

## Digging into 2021 Gold Miners Index Performance

December 15, 2021

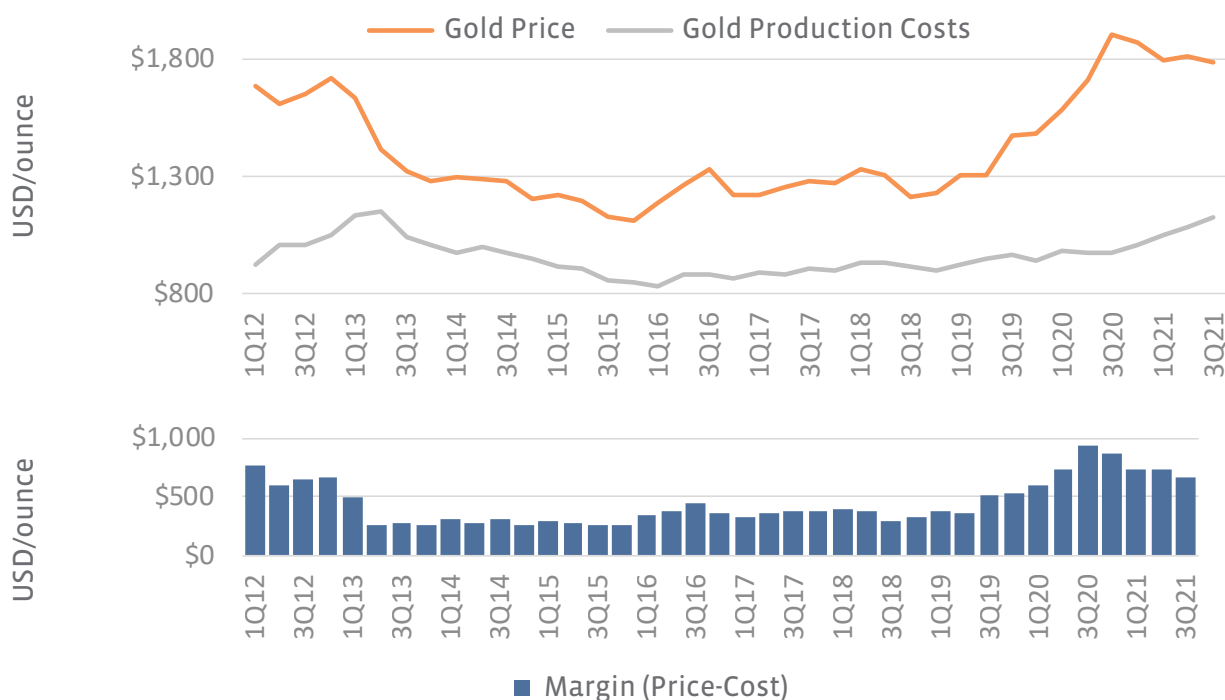
Author: Roxanna Islam, CFA

Investors who are bullish on gold may be interested in the gold miner sector given that gold miner performance typically magnifies the directional movement of gold prices. In other words—when gold prices increase, gold miners often perform even better; however, when gold prices fall, gold miner performance may fall even harder.

In 2020, gold prices increased over 25% as market uncertainty caused many investors to move to safer assets. Many gold bulls expected the rally to continue into 2021 as inflation fears persisted. Although gold prices were down close to 6% YTD as of December 10, 2021, daily gold prices averaged \$1,779 per ounce throughout the year—flat from the 2020 average. Prices were relatively stable for most of the year, fluctuating between ~\$1,700 to ~\$1,900 per ounce. Gold miner total return performance, however, was down significantly more—off 18% YTD as of December 10 as measured by the S-Network Micro Sectors Gold Miners Index (MINERS). Investors may have been concerned that gold miner returns were underperforming gold prices more severely than expected, especially given the relative stability of gold prices in 2H21. It is important for investors and advisors to realize that gold miner performance can diverge from gold prices as a result of several other factors.

First of all, gold miners typically report a figure called “All-in Sustaining Costs” or AISC, which includes all costs associated with gold mining. AISC has increased each quarter since 4Q20 due primarily to inflationary costs like labor, materials, and freight transportation. In 3Q21, industry AISC reached the highest level since 2013. Since AISC has been increasing faster than gold prices, many companies within the industry experienced margin pressure which has not only affected earnings but has also contributed to negative stock price sentiment. But despite recent margin contraction, margins have been stabilizing at a relatively high level compared to previous quarters as seen in the chart on the following page.

### Margin Sustainability Has Been a Concern, But Margins are Still Relatively Strong Compared to Previous Quarters



Source: Gold.org, Metals Focus Gold Mine Cost Service, Refinitiv Eikon  
Data is quarterly as of September 30, 2021

In addition to cost pressures, gold mining companies are also affected by other company-specific risks that are independent of commodity price movements. For example, each gold mining company has a unique operating strategy, market position, and executive management team. Gold mining companies are also affected by their ability to find and efficiently mine gold reserves and are subject to geopolitical, environmental, and other legal risk factors given the global nature of the mining business. Many of these issues were in focus during the pandemic as gold mining companies had to deal with inconsistent and unexpected disruptions across different geographies.

**Bottom Line:**

While it is true that gold miner revenues are leveraged to gold prices, other factors can cause earnings and stock prices to diverge in unexpected ways. Investors who were disappointed with gold miner performance in 2021 should consider that recent pressures could subside in the future (e.g., cost pressures and COVID-related operational issues). Additionally, when looking at long-term margin trends and the production outlook, the sector still has positive fundamentals. Investors who are bullish on gold and are willing to assume greater risk for a greater reward may want to take a closer look at gold miners.

