



# GOLD in the New Financial Landscape

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Webcast: Wednesday, April 15, 2020

# Featured Speakers

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## **John Hathaway, CFA, Senior Portfolio Manager**

John Hathaway joined Sprott Asset Management in January 2020. Mr. Hathaway is a Portfolio Manager of Sprott Hathaway Special Situations Strategy and Co-Portfolio Manager of the Sprott Gold Equity Fund. Previously, Mr. Hathaway joined Tocqueville Asset Management L.P. in 1997 where he was a Co-Portfolio Manager of the Tocqueville Gold Fund as well as other investment vehicles in the Tocqueville Gold Equity Strategy. He was also the Portfolio Manager of private funds. Prior to joining Tocqueville, Mr. Hathaway co-founded and managed Hudson Capital Advisors followed by seven years with Oak Hall Advisors as the Chief Investment Officer in 1986. In 1976, he joined the investment advisory firm David J. Greene and Company, where he became a Partner. Mr. Hathaway began his career in 1970 as an Equity Analyst with Spencer Trask & Co. Mr. Hathaway earned a B.A. from Harvard College and an MBA from the University of Virginia. Mr. Hathaway was also the Chairman of Tocqueville Management Corporation, the General Partner of Tocqueville. He also holds the CFA® designation.



## **Whitney George, Chief Investment Officer, Sprott Asset Management; President, Sprott Inc.**

Whitney George serves as President of Sprott Inc., Chief Investment Officer of Sprott Asset Management LP and Chairman of Sprott U.S. Holdings, Inc. He is also a Senior Portfolio Manager at Sprott Asset Management USA. Mr. George joined Sprott in 2015 and previously spent 23 years in senior roles at Royce & Associates LLC ("Royce") in New York. He was Co-Chief Investment Officer of Royce from 2009 to 2013 and played a key role in the firm's growth and evolution into a leading U.S. small-cap manager with peak assets of more than US\$40 billion. At Sprott, Mr. George is also portfolio manager of Sprott Focus Trust (FUND), a closed-end equity investment fund that seeks to provide long-term growth of capital through a focused portfolio of value stocks of companies across all market capitalizations. Prior to joining Royce, Mr. George held positions with Dominick & Dominick, Inc., WR Lazard & Laidlaw, Inc., Laidlaw, Adams & Peck and Oppenheimer & Co. Inc. Whitney holds a bachelor's degree from Trinity College.



## **Ed Coyne, Senior Managing Director, Global Sales**

Ed Coyne joined Sprott in January 2016 and has more than 25 years of investment management and sales experience. Previously, Ed was a Principal and Investment Specialist for 18 years at Royce & Associates, a small-cap value manager located in New York City and the investment adviser to The Royce Funds. Before joining Royce, Ed worked with Zweig Mutual Funds and Neuberger Berman as a Regional Sales Director. Ed began his career at Reich & Tang, a provider of deposit, liquidity, and cash management solutions for banks, broker-dealers, investment advisors, institutional investors, and public entities. Ed worked in the firm's key account sales division servicing institutional clients. Ed earned his Bachelor of Science in Architectural Studies from the University of Missouri. Ed also holds a Series 7 license, administered by Financial Industry Regulatory Authority (FINRA).

# Sprott: A Global Leader in Precious Metal Investing

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## Sprott

- Sprott is publicly listed on the Toronto Stock Exchange (TSX: SII)
- One of the largest precious metals-focused managers
- \$10.6B in AUM<sup>1</sup>
  - Sprott is one of the largest managers of precious metals bullion in North America (\$7B)
  - Large precious metals equity business strengthened with recent acquisition of Tocqueville gold assets and team (\$2.1B)
  - Leading structured finance provider (credit, streams, royalties) to junior mining sector (\$0.8B)
- Institutional clients include leading pensions, foundations and SWFs
- Funds (liquid and closed end) and SMAs

<sup>1</sup> AUM as of March 31, 2020. Includes sub-advisory agreements.

# The Case for Gold and Gold Equities

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## Support Remains in Place for the Gold Bull Market to Continue

- Gold is one of the few assets that offers both downside protection and upside performance in the new financial landscape, and it is under-owned and under-utilized by investors
- The COVID-19 pandemic's impact on global economies highlights gold's safe haven status
- The global response to the COVID-19 pandemic has been unprecedented economic stimulus (QE Infinity; \$2+ Trillion in U.S.), which will massively increase debt levels
- Central banks continue to amass record quantities of gold as a reserve asset
- The trend in lower global interest rates continues with the U.S. now at 0%

