Ninepoint Gold & Precious Minerals Market View

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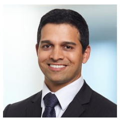

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Gold and precious metal equities have been collateral damage during this most recent market correction. The broader markets had become a tinder box with grossly elevated valuation metrics never seen before coupled with an economy burdened by record amounts of leverage (government, corporate, personal) and widespread investor complacency. All that was required was a spark - enter Covid-19. The speed of the correction was historical. The February to March 30% drawdown was the fastest 30% drawdown of all time. For us at Sprott, the corresponding sell off in gold bullion and precious metal equities was not surprising. During violent broader market corrections liquidity is priority number one. This time was no different as broader markets gapped down in response to the greatest demand shock in modern economic history. This resulted in many entities selling gold bullion to meet liquidity requirements that surfaced because of margin calls and the shuttering of both credit and debt markets. This pattern is similar to what the market witnessed as the Global Financial Crisis (GFC) unfolded in 2008/2009.

Before hypothesizing where we will go from here it is important to highlight that gold bullion has served its function as portfolio insurance. Year to date gold bullion has appreciated 7.4% while the S&P 500 has declined 24%. From it's peak on February 19/20 the S&P 500 has lost 28% while over this time period gold bullion has gained 1%. The precious metal equities have not fared as well because during the early stages of a correction gold stocks are stocks first and foremost.

As we are seeing today, there was a material demand shock as the GFC unfolded. Although not a perfect analogue, the GFC can serve as a playbook. As liquidity became paramount for many market actors during the GFC, gold bullion was sold to meet liquidity requirements. From the beginning of 2008 to November 12/08 (gold bullion low) the S&P 500 fell 41%, gold equities (GDX) cratered 61% and gold bullion depreciated by a relatively modest 17%. Once the Federal Reserve stabilized liquidity conditions, gold bullion and precious metal stocks generated superior absolute and relative returns. From November 12/08 to the end of 2009 gold bullion rallied 54% and precious metal equities (GDX) rebounded 138%. The S&P 500 declined another 21% from November 12/08 to its bottom in March 2009 and then appreciated 65% to year end 2009.

This time around the Federal Reserve and the US federal government are pulling no punches. Initially the Fed said they would undertake various operations to provide market liquidity that could total $1.5 trillion. This would include purchases of treasuries across all maturities and repo market operations. Then Trump announced interest on student loans would be waived in addition to what will be seen as a modest $50B emergency aid package. The Fed then announced another $700 billion quantitative easing program which would include purchases of municipal bonds. This week the biggest bazooka of all time was pulled out of the Fed's arsenal as they amended their previously announced QE program by removing limits on its asset purchases and adding corporate bonds to its list of eligible securities it can purchase. Now the market awaits the US federal aid package which is rumoured to be roughly $2 trillion and include loan forgiveness as well as direct payments to taxpayers (both are forms of helicopter money). This reaction is not limited to the US. Globally, we are seeing central banks and governments deploying unprecedented amounts of monetary and fiscal stimulus in response to the economic fallout caused by Covid-19. Needless to say all these actions should debase fiat currencies while providing a tremendous tailwind to gold bullion and gold equities. The table is set for a move in gold bullion and precious metal equities that could dwarf H2/08.

Jason Mayer

Sprott Asset Management

NINEPOINT GOLD & PRECIOUS MINERALS FUND - COMPOUNDED RETURNS[1]
AS OF MARCH 31, 2020 (SERIES F NPP300)

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	15YR	INCEPTION
Fund	-13.8%	-19.2%	-19.2%	-11.1%	-1.5%	-4.3%	5.9%	-3.5%	1.6%	0.8%
Index	-5.2%	-9.5%	-9.5%	0.6%	21.8%	5.3%	9.5%	-1.8%	2.2%	1.6%

[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 March 31st 2020; 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.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: commodity risk; concentration risk; currency risk; cybersecurity risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; liquidity risk; market risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; sub-advisor risk; substantial unitholder risk; tax risk; uninsured losses risk.

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