



“INVESTING IN SILVER HAS BEEN THE SECRET TO US OUTPERFORMING OUR COMPETITORS”

Ian Williams, Chairman, Chief Executive, Charteris

Interviewed by: Andrew Thake, Mines and Money

Ian Williams is well known in the UK precious metals industry having been the best performing UK fund manager across all sectors 2016. His fund is US\$20mAUM.

Ahead of his appearance at Mines and Money New York, we caught up to him to ask him about his investment strategy, and what he does differently to his fellow fund managers.

Mines and Money (MM): Can you tell us a little bit about your fund and how it's different to many other precious metals funds?

Ian Williams (IW): We have a 65% to 70% weighting in silver with the rest mainly in gold. We are a UK UCITs registered fund.

MM: Why the strong silver weighting?

IW: Our belief, borne out by our success in 2016, is that in a bull market silver is virtually guaranteed to outperform gold. Most other precious metals fund managers have a much heavier weighting towards gold. We believe that investing in silver has been the secret to us outperforming our competitors.

I also have historically liked silver miners as many of the Canadian silver companies were based in Mexico, which fell under the NAFTA agreement, although this may change under the Trump administration.

In 2016 our fund outperformed the Blackrock Gold & General fund by 73%.

MM: What is the downside to having a silver strategy?

IW: The downside is that silver is more volatile so you must live with that volatility.

MM: And how do you manage that?

IW: In a bull market our 70% weighting into silver is purely into silver equities. Likewise, our gold investments are into gold equities.

In a bear market we maintain the same weightings but invest into Gold ETFs, physical Gold as well as some platinum, with possible some holdings in some of the streaming companies and good producers such as Agnico Eagle.

MM: What sort of mining companies do you invest in?

IW: We avoid the large majors – too many are badly managed, and suffer from not having a rising production profile. There are some exceptions such as Agnico Eagle and Randgold Resources but most we avoid.

At the other end we avoid the smaller exploration companies – too much risk relative to the reward.

So, our sweet spot is a mid-tier cash flow producing mining company.

MM: So, what's your outlook on silver this year?

IW: Well all the indicators are very positive. However, I am little concerned.

MM: Why?

IW: When everyone is saying silver is going up I get a little concerned. I am a contrarian investor at heart so as much as I respect the likes of Sprott and Keith Neumayer at First Majestic, I am a little worried about the almost universal positive sentiment towards silver.

Coupled with this is the puzzle of if the fundamentals for silver is so good, why hasn't silver gone up in price. Apart from silver being a store of value, it has industrial uses so it should rise in line with other industrial metal. There is also a lot of merit in the silver / gold ratio thesis which flags Silver as cheap.

MM: So, why isn't silver higher? Is Sprott right and the market wrong? Or the market right and Sprott wrong?

IW: We are a great believer in cycle analysis. In 2016 it was a good year for precious metals but a bad year for base metals. In 2017 it was the opposite with base metals outperforming precious metals. So, you have these rotations in the sector. Precious metals and silver's time will come again, it's just a case of believing in the cycles

MM: Any commodities you would avoid?

IW: I'd avoid iron ore as it has a structural surplus which will persist for years.

I'm also not keen on shale oil. Partly as demand will trail off due to the rise of hybrids and EVs. It's also capital extensive – the lifespan of their wells is about 18 months after which they require re-drilling and a lot of shale oil companies have huge debts.

MM: What's your view in cryptocurrencies?

IW: A Silver or gold back cryptocurrency, as currently being issued by Perth Mint and Royal Mint interests me. That would be a real store of value and a much better alternative to Bitcoin.