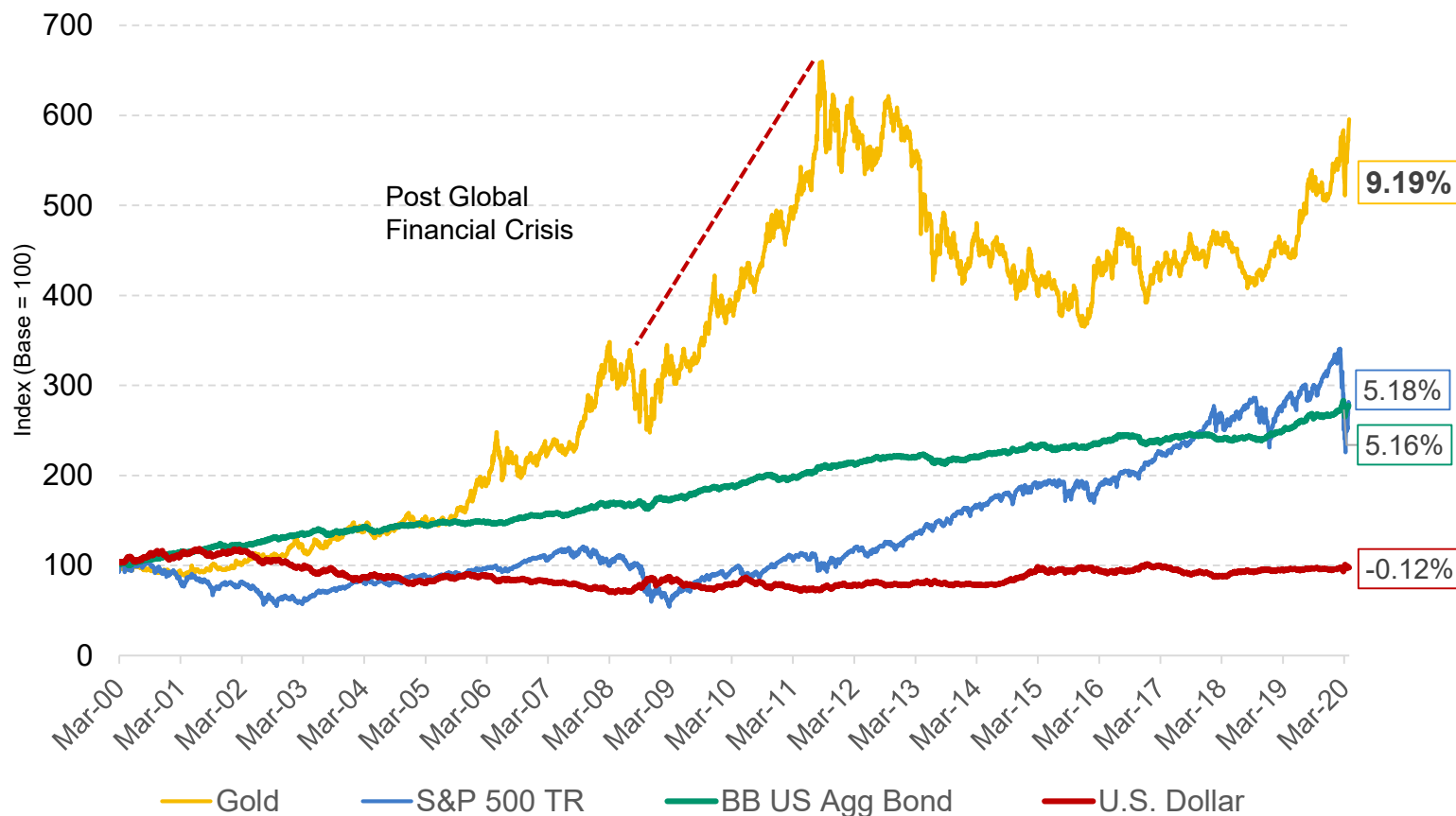
## Gold Equities

- Gold mining stocks have outperformed the metal by 3-5x during past bull phases for the metal
- Near-term mine suspensions and government mandates to reduce activity due to COVID-19 has put pressure on ore supply, adding further support to the long-term gold price
- Miners, with strong balance sheets and quality reserves, are best positioned to enjoy higher profit margins over the long-term
- The M&A cycle continues with the involvement of more small- and mid-cap companies, as they recognize the need for scale and to remain relevant

