A GOLDEN OPPORTUNITY?

Royalty and Streaming Stocks in the Gold Sector

Nobody says “no” to Elvis.

Elvis Presley was used to getting his way, but Dolly Parton wasn’t afraid to say “no” when he wanted to record her song.

The snag was that “The Colonel,” Elvis’ manager, demanded half of the publishing rights to Dolly’s song, and she told him to shove it where the sun doesn’t shine.

Two decades later, another musician asked to record the song, and this time Dolly said “yes.”

That musician was Whitney Houston, and her rendition of “I Will Always Love You” became the best-selling song by a female recording artist of all time, earning her three Grammy awards.

Dolly earned so much in songwriter royalties that she said it was “enough to buy Graceland.”

How much in royalties, exactly?

Parton Made More Than $10 Million in Royalties

And, remember, that was without singing a single note! In fact, Parton is still receiving royalties on Whitney’s cover of her song today.

Parton isn’t the only royalty millionaire. In 1985, Michael Jackson outbid Paul McCartney to buy the rights to 251 Beatles songs. Every time one of those 251 songs was played on the radio or used in a TV show or movie, Michael Jackson received a royalty check.

Exact figures are not publicly available, but it is estimated to be hundreds of millions of dollars. After Jackson’s death, his estate sold the category to Sony in 2016 for a reported $750 million.

We can all learn an investment lesson from Dolly Parton and Micheal Jackson: Royalties have historically been one of the most profitable business models because...

» No or low up-front investment,
» No ongoing work,
» And the potential for high payouts for years

Of course, history doesn’t always repeat itself, but you get the point.

You may not be a songwriter and can’t sing a lick, but Wall Street has figured out a way to capitalize on the royalty model, too.

Putting Dolly Parton and Michael Jackson to Shame

The royalty business, once limited to music and entertainment, has expanded its reach to include royalty streams, from pizza chains and steakhouses to auto shops and oil & gas wells.

One industry that is well built, we believe, for the royalty business model is precious metals. Just like the music business, royalties can be acquired on mining projects.

Gold, a timeless symbol of wealth and stability, has long been a coveted asset. Its allure has driven countless explorers and investors alike to seek their fortunes in the depths of the earth. However, the traditional model of gold mining carries inherent risks and challenges, from exploration and development costs to operational uncertainties and fluctuating commodity prices.

In recent years, a new breed of investment has emerged in the gold sector: royalty and streaming companies. These businesses offer a unique alternative to direct mining, providing investors with exposure to gold’s upside potential while mitigating many of the risks associated with traditional mining operations.

Royalty and Streaming Models, Explained

Large-scale gold mining is capital-intensive, requiring significant exploration/development. In fact, it can take an average of 10 to 20 years before a mine is ready for production.

Aside from the discovery process, obtaining government permits can take several years before a shovel can even be put into the ground.

> ***"It's getting harder to find gold, permit it, finance it, and operate it."***
>
> **-Jack Reade, World Gold Council**

Additionally, many mining projects are planned for remote areas that require infrastructure such as roads, power, and water that can cost tens or even hundreds of millions of dollars.

Where do mining companies turn to for financing?

From royalty (AKA streaming) companies.

Royalty companies are specialized financiers that provide upfront capital to fund gold producers' exploration and production projects. They make upfront payments to mining companies in exchange for the right to purchase a portion of the mine's future production at a fixed, predetermined, lower-than-market price.

Investing in royalty companies can offer distinct advantages over traditional mining investments.

Royalty and streaming companies do not own or operate mines, eliminating the need for costly exploration, development, and production activities. Instead, they focus on acquiring royalties or streams on existing or near-production mines, providing them with a predictable and diversified income stream.

Potential Benefits of Investing in Royalty and Streaming Stocks

Lower Risk Profile: Royalty and streaming companies are not directly exposed to the operational risks of mining, such as accidents, labor disputes, or environmental issues. Their income is derived from a diversified portfolio of royalties or streams, reducing their dependence on any single mine's performance.

Leveraged Exposure to Gold Prices: Royalty and streaming companies can benefit from rising gold prices as their revenue is directly linked to the commodity's value. They offer investors leveraged exposure to the gold market without the operational risks of mining.

Cash Flow: Royalty and streaming companies historically generate predictable cash flows from their royalties or streams, providing investors with an income source.

