



Ninepoint Silver Equities Class

December 2018 Commentary

The Ninepoint Silver Equities Class posted a strong December, gaining 15.18% and ending the year on a strong note. The MSCI Select Silver Mines Index gained 15.53% over the same period while broader equities posted large declines headlined by the S&P 500 retreating 9.03% and the Nasdaq Composite dropping 9.48%.

Persistent volatility across equity and fixed-income markets has increased precious metal's allure over the past quarter. Unlike previous declines over the past 24 months, such as the "Volpocalypse" of Jan 2017, Brexit in June 2016, and the China scare in early 2016, the current market decline and ongoing volatility are unrelated to a single issue that can be rapidly put into the rear-view mirror. The current decline owes its genesis to the flare-up in the US vs World trade tensions which over the past few months have been joined by an increasing number of economic and geopolitical gremlins. These include rising worries over the slowdown in US housing, a rising U.S. budget deficit expected to be over a trillion dollars in 2019, worrying economic data across the developed world and finally, the daily ebb and flow of the US-China trade tussle. We would be remiss if we did not mention that a potluck of regional issues in the always fragile Middle-East and the Brexit drama continue to simmer without attracting headlines in this part of the world.

Silver was under pressure in 2018, taking its price cues from gold. Despite six consecutive months of price decline in 2018 from April to September, gold managed to hold its own at the psychologically important \$1200/oz level. Despite short-sellers pressing their bets against gold to the highest level ever in 2018, gold managed to outperform the S&P 500, the Nasdaq Composite and the TSX Composite. Looking into 2019 and beyond we are beginning to see an emergence of a goldilocks environment for gold. Our base case for 2019 is a tenuous cease-fire in the US-China trade war, which leads to a risk-on, dollar negative move followed by firming inflation. An escalation of trade war would likely be stagflationary as increased tariffs on cheap, "inflation-fighting" Chinese made goods bite consumer wallets and the ongoing economic uncertainty becomes magnified. In either scenario, investors will continue to look towards the safety of precious metals as they have over the past few months. It goes without saying that these scenarios portend well for silver.

The top three contributors to the fund performance in the month of December were Wheaton Precious Metals Corp., Silvercrest Metals Inc and SSR Mining Inc. Wheaton Precious announced the long-awaited settlement with the Canadian Revenue Agency, which provided a final resolution of the company's tax appeal in connection with the reassessment under transfer pricing rules of the 2005 to 2010 taxation years. The stock rallied 14% on the day of the announcement. Silvercrest released more high grade infill drill results ahead of an updated resource estimate expected in Q1 2019. SSR Mining declared commercial production at the Chinchillas mine in Argentina. The mine is expected to contribute significant silver production to the company.

Investment Team



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The top three detractors in the fund were Hochschild Mining Plc, Sabina Gold and Silver Corp and Excellon Resources Inc. Hochschild declined 3.5% on no news likely due to year-end tax loss selling. Sabina announced a below-market price bought deal financing for gross proceeds of \$22 million with the company's strategic investor Zhaojin International Mining electing to exercise its participation right to maintain their 9.9% equity interest. Excellon continued to suffer after their operational challenges earlier in the year.

NINEPOINT SILVER EQUITIES CLASS - COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-3.3%	-3.3%	11.2%	19.8%	31.2%	-3.0%	5.1%	-4.2%
Index	-3.8%	-3.8%	5.7%	12.1%	19.0%	-3.5%	4.1%	-6.1%

¹ 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 December 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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