# Gold's Performance in the Modern Era

## Gold Has Outperformed Stocks, Bonds and USD over the Past 20 Years

Returns for Period from 12/31/1999-4/13/2020

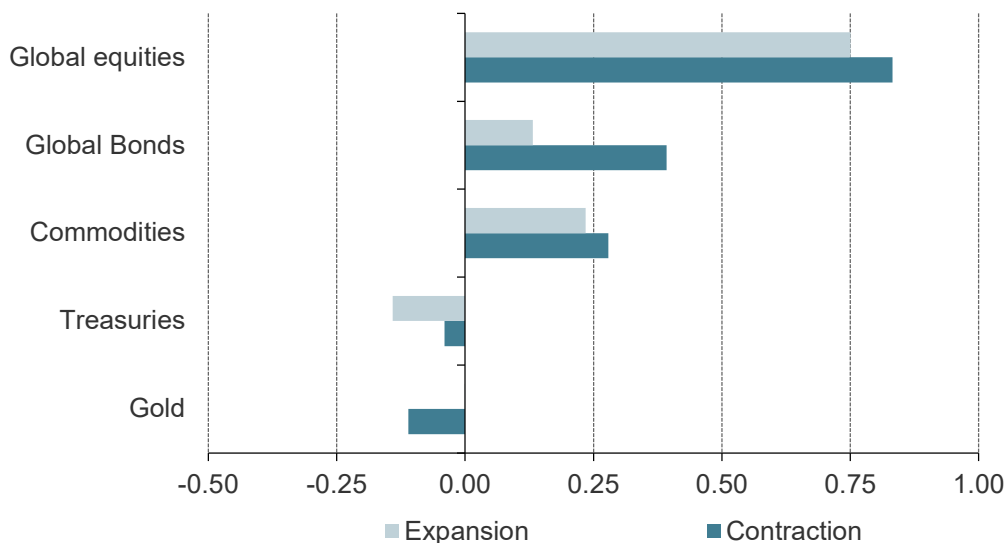


Source: Bloomberg. Period from 12/31/1999-4/13/2020. Gold is measured by GOLD Comdty; US Agg Bond Index is measured by the Bloomberg Barclays US Agg Total Return Value Unhedged USD (LBUSTRUU Index); S&P 500 TR is measured by the SPX; and the U.S. Dollar is measured by DXY Currency. Past performance is no guarantee of future results.

# Gold Hedges Equity Exposure

- Gold can provide better equity downside correlation than commodities and other assets and in line with U.S. Treasuries
- Over the last 20 years gold's overall correlation to the S&P 500 has been about 0

**U.S. Stocks' Correlation to Major Financial Assets during Expansions and Contractions**  
Gold is more negatively correlated to the equity markets than Treasuries in periods of contraction\*



\*As of 30 June 2019. Based on monthly returns from January 1987 to June 2019 of the S&P 500, MSCI ACWI ex US, BarCap Treasuries and Corporates, Bloomberg Commodity Index and LBMA Gold Price. Business cycles as defined by the National Bureau of Economic Research (NBER).

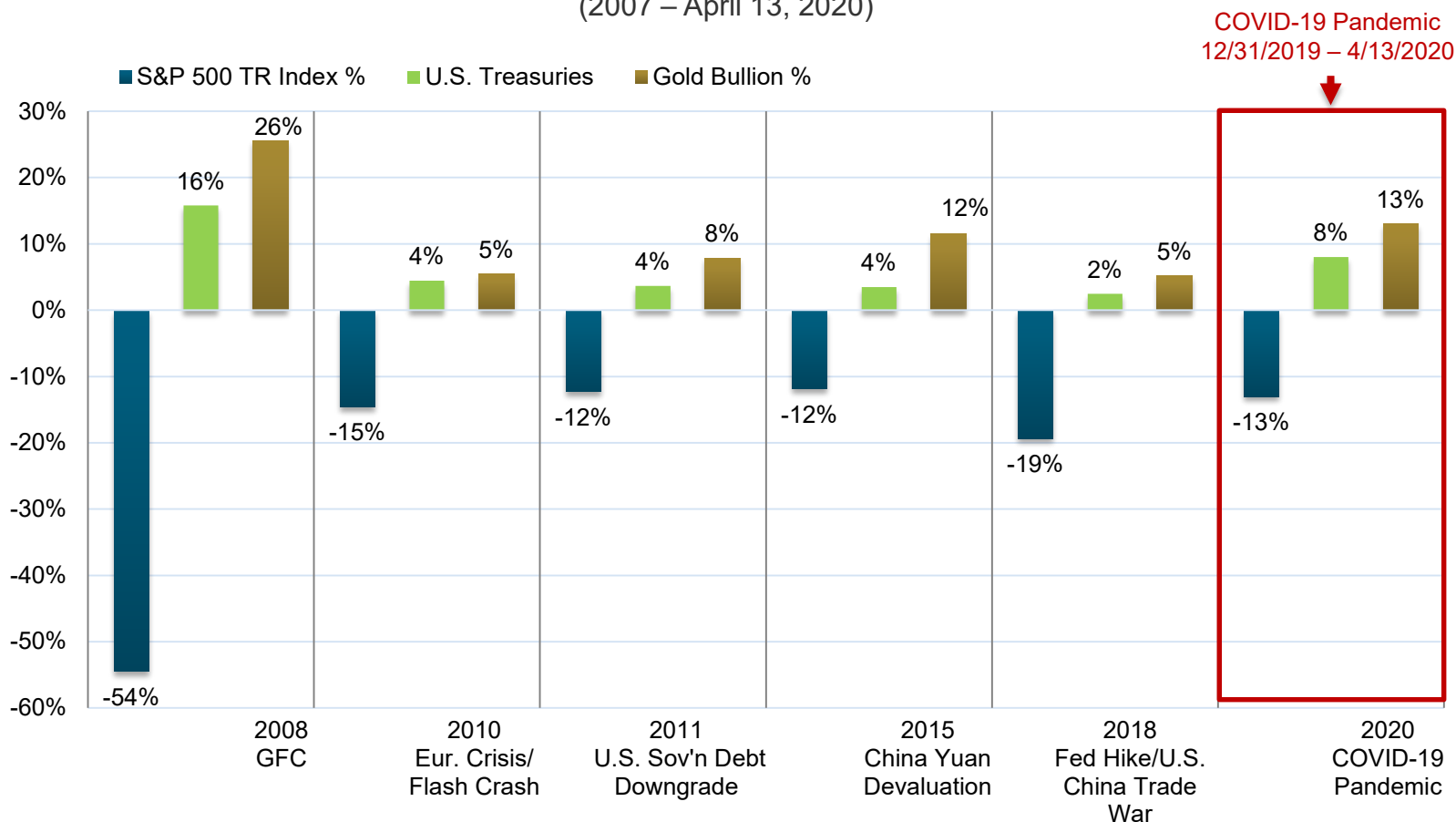
<sup>1</sup>See slides 34-35 for demand factors affecting gold during stable market conditions.