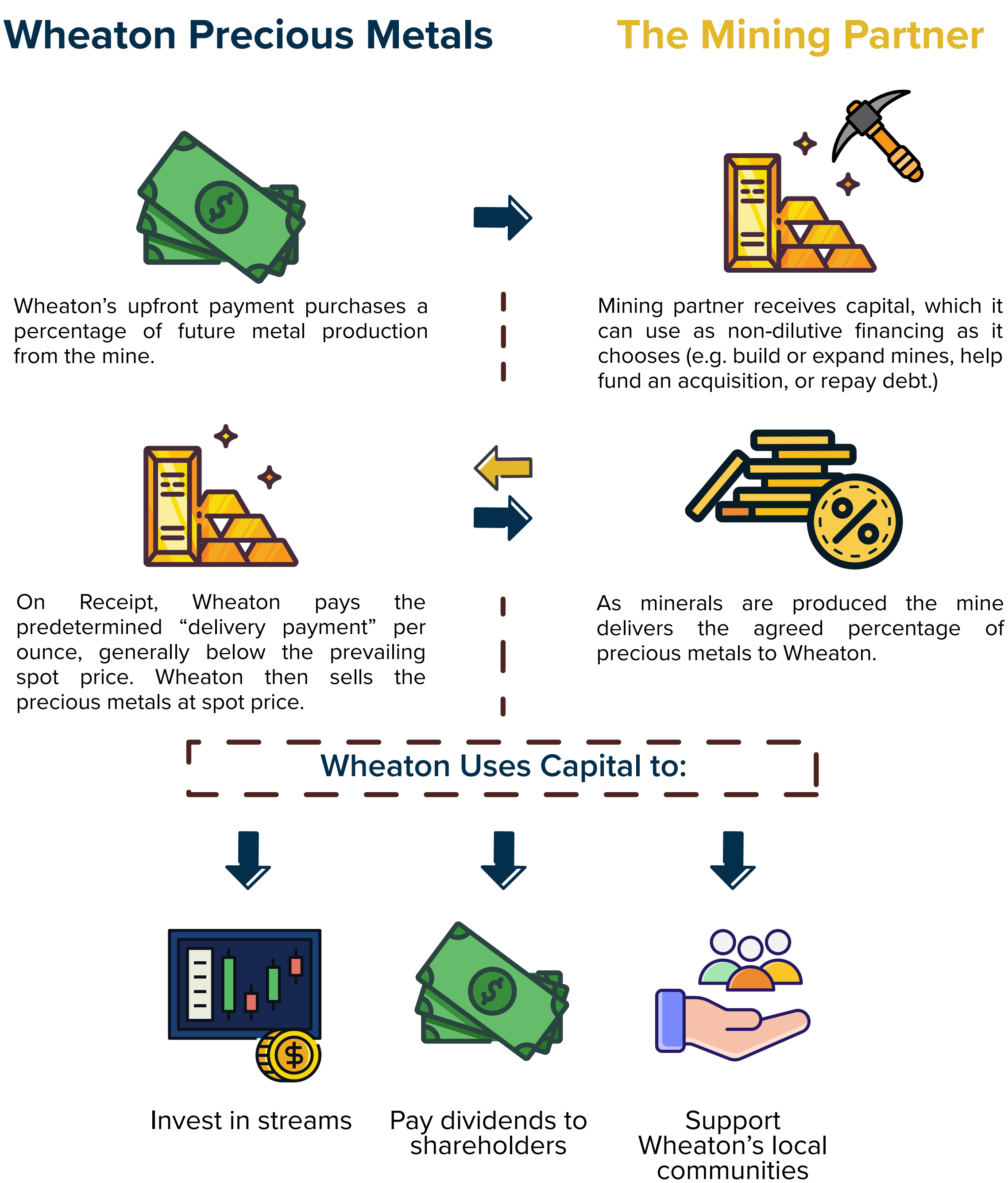
Diversified Portfolio of Assets: Royalty and streaming companies typically hold a diversified portfolio of royalties or streams across different mines and geographies. This diversification helps to reduce risk and provides exposure to a broader range of assets in the gold sector.

Growth Potential: As gold prices rise, and mining companies expand their operations, royalty and streaming companies have the potential to increase their revenue and profitability. They can also acquire additional royalties or streams, further diversifying their portfolio and expanding their growth potential.

Risks and Considerations

While royalty and streaming stocks offer numerous advantages, they are not without risks. The performance of these companies is closely tied to the price of gold, making them susceptible to market fluctuations. Additionally, the quality and viability of the underlying mines can impact the value of royalties or streams.

Investors should carefully assess the company's track record, management team, portfolio of assets, and financial strength before investing. It is also important to consider the broader macroeconomic factors that can affect gold prices, such as interest rates, inflation, and geopolitical events.



Royalty Companies in the Gold Sector

The gold royalty sector has seen significant growth in recent years, with several established players and emerging companies competing for a share of the market.

Some of the most prominent names include Wheaton Precious Metals, Franco-Nevada, and Royal Gold.

Wheaton Precious Metals' (WPM) mining portfolio currently includes 18 operating mines and 27 development projects. It's the only major streaming company with near-100% precious metal exposure.

