430709	**Performance fees**	20% outperformance above HR with principle of High Watermark
Domicile	Switzerland	**Max. Admin. fees**	0.40% p.a.
Legal structure	Swiss contractual invest. fund classified as "other traditional investment fund"	**Load-up fees**	Maximum 2%
Investor profile	Public	**Redemption fees**	0.50% (goes to the Fund)
Auditor	KPMG, CH	**TER**	1.91% p.a. (2022)
Tax transparency	Germany & Austria	**Dividends**	Reinvested
PRIIPS KID	Risk category 6	**Security lending**	None
Management fees	1.50% p.a.	**Initial NAV. 13.12.2013**	CHF 100
Hurdle rate (HR)	15% cumulative	**Prospectus & legal**	www.caceis.ch – www.swissfunddata

Forex Exposure (rounded)	CAD 41.2%	AUD 36.6%	ZAR 6.8%	GBP 15.7%	CHF -0.3%

ACTIVE NICHE FUNDS

Active Niche Funds S.A.
Av. De la Gare 1, 1003 Lausanne, Switzerland

info@activenf.ch
www.activenf.ch

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Investment Strategy

Outlook

In this *Outlook*, we must dive deeper into the reasons and consequences of rising long-term interest rates.
As often, we emphasize on the US-situation, the very heart of our financial system and the usual trigger for related turbulences.

Before discussing the impact of higher interest rates, we challenge a paradigm that is often put forward, namely, that the chronic US current account deficit[i] is a positive attribute, reflecting attractive investment opportunities for those countries with a current account surplus.
Conversely that would mean that if country-A is spending more than it is earning, that offers country-B an opportunity to lend to country-A.

We would not dispute such flawed theory in the rather rare cases where a country needs to get rebuilt (e.g., Germany after WWII). In such a situation, foreign capital would flow into new infrastructure projects like roads, bridges, airports etc., all having a “long duration”.
However, in the case of the USA, where “consumption” accounts for 70% of GDP, such interpretation does definitely not hold. Would you be willing to finance a household that lives beyond its means for years to come?

The sum of all past and accumulated current account deficits of a country’s is found in a statistic called *net international investment position*[ii] (“NIIP”). Here below the latest number for the US - so net-net, the US owes some USD 18 trillion to the rest of the world. That includes public and private debt on which Americans must pay interest.

There comes a point in time where foreign countries are simply no longer willing to finance another country that is unable to bring its house in order.

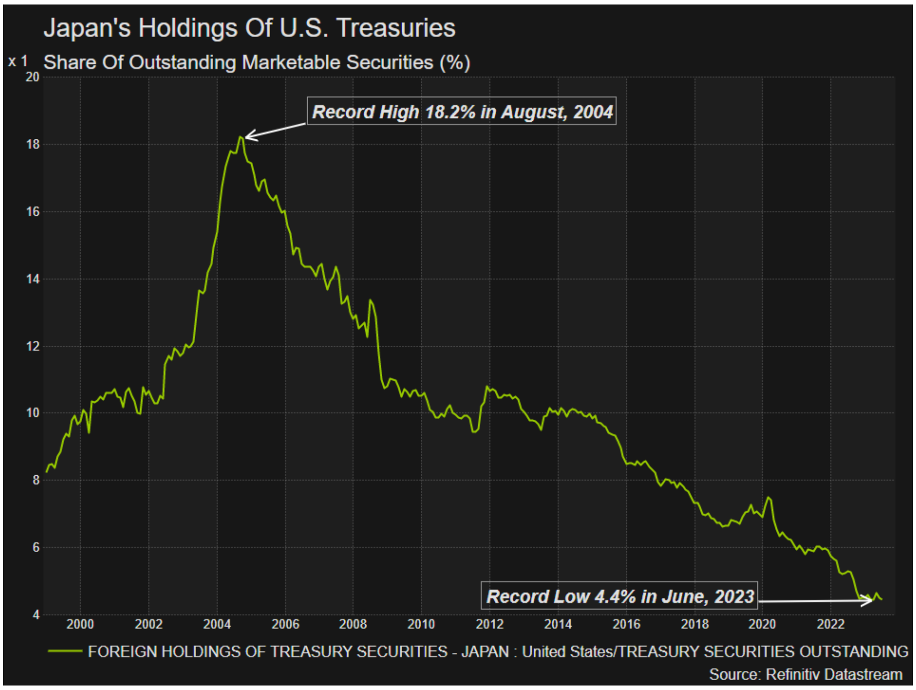
Related to the US, we may add today even more arguments for foreign countries going on strike: geopolitics, Washington's insistence to control worldwide capital flows and punish countries that do not behave "in their interest".

Turning to the reasons for higher interest rates and their consequences:

First, the US central bank has aggressively increased its policy interest rates from 0.00-0.25% to 5.25-5.50% in less than 2 years, while simultaneously shrinking its balance sheet. Latter is equivalent to selling debt instruments what lowers bond prices (higher rates).

Second, the US Government runs record high deficits outside of a crisis or recession. It is estimated that this (calendar) year deficit surpasses USD 2 trillion – again, in a period absent of a crisis. That hole is financed through issuance of new debt, meaning even more supply of bills, notes, and bonds (higher rates).

Third, foreign countries are net sellers of US debt instruments. Let's simply take Japan (as to circumvent any geopolitical arguments) that needs to support its ailing currency, the Yen. Its ministry of finance together with its central bank sells US treasury papers as to be able to sell USD cash for JPY.



To sum it up, only sellers as far as the eye can see ! It is kind of a mystery who are the buyers...

The consequences of higher interest rates are obvious – debtors must pay more for the debt, leaving less for investments, consumption, and savings. Such condition may lead to situations where lenders demand a higher remuneration as to compensate for the lower quality respectively higher risk of the debtor.

But there lays **more danger with potentially a much greater impact** for the financial system. In our previous *Outlook*, we also cited the US banking system as a potential threat to financial markets.

After initial troubles among regional banks this Spring, when policy makers "arranged" any contagion to the larger institutes, we today see looming risk in the latter category: Some of large banks have seen their capital base eroded heavily due to huge losses on their bond portfolios. One example with link here.

Also, their net-interest-margin continues to erode due to stubbornly present negative yield curve – the Federal Reserve Bank's "higher-for-longer" -mantra is threatening the commercial banks' profitability going forward. In this respect, we should not be surprised of any upcoming profit-warnings for this quarter.

In contrast to regional banks, the larger ones could hardly be rescued with measures taken last Spring. Also, they are interconnected through dozens of trillions of derivative instruments – nationally and internationally!

Should banking troubles get to the surface, we nevertheless would see "good news" – all western central banks must immediately reverse their current monetary policies, meaning slashing rates overnight and injecting liquidity, likely surpassing what we have seen in previous crisis; a yield-curve-control mechanism should also be part of their toolbox…

Gold, Silver and their mining companies would immediately regain their long-term uptrend – and with vengeance!

"In a secular bull trend, the only risk investors are facing is to exit too early!"

[i] Definition of current account balance (OECD)
The current account balance of payments is a record of a country's international transactions with the rest of the world. The current account includes all the transactions (other than those in financial items) that involve economic values and occur between resident and non-resident entities. Also covered are offsets to current economic values provided or acquired without a quid pro quo. This indicator is measured in million USD and percentage of GDP.

[ii] What Is a Net International Investment Position (NIIP)?
A net international investment position (NIIP) measures the gap between a nation's stock of foreign assets and a foreigner's stock of that nation's assets. Essentially, it can be viewed as a nation's balance sheet with the rest of the world at a specific point in time.