Source: World Gold Council

# Gold Can Provide Protection in Crises

## Gold vs. S&P 500 and U.S. Treasuries in “Crisis” Periods

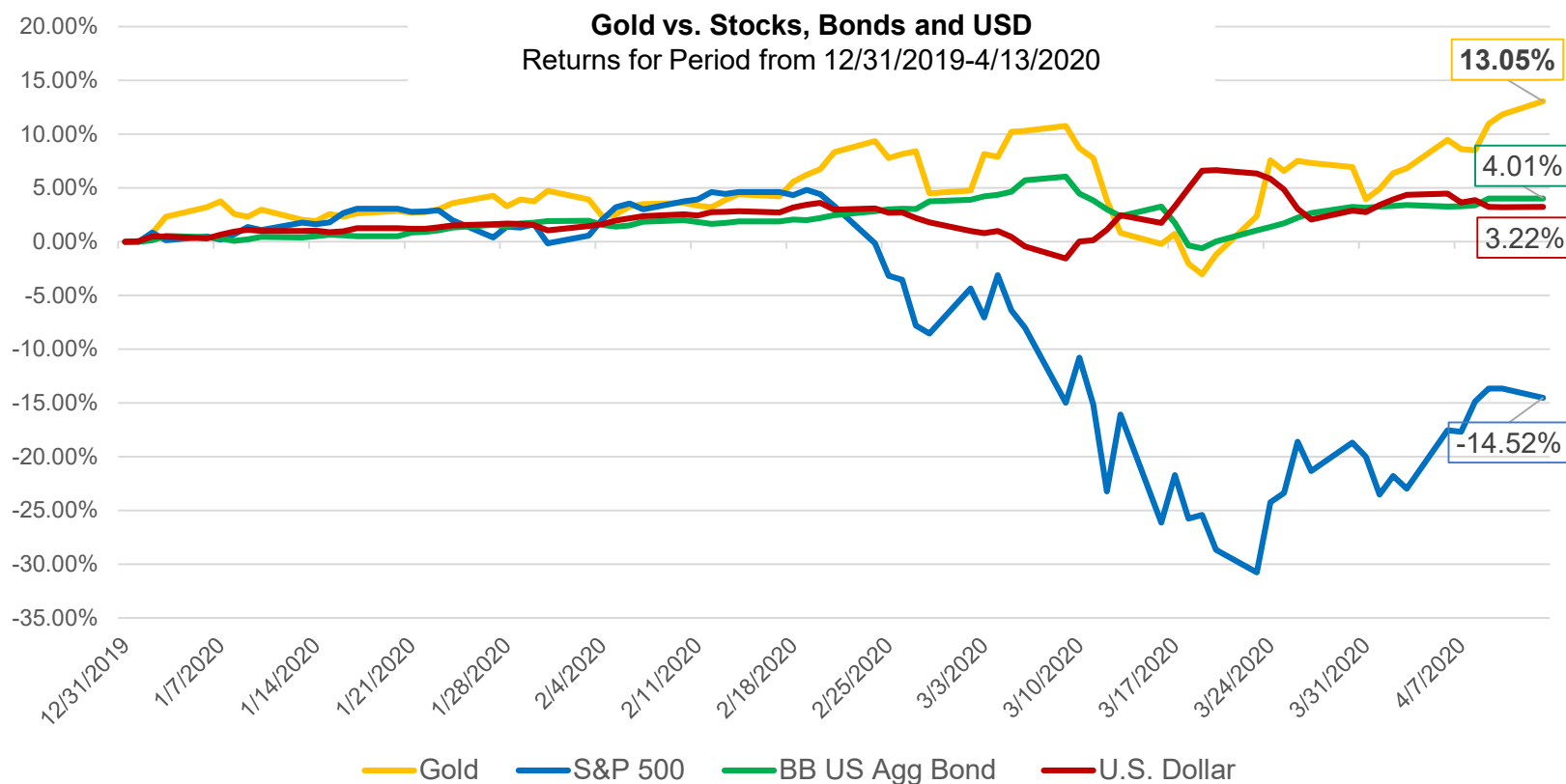
(2007 – April 13, 2020)



