



Ninepoint Gold & Precious Minerals Fund

October 2018 Commentary

The Ninepoint Gold and Precious Minerals Fund gained 3.04% in the month of October while the S&P/TSX Global Gold Index gained 3.66%. During the month of October, the S&P 500 and the Nasdaq Composite both declined by 6.84% and 9.2% respectively. Fixed income instruments did not do much better as yields rose and the investor risk appetite declined. The TLT ETF, which holds long-duration US treasuries sold off 2.43% and the HYG ETF which holds high yield securities declined 1.98% during the month. October will likely mark an inflection point across several asset classes as both equities and bonds have come under pressure while volatility has persisted. Investors who have grown accustomed to steady returns from their equity portfolio have not faced this scenario in a very long time.

Investment Team

As the traditional equities and bond portfolios buckled, gold's safe haven appeal grew. After suffering its sixth consecutive month of decline in September, its worst showing since 1997, gold put in a strong showing in October. The amount of negativity towards both silver, gold and precious metals equities heading into the month of October was nothing short of historic. The speculative short interest in gold futures was at an all-time high. The speculative short interest in silver was also at an all-time high. Net speculative interest in both silver and gold futures were negative – something we have not seen since the bull market in precious metals began in 2001. The value of precious metals miners has suffered terribly as gold receded from its 2011 high. The combined market cap of all precious metals companies in the world at the end of October 2018 was ~\$265B USD. To put this into context, Bank of America's market cap alone is \$270B and Uber, the loss making ride-sharing app is hoping to come public at a valuation of \$120B.

Bull markets are born out of bottoms marked by extreme pessimism. The precious metals industry, which has drawn the ire of many investors due to repeated missteps, appears willing to change. The recently announced merger of Barrick and Randgold will create the largest gold miner in the world, with a focus on generating high returns on invested capital. This will come as music to investor's ears. Similarly, we are seeing more and more producers choose to focus on mining high margin ounces with a focus on investor profitability versus seeking growth for growth's sake. We are likely witnessing a watershed moment in precious metals investing.

Contributors and Detractors:

The top three contributors to the fund performance in the month of October were Saracen Mineral Holdings, Bellevue Gold and Randgold Resources. Saracen announced a strong Q1 of fiscal 2019. Production increased due to higher throughput and grades at its mines, while costs came in lower than forecast. Bellevue rallied on the expectation of a good resource update, which the company delivered in the second half of the month. The global resource at its Bellevue project now stands north of 1 million ounces with the maiden resource at the Viago lode being 550,000 ounces at

22.0g/t. Randgold continued to benefit from the announcement of a merger with Barrick in order to create New Barrick Group. The merger will create an industry-leading gold company with the greatest concentration of Tier One Gold Assets¹ in the industry, led by a proven management team of owners.

The top three detractors from the fund performance in October were Gascoyne Resources, Continental Gold and Superior Gold. Gascoyne reported weak production in the September quarter and then shocked the market by announcing the resignation of its long-serving Managing Director and its Chairman (who was in the position only for a few weeks). The company's Dalgaranga project is struggling to achieve commercial production with mining experiencing grade reconciliation issues. Continental continued to sell off after reported that three of its employees were fatally wounded in a vicious attack at their Berlin project in Colombia. Superior reported a weak Q3, but also changed its mine management in order to get the operations back on track.

The Gold & Precious Minerals Team

NINEPOINT GOLD & PRECIOUS MINERALS FUND - COMPOUNDED RETURNS¹ 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 October 31, 2018; 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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