In the first quarter of 2024, Wheaton reported a production of 160,000 GEOs (gold equivalent ounces), a 19% year-over-year increase.

WPM expects to produce between 550,000 and 620,000 GEOs in 2024.

Franco-Nevada (FNV) is currently invested in 432 mines to date, of which 116 are producing assets, primarily in politically stable jurisdictions, like Canada, the United States, and Australia.

Management has demonstrated an uncanny ability to invest in very productive mining projects.

Royal Gold (RGLD) is the third-largest royalty/streaming company in the sector, with the bulk of its revenue coming from the prolific Battle Mountain-Eureka and Carlin Trends in Nevada.

For 2024, Royal Gold expects to receive 222,500 ounces of gold, 3.5 million ounces of silver, and 15 million pounds of copper, according to company reports.

Royal Gold has increased its annual dividend for 23 years in a row.

Royalty companies have a proven track record of generating value for shareholders through their diversified portfolios of royalties and streams, as well as their strong financial performance. They also offer investors exposure to a variety of other precious metals, such as silver, platinum, and palladium.

If you're more of an ETF investor, you should take a closer look at the U.S. Global GO GOLD and Precious Metal Miners ETF (NYSE: GOAU).

GOAU is a unique investment vehicle offering diversified exposure to royalties of gold mining companies. GOAU holds a diversified portfolio of companies engaged and involved in various aspects of the gold industry, including mining and exploration on a royalty/streaming basis.

GOAU's holdings include major players like Wheaton Precious Metals and Newmont Corporation, as well as smaller, emerging miners. This diversified approach can potentially offer greater returns than simply investing in gold bullion, but it also comes with increased volatility due to the inherent risks of mining operations.

Compared to producers that dig gold out of the ground, royalty companies employ far fewer personnel and do not have high capital costs associated with developing and maintaining a mining project.

They're also more diversified than producers, which may have only between four and eight mines currently operating. Most senior royalty and streaming companies, by comparison, could have agreements with hundreds of projects across the globe.

GOAU serves as an attractive option for investors seeking a comprehensive way to invest in the gold sector. Its diversified portfolio and smart beta approach aim to capture the upside of both gold prices and the operational performance of mining companies. However, it's important to consider the ETF's expense ratio and potential volatility before investing.

Conclusion

Royalty and streaming stocks can offer a compelling investment opportunity for those seeking exposure to the gold sector with historically fewer risks and challenges of direct mining. These companies provide a unique combination of lower risk, leveraged exposure to gold prices, historically stable cash flows, and growth potential.

By carefully evaluating the company's fundamentals and understanding the risks involved, investors can add a valuable asset to their portfolio and potentially benefit from the enduring appeal of gold. The golden opportunity, we believe, lies in unlocking the potential of royalty and streaming stocks and participating in the growth we've witnessed of this innovative sector within the gold market.

Want to learn more about GOAU and how to gain exposure? Email us at **info@usfunds.com.**

www.usglobaletfs.com/why-GOAU

U.S. Global ETFs
NYSE: GOAU

Please consider carefully a fund's investment objectives, risks, charges and expenses. For this and other important information, obtain a statutory and summary prospectus by visiting www.usglobaletfs.com. Read it carefully before investing.

Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the fund. Brokerage commissions will reduce returns. Because the fund concentrates its investments in specific industries, the fund may be subject to greater risks and fluctuations than a portfolio representing a broader range of industries. The fund is non-diversified, meaning it may concentrate more of its assets in a smaller number of issuers than a diversified fund. The fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for investments in emerging markets. The fund may invest in the securities of smaller-capitalization companies, which may be more volatile than funds that invest in larger, more established companies.

The performance of the fund may diverge from that of the index. Because the fund may employ a representative sampling strategy and may also invest in securities that are not included in the index, the fund may experience tracking error to a greater extent than a fund that seeks to replicate an index. The fund is not actively managed and may be affected by a general decline in market segments related to the index. Gold, precious metals, and precious minerals funds may be susceptible to adverse economic, political or regulatory developments due to concentrating in a single theme. The prices of gold, precious metals, and precious minerals are subject to substantial price fluctuations over short periods of time and may be affected by unpredicted international monetary and political policies. We suggest investing no more than 5% to 10% of your portfolio in these sectors.

Past performance does not guarantee future results.

The U.S. Global GO GOLD and Precious Metal Miners Index uses a robust, dynamic, rules-based smart-factor model to select precious minerals companies that earn over 50% of their aggregate revenue from precious minerals through active (mining or production) or passive (royalties or streams) means. The index uses fundamental screens to identify companies with favorable valuation, profitability, quality and operating efficiency.

An investment cannot be made directly in an index.

To view the full holdings of GOAU, visit www.usglobaletfs.com.

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