



Ninepoint Gold & Precious Minerals

Q1 2020 Commentary - The Way Ahead

The Ninepoint Gold and Precious Minerals Fund Series F was up 10.09% over the course of Q4 2019. The rally in precious metals continued over the quarter despite easing in trade tensions between US and China with a “Phase 1” deal in sight. Instead, investors continued to bid gold and silver prices higher on the back of rising Middle-East tensions. We believe that sluggish global growth and easy monetary policies from central bankers around the world have continued to provide a strong structural underpinning for the bull market in gold, silver and precious metal equities at large.

The top three contributors to the Fund performance for the fourth quarter were Pan American Silver, Continental Gold and Pure Gold Mining. Pan American continued to go from strength to strength after reporting a strong third quarter and while also lowering their 2019 cost guidance. Pan American is a high quality precious metal “go to” name with a strong pipeline of catalysts in the months. Shares in Pan American Silver rose 48.24% over the course of Q4 2019. M&A continued to be a significant factor in the fourth quarter of 2019. Continental Gold, which is building a high grade project in Colombia agreed to be taken over by Zijin Mining out of China in a friendly deal valued at roughly \$1B USD. Over the course of the fourth quarter, Continental shares rose over 45.38%. Pure Gold which is currently developing a high-grade, shovel ready project was the third largest contributor to the fund, rising 41.38% during Q4 2019. The move in Pure Gold was partially catalyzed by the sale of the nearby Red Lake mine to the Australian based Evolution Mining.

For the fourth quarter, the top three detractors to the Fund performance were SEMAFO, Energold Drilling and Cardinal Resources. SEMAFO which operates two projects in Burkina Faso was subject to a horrific terrorist attack when a convoy carrying contract workers to its site was ambushed. The attack claimed the lives of 39 people and resulted in SEMAFO halting operations at its Boungou Mine as it evaluates its security protocols going forward. Our thoughts and prayers are with the victims and the families of those affected. Energold was the second largest detractor to the fund. The fund has a senior secured convertible with Energold Drilling which was written down as the company goes through a restructuring aimed at right-sizing the company and return it to profitability. Cardinal Resources published a feasibility study for its Namdini project in Northern Ghana which was not well received by the market and shares in Cardinal declined by 27.98% over the course of the quarter. Cardinal hosts one of the largest undeveloped gold projects in the world, with over 7 million ounces currently in the resource model. We continue to see value in this name, particularly while the price of gold remains buoyant.

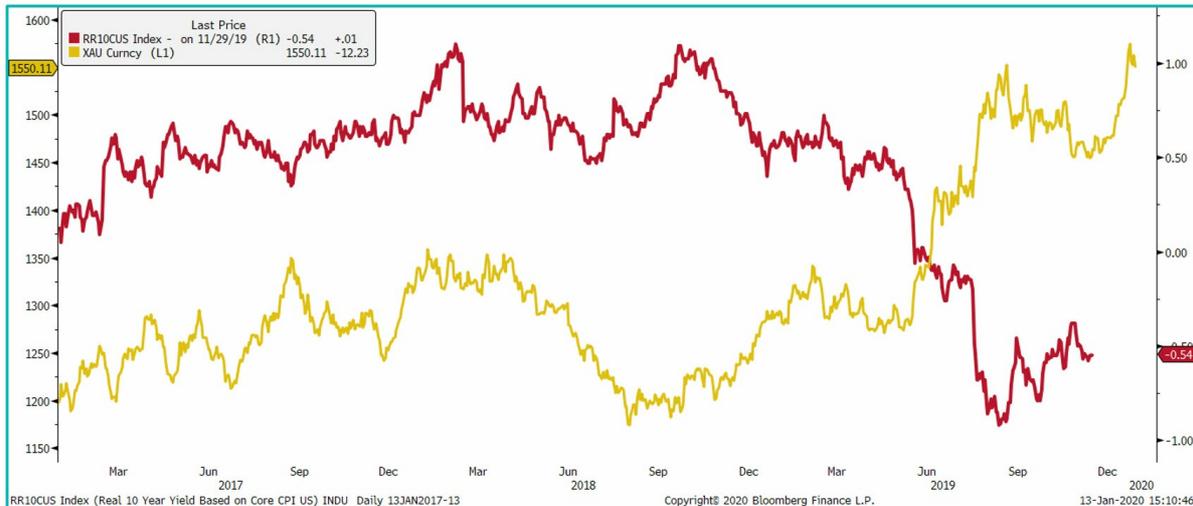
We expect the renewed interest that gold and silver enjoyed in 2019 to continue into 2020. While geopolitical headlines have been a key driver of the latest wave of interest in gold and silver, the continuation of easy money policy and negative real interest rates around the world will provide the foundation for the continued rise of precious metals through 2020.

Investment Team



Ninepoint / Sprott,
Sub Advised by Sprott Asset
Management (SAM)

Real yields (calculated as the yield on a 10-year note minus core CPI) in the US turned decisively negative in June 2019 and remained firmly in the negative territory through the remainder of the year.



Source: Bloomberg

We typically see negative real yields when monetary policy is loose and inflation is allowed to overtake the nominal rates. With the Fed widely expected to remain on the sidelines for the remainder of 2020, we suspect that real yields will remain in the negative territory. This will not only provide a wonderful monetary tailwind for gold and silver but also drive additional demand into the bullion metals and indeed into all real assets.

Despite gold and silver recording multi-year highs in 2019, precious metal equities continue to remain tremendously undervalued. Cost discipline honed through a multi-year bear market and the recent buoyant metal prices resulted in significantly improved profitability and balance sheets across the industry. The operating strength and profitability of peers has not been lost on the corporates and as a result, we have seen a flurry of corporate transactions occur over the past two quarters. This in turn is helping to bring the spotlight of investor attention back into the space. While we expect to see additional M&A occur in 2020, we would not be surprised to see valuations creep back towards normal levels as investor interest translates into investor inflows. We remain confident in our Q3 2019 call that we are in the beginning stages of a new bull market in precious metal equities.

NINEPOINT GOLD & PRECIOUS MINERALS FUND - COMPOUNDED RETURNS¹ AS OF NOVEMBER 30, 2021 (SERIES F NPP300) | INCEPTION DATE: OCTOBER 12, 2004

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	15YR	INCE
Fund	1.3%	-10.2%	3.7%	-9.4%	-0.7%	24.6%	9.7%	-1.6%	0.5%	4
S&P/TSX Global Gold TR	5.0%	-7.3%	-0.9%	-12.3%	-5.6%	22.1%	9.8%	-2.6%	-0.1%	2

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, 2019; e) 2001 annual returns are from 11/15/01 to 12/31/01. The index is 100% S&P/TSX Global Gold Total Return Index and is computed by Ninepoint Partners LP based on publicly available index information.

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