



Ninepoint Silver Equities Class

Q1 2020 Commentary

The Ninepoint Silver Equities Class was up 20.27% over the course of Q4 2019. The rally in precious metals continued over the quarter despite easing in trade tensions between US and China with a “Phase 1” deal in sight. Instead, investors continued to bid gold and silver prices higher on the back of rising Middle-East tensions. We believe that sluggish global growth and easy monetary policies from central bankers around the world have continued to provide a strong structural underpinning for the bull market in gold, silver and precious metal equities at large.

The top three contributors to the Fund performance in the month of December were Coeur Mining Inc, Pan American Silver Corp and Silvercrest Metals Inc. Coeur has a number of silver and gold mines across the Americas. The company has been focusing on operational improvements in order to transition to free cash flow and deleverage. In December, Coeur released an exploration update showing a focus on extending near mine mineralization and resource expansion; the company is planning to increase its exploration budget this year. Pan American reported a strong third quarter and lowered 2019 cost guidance. The company is a high quality silver and gold “go to” name in our portfolio. Fortuna continues to build its Lindero project in Argentina and the stock remains undervalued despite its relative outperformance in December. Silvercrest continued its outperformance as the company reported more high-grade drill results extending mineralization at its Las Chispas project in Sonora, Mexico. Silvercrest closed an oversubscribed C\$92 million financing in December with the funds to be used for continued exploration and development of Las Chispas.

The top detractors from the Fund performance were Hochschild Mining Plc, Industrias Penoles SAB and Dolly Varden Silver Ltd. Hochschild announced the acquisition of a rare earths deposit in Chile. This purchase was not understood by the market as there is not much information about the project and it was viewed as a departure from Hochschild’s core business. In November the company also announced 2020 production and cost guidance that was disappointing to the market. We believe there is value in HOC shares longer term as this is a free cash flowing business with a high quality management team and exciting exploration prospects. Penoles controls roughly 75% of Fresnillo Plc and has lagged on the back of Fresnillo’s recent poor operational performance. We are optimistic that Fresnillo is in the midst of turning their performance around, which should benefit Penoles going forward. Dolly Varden continued to advance its namesake property located in Northwestern British Columbia including drilling and metallurgical testing. As well, the company closed a C\$3.5 million strategic investment by Eric Sprott. We are confident that Dolly Varden will be able to surface the value of its deposit through continued exploration in the future.

We expect the renewed interest that gold and silver enjoyed in 2019 to continue into 2020. While geopolitical headlines have been a key driver of the latest wave of interest in gold and silver, the continuation of easy money policy and negative real interest rates around the world will provide the

Investment Team



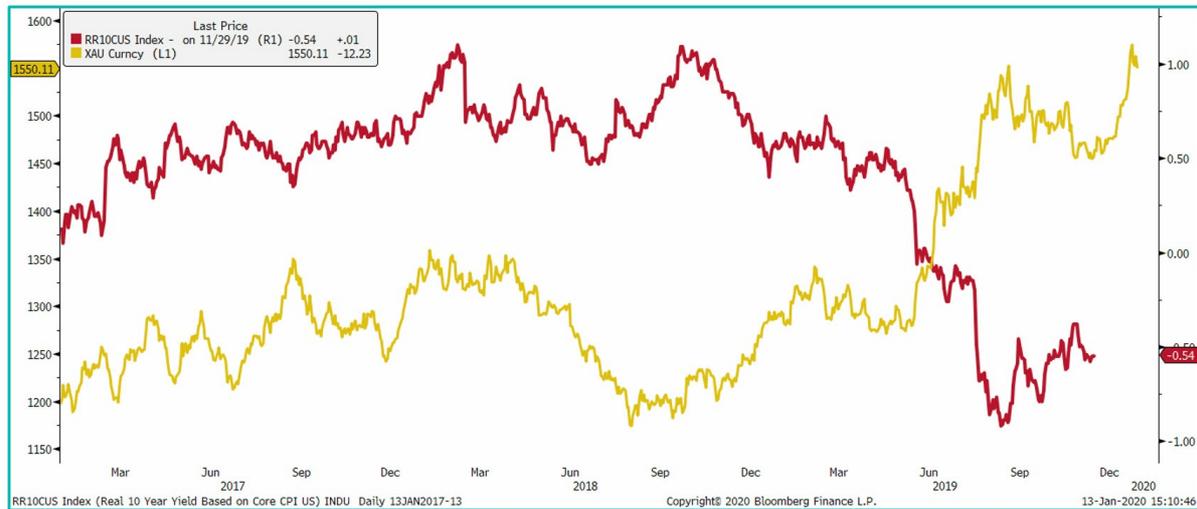
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foundation for the continued rise of precious metals through 2020.

Real yields (calculated as the yield on a 10-year note minus core CPI) in the US turned decisively negative in June 2019 and remained firmly in the negative territory through the remainder of the year.



Source: Bloomberg

We typically see negative real yields when monetary policy is loose and inflation is allowed to overtake the nominal rates. With the Fed widely expected to remain on the sidelines for the remainder of 2020, we suspect that real yields will remain in the negative territory. This will not only provide a wonderful monetary tailwind for gold and silver but also drive additional demand into the bullion metals and indeed into all real assets.

Despite gold and silver recording multi-year highs in 2019, precious metal equities continue to remain tremendously undervalued. Cost discipline honed through a multi-year bear market and the recent buoyant metal prices resulted in significantly improved profitability and balance sheets across the industry. The operating strength and profitability of peers has not been lost on the corporates and as a result, we have seen a flurry of corporate transactions occur over the past two quarters. This in turn is helping to bring the spotlight of investor attention back into the space. While we expect to see additional M&A occur in 2020, we would not be surprised to see valuations creep back towards normal levels as investor interest translates into investor inflows. We remain confident in our Q3 2019 call that we are in the beginning stages of a new bull market in precious metal equities.

Maria Smirnova
Senior Portfolio Manager

NINEPOINT SILVER EQUITIES CLASS - COMPOUNDED RETURNS¹
AS OF MARCH 31, 2020 (SERIES F NPP423)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-15.0%	-29.5%	-29.5%	-15.2%	-4.6%	-10.2%	2.2%	-7.8%
Index	-13.6%	-26.7%	-26.7%	-14.8%	-10.3%	-10.3%	2.3%	-9.1%

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 December 31, 2019; 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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