



# Ninepoint Silver Equities Class

## June 2018 Commentary

The Sprott Silver Equities Class ended the month of June down 2.4% while the MSCI Silver Select was down 1.7%.

The prospect of a global trade war has reduced investor appetite for risk-on assets. Emerging market equities, bonds, currencies and commodities came up for sale in June, with crude oil, being one of the few areas of strength owing to geopolitical concerns surrounding Iran and Venezuela. Investor moves out of non-US assets, into US assets has been driven by a widely held belief that the United States provides relative safety other economies who are more dependent on trade. As a result, US equities have remained resilient and we have seen a move into the US dollar. The move into the US dollar was negative for silver bullion, which saw its value fall by 1.88% in June while the Dollar Index rose by 0.52% in the same period.

Silver's correlation to gold has been rising steadily since April as investors are increasingly beginning to appreciate silver for its precious qualities over its use as an industrial metal. For this reason, it is important we think it is important to evaluate silver in a similar manner to gold. Investors have typically held gold bullion as a safe haven asset. Gold's performance in June frustrated investors as it failed to gain during a period of perceived adversity. Investors have become frustrated by gold's inability to overcome the price resistance level of US\$1370/oz, which has held firm since gold broke its downtrend at the end of 2015. The combination of these factors led short-term oriented investors in gold bullion to throw in the metaphorical towel in June. Investors in bullion ETFs also chose to reduce their holdings for the first time in the past three years in June. Speculative interest in gold futures also saw a marked decline as the open interest in gold at the end of June was at the lowest in three years.

We find investor moves out of precious metals to be rather curious because the current tariffs on Canada, Mexico and China are best termed as "trade skirmishes", rather than a trade war. If the \$200B tariffs on Chinese goods go ahead along with reciprocal tariffs, along with more two-way tariffs against the EU, Canada and other large trading nations, we will see this "trade skirmish" transition to a full-blown trade war. Throughout history, trade wars have been successful in creating inflation, uncertainty and ultimately crimping economic growth. With national debts in the US and abroad rising at rates typically seen during recessions and with rates grinding higher, the debt service ratios for many nations are rising. Introduce a global trade war to this mix and we find it very difficult to see a situation where precious metals perform poorly over the long run. We urge investors to strongly consider increasing their allocations into precious metals today.

The three largest contributors to June fund performance were First Majestic Silver, Industrias Penoles SAB and Silvercrest Metals. First Majestic continued to re-rate on the back of announcing the deal to acquire Primero Mining and its flagship San Dimas gold-silver mine in Mexico and concurrently restructuring the silver streaming agreement. Penoles recovered after selling off in

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May. Silvercrest rallied after announcing another discovery at its Las Chispas project in Sonora, Mexico. The Company reported seven drill holes from a new vein – since announcing an initial resource estimate, Silvercrest discovered two new veins and expanded the largest vein. The three largest detractors from June performance were Fresnillo Plc, Cia de Minas Buenaventura and Hochschild Mining Plc. Fresnillo and Hochschild suffered from a general sell off in mining stocks on the London stock exchange and a weak British pound. Buenaventura, in partnership with Newmont, announced that Japanese conglomerate Sumitomo Corporation has acquired a 5% equity stake in Yanacocha for \$48M, which added to the mine’s cash balance. The stock suffered from a sharp sell-off in the zinc and copper prices.

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**NINEPOINT SILVER EQUITIES CLASS - COMPOUNDED RETURNS<sup>1</sup>  
AS OF MARCH 31, 2020 (SERIES F NPP423)**

	<b>1M</b>	<b>YTD</b>	<b>3M</b>	<b>6M</b>	<b>1YR</b>	<b>3YR</b>	<b>5YR</b>	<b>INCEPTION</b>
Fund	-15.0%	-29.5%	-29.5%	-15.2%	-4.6%	-10.2%	2.2%	-7.8%
Index	-13.6%	-26.7%	-26.7%	-14.8%	-10.3%	-10.3%	2.3%	-9.1%

<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 June 29, 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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