Ninepoint Gold & Precious Minerals Fund

Q3 2023 Commentary

Investment Team

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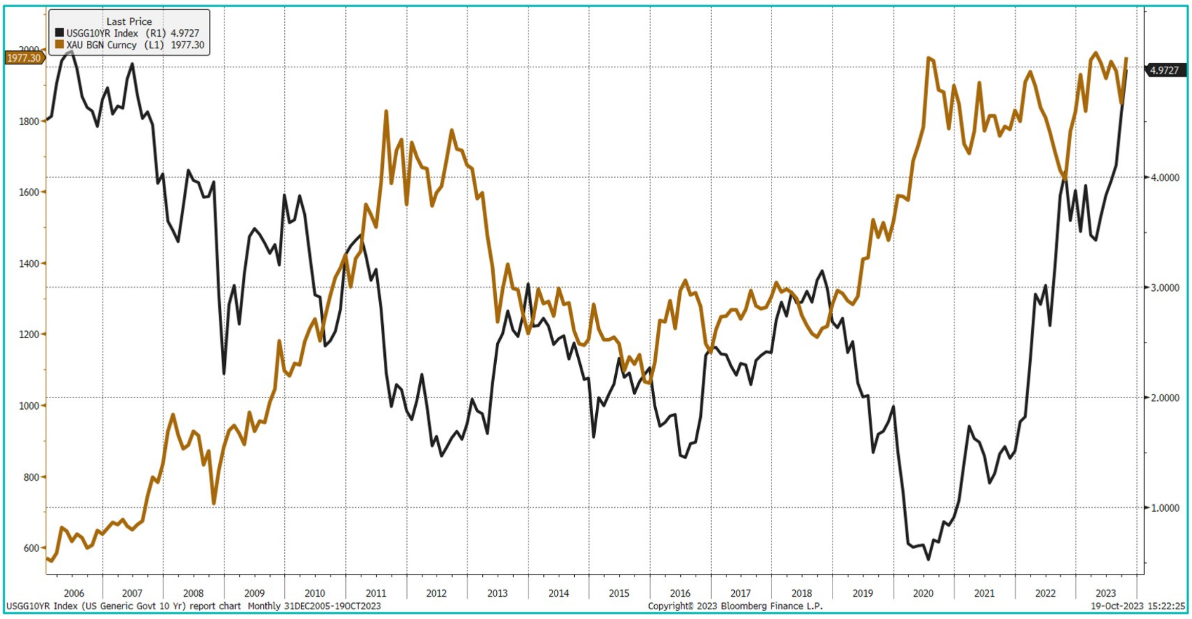
Bullion Emerges Unscathed Despite the Bonfire of Bonds

There has been a belief that the price of gold is dictated by yields. There have been periods of correlation between yields and gold, but this correlation becomes increasingly spurious as the period of measurement increases. At the time of writing, the US 10-year treasury yields are a hair away from reaching 5% while the price of gold is attempting yet again to cross the $2000/oz threshold. The last time we had the US 10-year treasuries yielding 5% was near the end of June 2007 and the price of gold was ~$650/oz. If you observe the price of gold over the past twenty years, it has gone up when yields have gone up and down when yields have gone down.



Source: Bloomberg

We are entering a period of exceptional uncertainty. With rising rates and rising uncertainty, assets such as gold are insurance. Bullion has no counterparty risk. If you own quality bullion, you are not worrying about whether it will get debased, corrupted or your bullion declared no good by a third party. The latter happened with the foreign exchange reserves held by Russia. Central banks recognize this, and central banks have been accumulating gold at an accelerated pace in the past year. Gold imports into non-Western countries have been strong. Western investors, on the other hand, are busy liquidating their gold holdings. Perhaps, they are speculating on the value of their fiat currency, or they are aware of an imminent discovery of El Dorado. We will never know. What we do know is that over the past two years, investors have redeemed nearly 22% of their gold holdings while the performance of bullion has been one of the bright spots as multiple asset classes have struggled to post gains.

