Rothschild & Co
Asset Management

Is it the golden age for gold mines?

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Even during periods of sharp increases, gold mining companies have rarely benefited directly from rising gold prices. But can the discipline they are now demonstrating, the rationalization of the sector, record prices, and a favorable macroeconomic environment finally reverse this trend? Charles-Edouard Bilbault offers his insights.

How can we explain the dynamics of physical gold in recent years?

Historically, there has always been a fairly strong inverse correlation between real interest rates and the performance of physical gold. Periods of monetary tightening are therefore generally unfavorable. However, in 2022, although inflationary pressures linked to Russia's invasion of Ukraine forced the major central banks to raise interest rates rapidly, gold reacted well, somewhat surprisingly.

Several factors that explain this situation. Sanctions imposed on Russian assets abroad have prompted countries that have maintained trade relations with Russia to diversify their central banks' monetary reserves in order to limit their dependence on the dollar. Physical gold has also served as an intermediate “currency” in trade. All in all, central banks now hold more gold than US Treasuries. Beyond its status as a “safe haven,” this appeal can be explained in particular by the depth of its stockpile, estimated at around $35 trillion[1], and by its liquidity.

For the past eighteen months, the easing of inflationary pressures, despite the introduction of tariffs by the United States, and the onset of an economic slowdown have

prompted central banks to gradually loosen the screws. This context, which is theoretically more favorable to physical gold, has contributed to the continued rise in prices. Added to this situation is growing mistrust of governments' fiscal policies and their solvency.

Did gold mining companies benefit directly from this momentum?

Gold mines have often tended to underperform compared to the price of physical gold. For a long time, mining groups sought to increase their production, leading to higher costs and debt. As a result, the rise in the price of gold has rarely been reflected in the valuation of mining companies. Today, gold mines are much more disciplined and rational in their debt and cost management. In addition, the inflationary pressures that emerged in 2021 have eased.

In this context, the operational leverage that was the main drag during periods of inflation enabled them to post record margins in 2025, with unprecedented levels of profitability and cumulative Free Cash Flow[2] of around $25 billion[3]. Thanks to the industry's restructuring over the past 15 years, this cash flow has been redistributed to shareholders through dividends and share buyback programs.

Why invest in gold mines rather than physical gold?

Looking at the historical dynamics of physical gold and mining companies, gold mines have significant catch-up potential. Furthermore, although the sector has performed well, with an increase of more than 120% over the year 2025[4], counterintuitively, gold mines have not become more expensive. Valuation levels have remained stable, stock prices have risen, and price-to-earnings multiples, like earnings, have grown significantly.

The average free cash flow yield of companies in the sector is now around 8%, compared with 6% for S&P 500 companies, with valuations 20% to 30% lower than those of the market as a whole4. The profitability of gold mining companies is at a historic high and, thanks to their deleveraging, the rise in gold prices is having a more direct impact on companies' net profits. Both in relative and absolute terms, the sector therefore remains highly attractive.

However, apart from specialists, investors are currently underweight in the sector, although there has been significant reallocation activity over the past nine months or so. Flows are being seen in both gold mines and ETFs indexed to physical gold. These investments represent alternatives to well-valued but expensive markets, and this phenomenon looks set to continue. However, investing in gold via an ETF does not allow investors to benefit from the returns currently offered by mining companies.

How has R-co Gold Mining performed in this context?

R-co Gold Mining posted a performance of 122.22% at the end of 2025, compared with 127.2% for its index[5]. Over three years, its annualized performance was nearly 40% (42% for the index)[5]. It currently has a four-star rating on Morningstar and its assets under management total more than €600 million[6].

Its direct exposure to major players in the mining industry has, of course, contributed significantly to its performance over the year, but we maintain significant diversification through smaller exploration companies that offer significant long-term value creation potential and are often overlooked by the market. This characteristic distinguishes R-co Gold Mining from other funds in the industry. The gold mining sector remains a niche market worth around $700 billion, less than 20% of the market capitalization of a company such as Alphabet.

The rationalization of the sector through mergers in recent years has increased its profitability, but this concentration reinforces the appeal of positioning oneself in small and mid-cap stocks.

Can the current trend continue?

Even though the correction observed in recent days might lead you to believe otherwise, the price of gold could continue to rise, simply because it is becoming harder to find. For example, in the 2000s, 2 grams of gold could be obtained from a ton of rock, but today that figure is closer to 1 gram per ton[7]. Furthermore, while the name of the potential future Fed chair may have reassured investors, many geopolitical uncertainties remain, including the ongoing conflict in Ukraine and increased tensions with Iran. In this context, physical gold remains attractive because it is uncorrelated with the financial markets and retains its role as a safe haven more than ever.

The outlook also remains positive for gold mining companies, with unprecedented operating margins, downward inflationary pressure, and energy prices following the same trend. Cash flows remain strong and are set to continue over the long term, supporting gold prices and, by extension, company margins. As a result, despite the latest correction and although other similar shocks remain possible, physical gold should remain at high levels in the medium term. These downward movements represent buying opportunities to build or strengthen positions, as fundamentals remain unchanged, both for gold and within the gold mining industry.

Weitere Infos zu den Fonds

R-co Gold Mining

Sehen Sie sich dieses Dokument auf unserer Website an

[1] Source : World Gold Council, january 2026.
[2] Free cash flow.
[3] Sources : Consensus, Bloomberg, january 2026.
[4] Source : Bloomberg, 31/12/2025.
[5] Sources : Bloomberg, Rothschild & Co Asset Management, 12/31/2025. Part C EUR. Indice NYSE Arca Gold Miners Index.
[6] Source : Rothschild & Co Asset Management, 12/31/2025.
[7] Source : S&P Global, december 2023.

Recommended investment period: 5 years.

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