



# Ninepoint Silver Equities Class

## August 2018 Commentary

The Ninepoint Silver Equities Class Fund ended the month of August down 11.0% while the MSCI Silver Select Index declined 12.3%. In our July commentary, we had brought to your attention the record short interest in gold and silver. August saw a continuation of this trend as non-commercial speculative short interest in gold peaked at 222,210 contracts – an all-time high.

On a similar vein, speculative silver shorts also increased to a record 112,035 contracts earlier in September. Net speculative interest in gold is now lower than at any time since 2001 while net speculative interest silver is at an all time low.

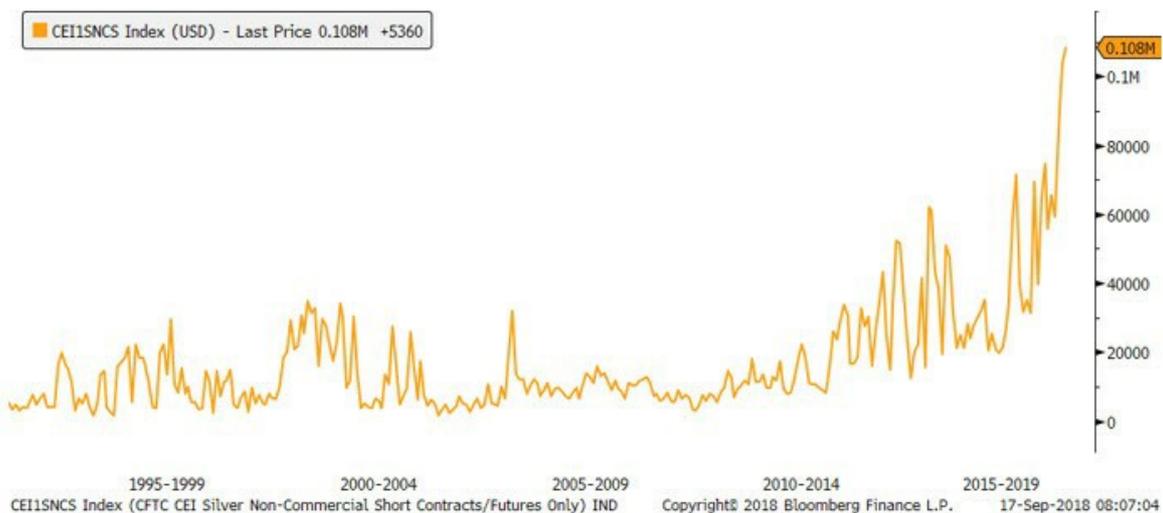
### Investment Team



**Maria Smirnova, MBA, CFA**

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Source: Bloomberg

If the record levels of short interest and astoundingly low levels of net speculative interest were not enough, August marked the fifth consecutive month of decline for gold. We were unable to find five straight monthly declines for gold in over 20 years.

While the rest of the world continue to shun precious metals, companies in our portfolio continue to operate profitably with a healthy margin and some are even paying a healthy dividend. Explorers and developers in our portfolio have projects which would be profitable at today's gold price of circa \$1200 per ounce. The last time we saw an opportunity in precious metals similar to what we are seeing today, was in the late 1990s as the dot com bubble was beginning to ripen and gold was about to embark on a decade long bull market.

The takeaway here is simple. The bear market which began in the precious metals space in 2011 has transitioned to a point where most participants are now in a crowded short trade. Precious metals

equities which were richly valued in 2011 are now considered value stocks.

The top three contributors to the fund performance in the month of August were Skeena Resources and Industrias Penoles. Skeena reported high grade assay results from their Phase II underground drilling program at their Snip gold project in the Golden Triangle of British Columbia. The Company added confidence to areas that were not fully sampled during previous operators' historical drilling programs in preparation for a maiden resource estimate. Penoles shares held in well during a volatile month, therefore outperforming peers. The Company reported better than expected results for Q2 2018 and FCF generation of MXN1.1 billion despite a quarter-on-quarter decrease in the prices of all commodities.

The top three detractors from the fund performance in August were Wheaton Precious Metals, Fresnillo PLC and SSR Mining. Wheaton Precious reported strong Q2 production and FCF and reiterated its 5-year guidance. Despite this positive update, the stock succumbed to the sell-off in the silver price. Fresnillo continued to trade down with declining gold and silver prices and without any positive operating catalysts. SSR Mining reported adjusted earnings and cash flows ahead of consensus expectations and lower the top end of cost guidance for two of their key mines.

### **Maria Smirnova MBA, CFA**

<sup>1</sup> All returns and fund details are a) based on Series F units; b) net of fees; c) annualized if period is greater than one year; d) as at August 31, 2018; e) 2012 annual returns are from 02/28/12 to 12/31/12. The index is 100% MSCI ACWI Select Silver Miners IMI (CAD) Index and is computed by Ninepoint Partners LP based on publicly available index information.

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