We started this note by mentioning yields so we would be remiss to not mention the carnage that rising yields have caused on the fixed-income market. In particular, the bonfire of bonds that resulted in over ten trillion dollars of market value being wiped off the Bloomberg Global Aggregate Bond Index. To put this enormous number into context, the market value loss experienced during the 2008/09 crash was under two trillion. We may not be in a recession yet, but there is panic setting into the fixed-income market.

Source: Bloomberg

Speculators in the gold futures market have been busy using their myopically focused computer algorithms to keep pressing their shorts on bullion. To a computer algorithm, rising yields and a rising dollar are negative to gold. You put a few of these machines together and you create a short-selling stampede into gold. This is precisely what has been playing out and in fact, the short positioning in gold was highly extended going into the events transpiring in the Middle East. The rally we have witnessed in gold over the past few days smells very much like shorts being skewered.

Source: Bloomberg

Between now and the next few months, we can count on a few things. Deficits will widen. Debt loads will keep marching higher. The cost to service the debt will remain high. Global central banks will continue choosing gold over Western IOUs. What will happen when the economy finally starts to buckle under the collective weight of debt and high interest? As we have seen time and again, the Fed, the ECB and the BoC will ride in again to save their economies by sacrificing their fiat. The setup for gold, silver and most hard assets is brighter than ever. The uncertainty to me is how high can gold rise when investors stop using broken algorithms to price gold and start buying gold for what it is – an incorruptible insurance against the increasingly flaccid fiat currencies.

Today, under 1% of all investable assets are held in the form of gold. I will leave you with one question – *are there more buyers of gold at $2000/oz or $5000/oz?*

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NINEPOINT GOLD & PRECIOUS MINERALS FUND - COMPOUNDED RETURNS[1] AS OF FEBRUARY 29, 2024 (SERIES F NPP300) | INCEPTION DATE: OCTOBER 12, 2004

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	15YR	INCEPTION
Fund	-6.3%	-12.8%	-13.5%	-10.8%	-9.6%	-8.7%	4.0%	2.7%	2.8%	1.8%
S&P/TSX Global Gold TR	-5.8%	-13.3%	-14.8%	-9.6%	-5.4%	-0.7%	7.2%	3.6%	-0.2%	1.9%

NINEPOINT GOLD BULLION FUND - COMPOUNDED RETURNS[1] AS OF FEBRUARY 29, 2024 (SERIES F NPP226) | INCEPTION DATE: MARCH 17, 2009

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	1.1%	1.4%	0.2%	5.4%	10.4%	7.0%	8.9%	5.6%	5.2%
Gold Spot (CAD)	1.2%	1.5%	0.4%	5.8%	11.3%	7.9%	9.9%	6.6%	6.0%

NINEPOINT SILVER BULLION FUND - COMPOUNDED RETURNS[1] AS OF FEBRUARY 29, 2024 (SERIES F NPP326) | INCEPTION DATE: MAY 9, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	-0.4%	-2.6%	-10.6%	-7.5%	6.4%	-4.6%	6.6%	0.9%	-3.3%
Silver Spot (CAD)	-0.3%	-2.4%	-10.3%	-6.8%	7.9%	-3.2%	8.4%	2.7%	-1.4%

NINEPOINT SILVER EQUITIES FUND - COMPOUNDED RETURNS[1] AS OF FEBRUARY 29, 2024 (SERIES F NPP866) | INCEPTION DATE: FEBRUARY 28, 2012

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	-7.9%	-17.5%	-21.1%	-15.2%	-22.8%	-22.3%	-0.1%	-1.0%	-4.9%
MSCI Silver Select (CAD)	-6.5%	-18.0%	-19.5%	-15.3%	-15.1%	-16.8%	-0.2%	-1.2%	-5.5%

[1]All Ninepoint Gold & Precious Minerals Fund 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, 2023. 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. [1]All Ninepoint Gold Bullion Fund 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, 2023. The index is 100% Global Spot (CAD) Index and is computed by Ninepoint Partners LP based on publicly available index information. [1]All Ninepoint Silver Bullion Fund 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, 2023;. The index is 100% Silver Spot (CAD) Index and is computed by Ninepoint Partners LP based on publicly available index information.

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