Data as of 4/13/2020. Source: Sprott Asset Management. Dates used: Global Financial Crisis: 10/11/2007-3/6/2009; Eurozone Crisis: 4/20/2010-7/1/2010; U.S. Sovereign Debt Downgrade: 7/25/2011-8/9/2011; China Yuan Devaluation: 8/18/2015-2/11/2016; Fed Rate Hike & China Trade War: 9/20/2018-12/24/2018; COVID-19 Pandemic: 1/1/2020-3/31/2020. S&P 500 TR Index is measured by the SPXTR; Treasuries are measured by Bloomberg Barclays US Treasury Total Return Unhedged USD (LUATTRUU); and Gold Bullion is measured by spot gold.

# Gold Outperforms YTD 2020

- YTD gold has outperformed other assets and preserved capital
- Volatility due to investor liquidity requirements
- Gold is one of most liquid global assets



Data as of 4/13/2020. Source: Bloomberg.

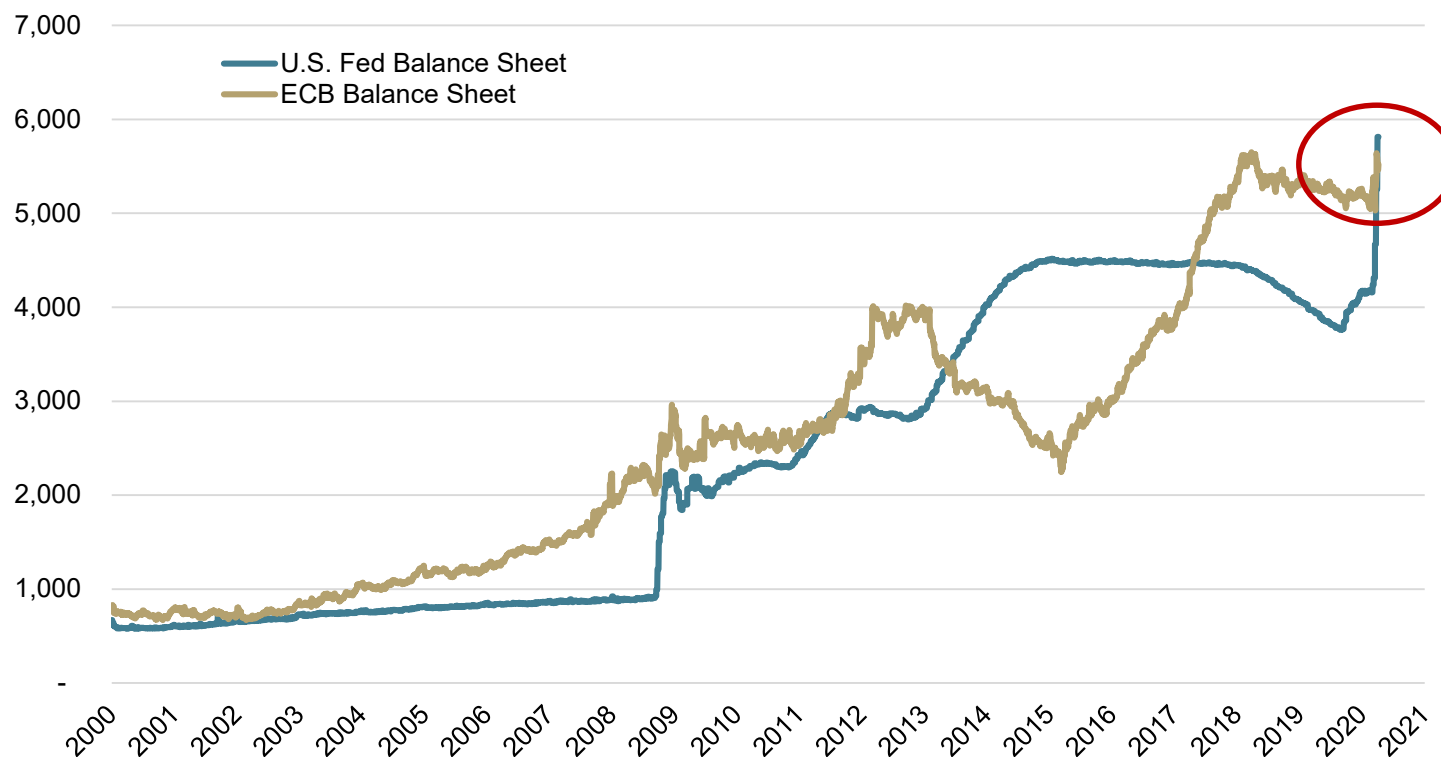


# U.S. Fed and ECB Balance Sheets

Policy response pushes global balance sheets to record levels

