



Ninepoint Gold & Precious Minerals Fund

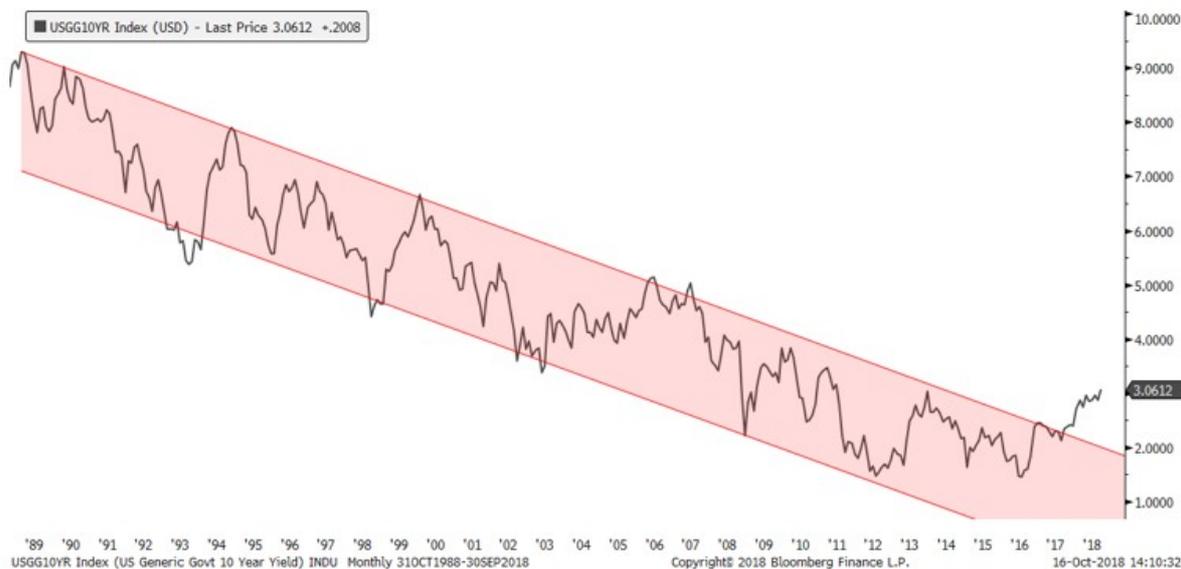
September 2018 Commentary

Ninepoint Gold and Precious Minerals Fund ended the month of August down 3.63% while the S&P/TSX Global Gold Index declined 1.60%. September saw the US 10-year yields move convincingly past the 3% level. With this move, the 30-year bull market in bonds is likely behind us. The implications of higher yields will take months, if not years, for investors to digest.