The [S-Network MicroSectors Gold Miners Index \(MINERS\)](#) is the underlying index for the MicroSectors Gold Miners 3x Leveraged ETN (GD XU) and MicroSectors Gold Miners -3x Inverse Leveraged ETN (GD XD).

Index	Ticker	Total-Return Performance				
		30 Days	YTD	1-Year	3-Year	5-Year
<b>Healthcare</b>						
S-Network Healthcare Technology Index	HLTHX	-13.72%	-17.30%	-13.18%	93.28%	202.29%
S-Network Medical Breakthroughs Index	PMBI	-12.46%	-20.47%	-21.29%	32.08%	81.42%
S-Network Healthcare Innovation Index	PHIX	-11.80%	-20.94%	-22.04%	40.87%	116.23%
<b>Technology</b>						
O'Shares Global Internet Giants Index	OGIGX	-10.78%	-7.50%	-4.13%	150.60%	278.07%
S-Network North American Disruptor Index	SNNADX	-11.28%	13.08%	20.74%	99.48%	N/A
S-Network US Disruptor Index	SNUSDY	-12.60%	7.02%	17.14%	97.19%	163.62%
S-Network Tech Target Index	SNTECH	-8.41%	5.69%	12.92%	62.45%	131.38%
<b>Water</b>						
S-Network Global Water Index	JGI	-1.06%	19.26%	21.79%	70.50%	84.79%
S-Network Global Water Works Index	JWW	0.71%	12.69%	14.39%	52.51%	77.68%
S-Network Global Water Technology Index	JWT	-2.73%	26.12%	29.51%	86.59%	85.85%
<b>Smart Climate Risk</b>						
S-Network Smart Climate Risk 50 Index	SNSC50	0.58%	18.47%	20.74%	74.34%	118.19%
S-Network Smart Climate 50 Index	SNSC250	0.60%	22.09%	25.23%	72.57%	126.71%
<b>Blockchain and Cryptocurrency</b>						
Alerian Galaxy Global Blockchain Equity, Trusts & ETPs Index	BCHAIN	-16.46%	32.73%	63.03%	N/A	N/A
Alerian Galaxy Global Cryptocurrency-Focused Blockchain Equity, Trusts & ETPs Index	CRYPTO	-24.86%	58.40%	167.18%	N/A	N/A
<b>Other</b>						
S-Network Streaming & Gaming Index	STREAM	-7.51%	0.88%	4.66%	133.01%	N/A
S-Network Emerging Infrastructure Builders Index	EIBI	-0.89%	3.71%	6.20%	33.55%	39.04%
S-Network Space Index	SPACE	-9.06%	10.11%	9.74%	18.53%	33.36%
S-Network MicroSectors Gold Miners Index	MINERS	-10.75%	-18.15%	-14.95%	53.07%	N/A
S-Network Global Travel Index	TRAVEL	-6.22%	7.09%	7.92%	N/A	N/A

Source: S-Network Global Indexes. All performance data as of December 10, 2021.

## Related Research:

[A Healthy Dose of Good News for SMID-Cap Biotech Indexes](#)

[Connecting Consumers Through Disruptive Technologies](#)

[Four Megatrends Elevating the Commercial Space Industry](#)

[Crypto Mining for Digital Gold is Turning Green](#)

[Today's Market: Gold Versus Gold Miners](#)

## Underlying Index | Associated Product/Direct-Indexing Platform Availability

### Healthcare

[S-Network Medical Breakthroughs Index \(PMBI\)](#) | ALPS Medical Breakthroughs ETF (SBIO)

[S-Network Healthcare Innovation Index \(PHIX\)](#) | SmartTrust Healthcare Innovations Trust; Available on the C8 platform and the SMArtX platform

### Technology

[O'Shares Global Internet Giants Index \(OGIGX\)](#) | O'Shares Global Internet Giants ETF (OGIG)

[S-Network North American Disruptor Index \(SNNADX\)](#) | SmartTrust Technology Revolution Trust – Includes 30 stocks from SNNADX

### Water

[S-Network Global Water Index \(JGI\)](#) | Invesco Global Water Portfolio – Includes 25 stocks from JGI; Available on the C8 platform

### Smart Climate Risk

S-Network Smart Climate Risk 50 Index (SNSC50) | Available on the C8 platform and the SMArtX platform

S-Network Smart Climate Risk 250 Index (SNSC250) | Available on the C8 platform

### Blockchain and Crypto

[Alerian Galaxy Global Blockchain Equity, Trusts & ETPs Index \(BCHAIN\)](#) | Invesco Alerian Galaxy Blockchain Users and Decentralized Commerce ETF (BLKC)

[Alerian Galaxy Global Cryptocurrency-Focused Blockchain Equity, Trusts & ETPs Index \(CRYPTO\)](#) | Invesco Alerian Galaxy Crypto Economy ETF (SATO)

### Other

[S-Network Infrastructure Builders Index \(EIBI\)](#) | Available on the C8 platform

[S-Network Space Index \(SPACE\)](#) | Procure Space ETF (UFO), Procure Space UCITS ETF (YODA)

[S-Network MicroSectors Gold Miners Index \(MINERS\)](#) | MicroSectors Gold Miners 3x Leveraged ETN (GD XU), MicroSectors Gold Miners -3x Inverse Leveraged ETN (GD XD)

[S-Network Global Travel Index \(TRAVEL\)](#) | ALPS Global Travel Beneficiaries ETF (JRNY)

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### Alerian

alerman.com  
info@alerman.com | 972.957.7700  
3625 N. Hall St., Suite 1200, Dallas, TX 75219

### S-Network Global Indexes

snetworkglobalindexes.com  
info@snetworkinc.com | 972.957.7700  
267 Fifth Avenue, Suite 508, New York, NY, 10016