U.S. Fed balance sheet expands to a record \$5.8 trillion as of April 1

ECB balance sheet expands to \$5.5 trillion as of April 1



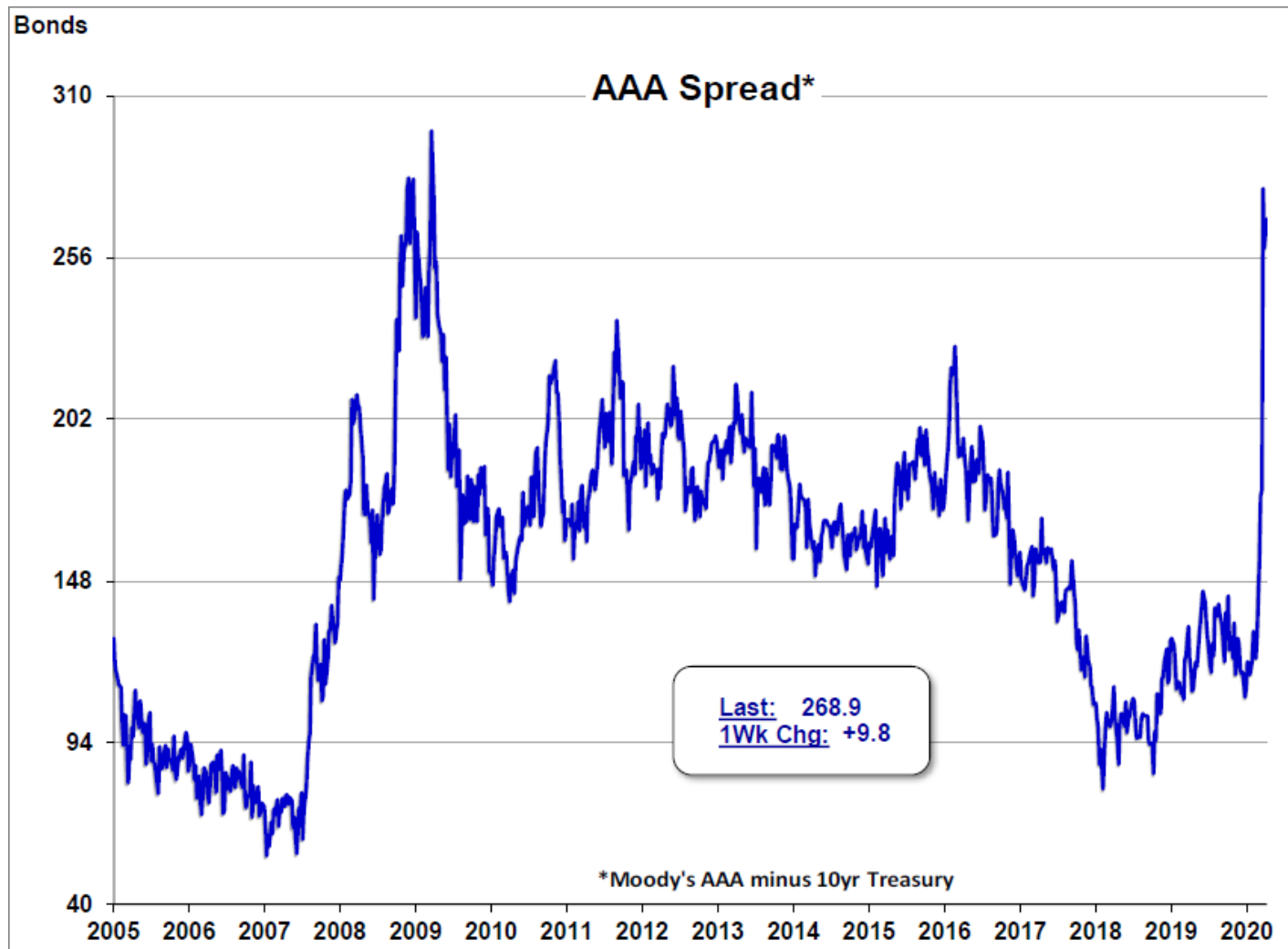
Data as of 3/31/2020 in U.S. Billion dollars. Source: Bloomberg.

# Monetary Policy Going Ballistic

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- Risk parity trade is failing; bonds are no longer a safe asset
- Liquidity Injections will be large and permanent – the bond market will become socialized
- Owning Treasury bonds = parking T-Bills
- Massive debt purchases by all sovereign credits will freeze interest rates at ultra-low levels
- High risk that nominal bond values will be significantly impaired by monetary inflation
- Gold is the antidote to the fixed-income dilemma

# Credit Deflation is Bad for Fixed Income



Data as 4/03/2020. Source: Meridianmacro.com.

