



# Ninepoint Gold & Precious Minerals

## May 2019 Commentary

The Ninepoint Gold and Precious Minerals rose 2.57% (Series F) in May 2019. General equities posted large declines with the S&P 500 retreating 6.35% and the Russell 3000 declining 6.47%. Closer to home, the TSX Composite Index declined by 3.06% as worries about a global economic slowdown gained steam.

### Investment Team

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

The yield curves across the world have continued to flatten as investors have grappled with a swath of weak economic data including weakness in manufacturing, wages and jobs. Manufacturing PMIs in Europe have continue to sag throughout 2019. The most recent data in the Eurozone Manufacturing PMI Index flashed a frightening 47.7, marking the fourth straight month of decline. Similarly, the ISM Manufacturing Index in the United States is threatening to cross below the closely watched 50.0 level. A close below 50 would indicate a contraction. Similarly, China, one of the biggest drivers of global growth, appears to be slowing and so does Japan. The collective of these data points is a cry for help from the economies around the world to their respective policy makers. With the ongoing trade war showing no signs of slowing down, the pressure will be on the central bankers to walk down the short end of the yield curve and once again increasing the prospects of easy money. The current era of Central Bankers have appeared more intent on reducing volatility in the economy and the equity markets and seem to show very little appetite for allowing the painful, yet necessary destruction of failing industries so that new enterprises can replace them. We are witnessing the product of these policies in the form of stagnant economic growth. Growth, which is so slow that it fails to register on Main Street. While the previous round of monetary policy was focused on quantitative easing through capital injections into failing and fragile industries, the next round of easing will likely focus on fighting ongoing deflation and creating inflation. We believe this will be a boon for real assets and commodities.

The top three contributors to the fund performance in the month of May were Northern Star, Saracen Mineral Holdings and Ramelius Resources. All three companies are Australian gold producers that have been delivering good results and have been generating free cash flow. Northern Star recently acquired the Pogo mine in Alaska from Sumitomo and has been hard at work integrating the operation into their portfolio. The company reported a disappointing result in the March quarter, but maintained fiscal year 2019 guidance and flagged record production for the final quarter of the financial year. Northern Star believes that Pogo has reached in inflection point for improved production going forward. Saracen remains one of our preferred names due to a healthy balance sheet, good management and organic growth profile. The stock outperformed in May after reporting a strong March quarter in April. Ramelius also reported a strong March quarter and is expected to release a new medium-term production and cost plan, which should support the valuation and increase the market's confidence.

The top three detractors from the fund performance in May were Dacian Gold, Hochschild Mining and Pan American Silver. Dacian is working on ramping up its Mt Morgans mine in Australia and

continued to experience operating issues. The company downgraded its fiscal 2019 guidance at the end of March due to reduced underground equipment availability and post month-end, Dacian announced further reductions to guidance for the short and medium term. The company reported that the reserve model is reconciling at 85% and this proved to be a big hit to investor confidence. We believe that the stock price overreacted to the downside and continue to hold the shares. Hochschild reported a strong Q1 2019 and progressed its drilling plans at multiple projects, but the stock declined together with the silver price. Pan American continued to integrate the assets acquired through Tahoe Resources and announced that its gold mines located in Ontario have been classified as “held-for-sale”.

**NINEPOINT GOLD & PRECIOUS MINERALS FUND - COMPOUNDED RETURNS<sup>1</sup> AS OF AUGUST 31, 2021 (SERIES F NPP300) | INCEPTION DATE: OCTOBER 12, 2004**

	<b>1M</b>	<b>YTD</b>	<b>3M</b>	<b>6M</b>	<b>1YR</b>	<b>3YR</b>	<b>5YR</b>	<b>10YR</b>	<b>15YR</b>	<b>INC</b>
Fund	-4.1%	-13.4%	-12.7%	1.6%	-19.0%	22.1%	5.3%	-3.1%	0.9%	:
S&P/TSX Global Gold TR	-5.7%	-6.5%	-11.5%	9.4%	-22.5%	24.4%	6.1%	-2.4%	0.4%	:

<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 May 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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