



Ninepoint Gold & Precious Minerals

December 2018 Commentary

The Ninepoint Gold and Precious Minerals posted a strong December, gaining 10.84% (F Series) and ending the year on a strong note. The S&P/TSX Global Gold Index gained 13.88% over the same period while broader equities posted large declines headlined by the S&P 500 retreating 9.03% and the Nasdaq Composite dropping 9.98%.

Investment Team



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

Persistent volatility across equity and fixed-income markets has increased precious metal's allure over the past quarter. Unlike previous declines over the past 24 months, such as the "Volpocalypse" of Jan 2017, Brexit in June 2016, and the China scare in early 2016, the current market decline and ongoing volatility are unrelated to a single issue that can be rapidly put into the rear-view mirror. The current decline owes its genesis to the flare-up in the US vs World trade tensions which over the past few months have been joined by an increasing number of economic and geopolitical gremlins. These include rising worries over the slowdown in US housing, a rising U.S. budget deficit expected to be over a trillion dollars in 2019, worrying economic data across the developed world and finally, the daily ebb and flow of the US-China trade tussle. We would be remiss if we did not mention that a potluck of regional issues in the always fragile Middle-East and the Brexit drama continue to simmer without attracting headlines in this part of the world.

Despite six consecutive months of price decline in 2018 from April to September, gold managed to hold its own at the psychologically important \$1200/oz level. Despite short-sellers pressing their bets against gold to the highest level ever in 2018, gold managed to outperform the S&P 500, the Nasdaq Composite and the TSX Composite. Looking into 2019 and beyond we are beginning to see an emergence of a goldilocks environment for gold. Our base case for 2019 is a tenuous cease-fire in the US-China trade war, which leads to a risk-on, dollar negative move followed by firming inflation. An escalation of trade war would likely be stagflationary as increased tariffs on cheap, "inflation-fighting" Chinese made goods bite consumer wallets and the ongoing economic uncertainty becomes magnified. In either scenario, investors will continue to look towards the safety of precious metals as they have over the past few months.

The top three contributors to the fund performance in the month of December were Kirkland Lake Gold, Wheaton Precious Metals Corp and OceanaGold Corp. Kirkland Lake released 2019 guidance and provided a new 3-year outlook for 2019 to 2021. Strong 2019 guidance was expected by the market, but the company blew away expectations particularly for 2021 when Kirkland Lake is expecting to produce between 945,000 and 1,005,000 ounces. Wheaton Precious announced the long-awaited settlement with the Canadian Revenue Agency, which provided a final resolution of the company's tax appeal in connection with the reassessment under transfer pricing rules of the 2005 to 2010 taxation years. The stock rallied 14% on the day of the announcement. OceanaGold received the preliminary permit approval for an underground mine that will extend the mine life at one of its key assets.

The top three detractors from the fund performance in December were Bonterra Resources Inc, Sabina Gold and Silver Corp and West African Resources Ltd. Bonterra announced drill results from its resource development program at the Gladiator Deposit where the Company is expanding and defining the deposit ahead of the upcoming mineral resource estimate. Sabina announced a below-market price bought deal financing for gross proceeds of \$22 million with the company's strategic investor Zhaojin International Mining electing to exercise its participation right to maintain their 9.9% equity interest. West African announced a ~\$238 million financing package that included debt and equity – the equity portion was at a discount to market.

NINEPOINT GOLD & PRECIOUS MINERALS FUND - COMPOUNDED RETURNS¹ AS OF JULY 31, 2023 (SERIES F NPP300) | INCEPTION DATE: OCTOBER 12, 2004

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	15YR	INC
Fund	3.4%	-2.4%	-11.2%	-9.6%	0.1%	-13.0%	6.8%	6.0%	1.7%	2.5%
S&P/TSX										
Global	3.0%	4.5%	-9.5%	-4.7%	23.5%	-8.3%	11.5%	6.1%	0.7%	2.7%
Gold TR										

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 December 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.

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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