# Gold Equities Provide Leverage to the Gold Price

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## Gold Stocks Should Rally with the Price of Gold

- Gold mining stocks have outperformed the metal by 3-5x during past bull phases for the metal
- Near-term mine suspensions and government mandates to reduce activity due to Covid-19 has puts pressure on ore supply, adding further support to the long-term gold price
- Miners, with strong balance sheets and quality reserves, are best positioned to enjoy higher profit margins over the long-term
- The M&A cycle continues with the involvement of more small- and mid-cap companies, as they recognize the need for scale and to remain relevant

# Gold Equities Dislocation from Spot Gold

Since 2008, the relative valuation of gold equities to gold bullion has fallen 75% from the prior 25-year average. The ratio of the XAU Index to spot gold averaged 0.2497x for a quarter century through 2008. As of 3/31/19, the ratio was 0.0501x.

Gold Equities Undervalued Relative to Bullion  
Ratio of XAU Index to Spot Gold (12/23/83-3/31/2020)



Data as of 3/31/2020. Source: Bloomberg. 12/23/83 represents the inception of the XAU.

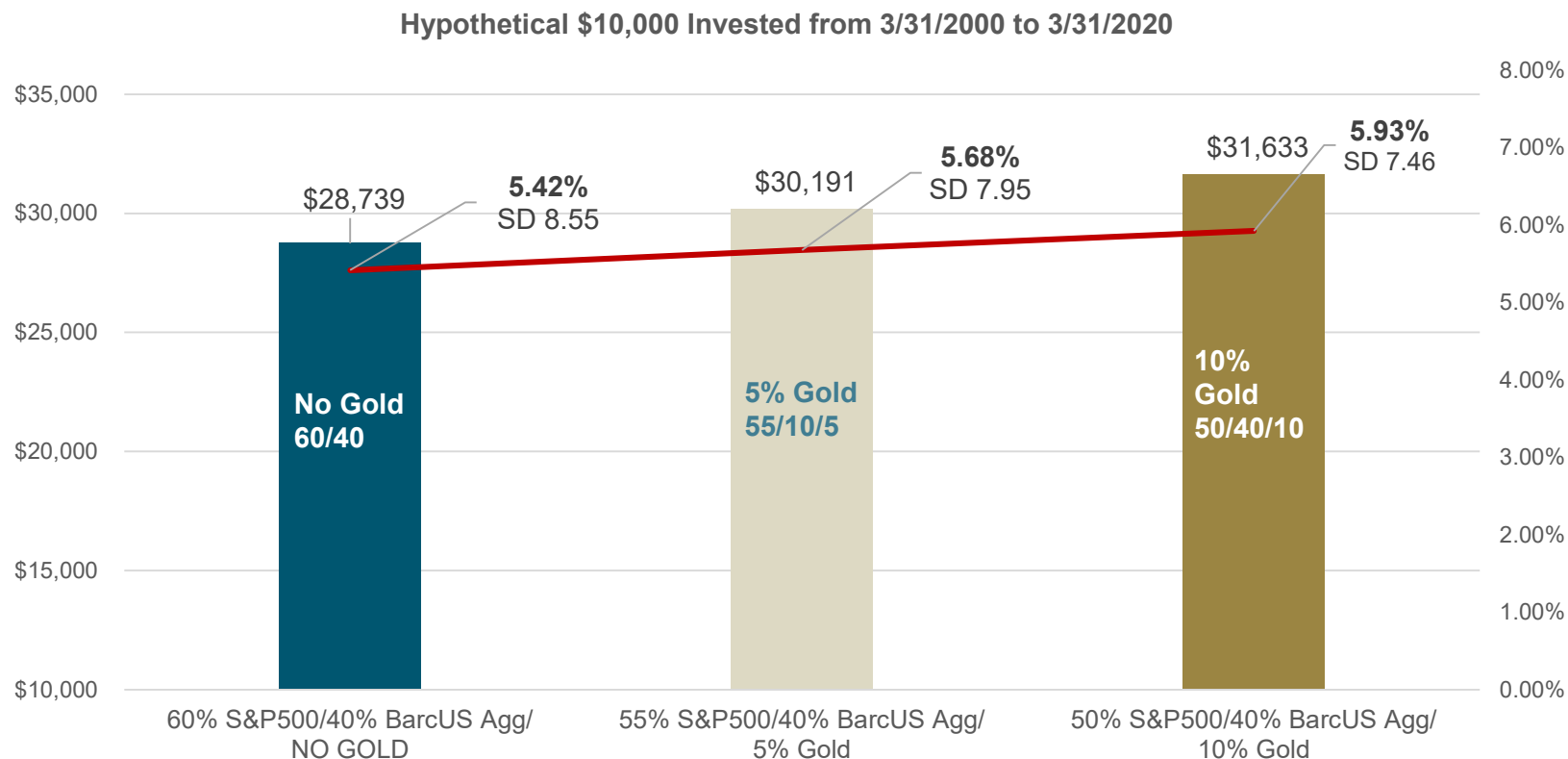
# Outlook

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- Gold is one of the few assets that offers both downside protection and upside potential in the new financial landscape
- Even though gold has performed well since 2000 and over the past 3 months, Sprott feels that considerable price upside remains
- We may be in the end game for traditional Keynesian policy responses to a financial and economic crisis...all bets are off
- Gold is under-owned and under-utilized by institutions
- Gold equities provide substantial leverage to the gold price

