



Ninepoint Silver Equities Class

October 2018 Commentary

The Ninepoint Silver Equities Class declined 2.1% (Series F) in the month of October while the MSCI Silver Select declined 3.38%. 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.

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 precious metals 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 SSR Mining, Silvercrest Metals and Dundee Precious Metals. SSR Mining reported strong Q3 production results out of Marigold and Seabee in October. This helped propel SSR Mining's shares up by 14.87%. The company now expects to meet or exceed its 2018 guidance. Silvercrest Metals ended the month of October up 8.28% on the back of ongoing exploration success and investor enthusiasm. Towards the end of September, Silvercrest announced an updated resource of 87M oz silver equivalent at their high-grade Las Chispas project, surpassing expectations. Dundee Precious Metals gained 13.15% in the month of October on the back of strong Q3 results. Dundee's operations at

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Chelopez and Tsumeb have continued to impress investors. The company is on track to meet its recently increased 2018 guidance.

The top three detractors in the fund were Wheaton Precious Metals, Industrias Penoles and Excellon Resources. Wheaton Precious Metals, which is the largest holding in the fund declined by 4.24% during October as the ongoing tax-related uncertainty with the CRA continued to drag on. Penoles declined 13.39% in the month of October as low silver prices continued to drag on the company's profitability. Excellon Resources declined 23.95% in the month of October as its Q3 results failed to impress investors. Production at its Platosa mine was significantly below expectations. The company has stated that production levels will improve going forward as a result of various improvements which have been implemented at the operation.

Maria Smirnova
Senior Portfolio Manager

COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-2.1%	-23.8%	-16.6%	-20.7%	-23.3%	6.2%	-2.6%	-10.8%
Index	-3.4%	-23.6%	-17.5%	-22.8%	-22.7%	8.9%	-2.5%	-11.7%

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) 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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