Investment Team

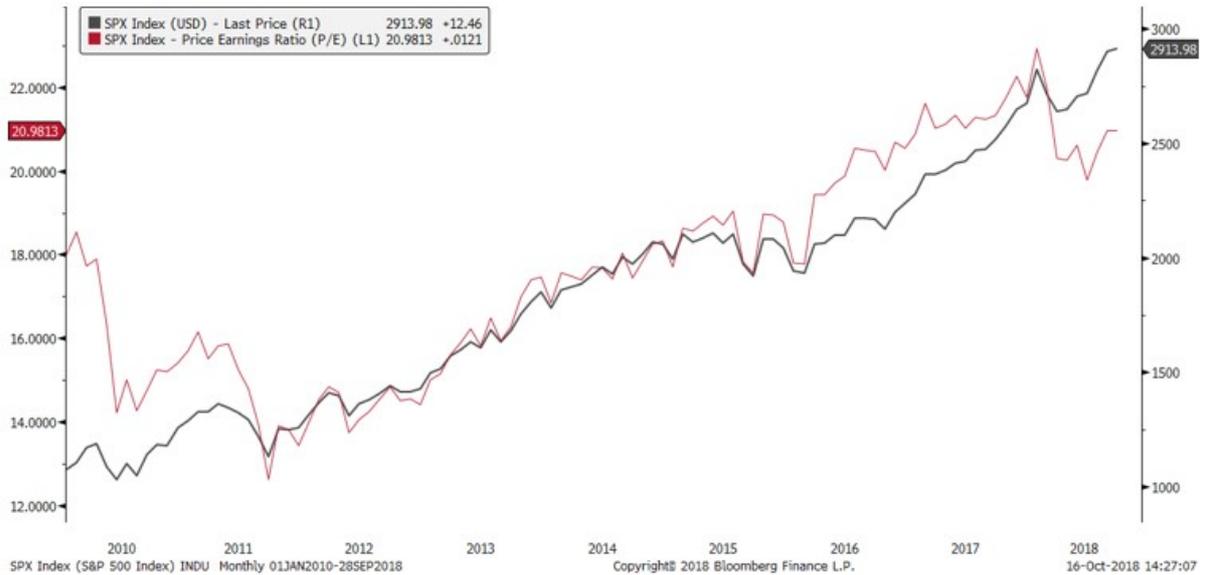


Ninepoint / Sprott,
Sub Advised by Sprott Asset Management (SAM)



Source: Bloomberg

Higher yields lead to lower bond prices. As yields rise, bond portfolios, especially those portfolios with higher duration, rapidly lose value. Higher yields also lead to higher discount rates when valuing equities. The most commonly used valuation tool used by equity analysts is the Discounted Cash Flow model. This method utilizes a discount factor, which is derived using the prevailing risk-free rate, which is usually the 10-year yield. Therefore, as yields rise, the discount factor rises along with it, which in turn leads to lower implied valuations of all equities. With P/E ratios near record highs, along with the price of the S&P 500, one has to worry about the impact of higher yields on not just the bond portfolios, but also on broader equities. As yields rise, valuations multiples will have to compress.



Source: Bloomberg

There is one key takeaway for our readers. As yields rise, a traditional stock and bond portfolio may no longer be safe as correlations between stocks and bonds will rise. Introducing more uncorrelated assets such as precious metals could provide the answer.

The top three contributors to the fund performance in the month of September were Northern Star Resources, Randgold Resources and Torex Gold Resources. Northern Star announced the transformational acquisition of Alaskan Pogo gold mine from Sumitomo. The acquisition was financed by a fully underwritten equity issue and existing cash and will add ~250,000 ounces of production a year, helping the company to achieve its 1 million ounce / year production target. The transaction was well-received by the market and the stock continued to outperform. Randgold also announced an M&A deal: the company reached an agreement on terms to merge with Barrick. This deal makes sense as Randgold's strong management team can streamline the Barrick operations, which include high quality mines in Nevada. Torex recovered from negative headlines at its mine in Guerrero, Mexico. The Company held a technical session illuminating its innovative Muckahi Mining System, which aims to optimize its own operations, but is also applicable to a wide array of other mines.

The top three detractors from the fund performance in September were Continental Gold, Argonaut Gold and Pretium Resources. Continental reported that three of its employees were fatally wounded in a vicious attack at their Berlin project in Colombia. Argonaut has high leverage to the gold price as it operates low grade mines and fell prey to short positions in September as its short interest ratio increased to 11.8 on September 14th. Pretium suffered from a short report trying to discredit the company and its management team. We continue to be shareholders of Pretium because we believe that the mine is economic and will continue to generate significant free cash flows at current gold prices.

NINEPOINT GOLD & PRECIOUS MINERALS FUND - COMPOUNDED RETURNS¹ AS OF AUGUST 31, 2022 (SERIES F NPP300) | INCEPTION DATE: OCTOBER 12, 2004

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	15YR	I
Fund	-10.9%	-28.8%	-21.4%	-31.8%	-25.6%	-0.8%	1.8%	-1.6%	0.0%	
S&P/TSX Global Gold TR	-5.9%	-22.2%	-23.3%	-28.1%	-21.3%	-3.6%	2.7%	-2.1%	-0.1%	

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 September 30, 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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