# 5-10% Gold Enhances Returns and Reduces Volatility

Adding 5-10% physical gold to a traditional 60/40 U.S. invested portfolio enhanced returns and reduced volatility. A 50/40/10 portfolio outperformed 60/40 by 50 basis points per year.



Source: Bloomberg as of 3/31/2020. Portfolio is rebalanced yearly on January 1. The S&P 500 Index is an index of 505 stocks issued by 500 large U.S. companies with market capitalizations of at least \$6.1 billion. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

# Sprott's Gold Investment Strategies

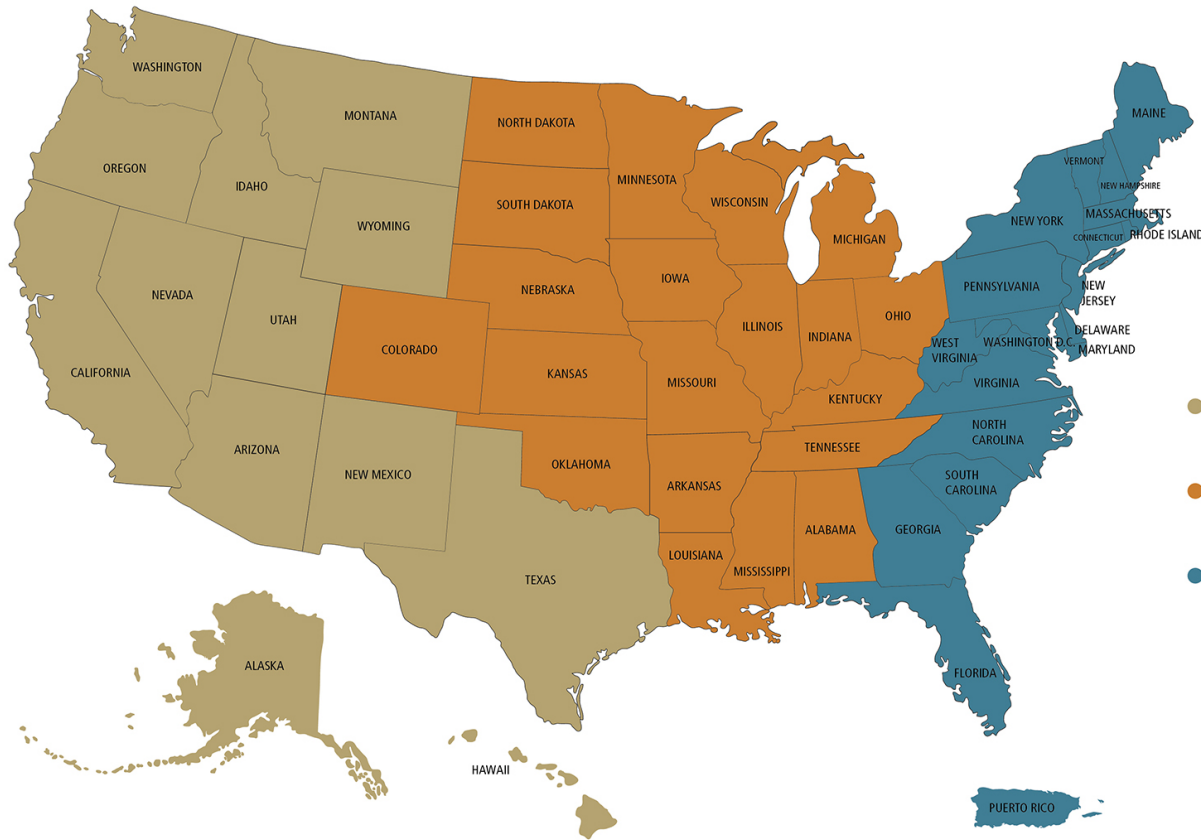
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**Sprott offers a range of investment options**

Physical Precious Metals	Active Gold Equity with Physical Gold	Passive Gold Equity
<ul style="list-style-type: none"><li>• <b>Sprott Physical Gold Trust</b> (NYSE Arca: PHYS)</li><li>• <b>Sprott Physical Gold and Silver Trust</b> (NYSE Arca: CEF)</li><li>• Fully allocated metals</li><li>• Stored at the Royal Canadian Mint</li><li>• Redeemable for metals</li><li>• Potential tax-advantage</li></ul>	<ul style="list-style-type: none"><li>• <b>Sprott Gold Equity Fund</b> SGDLX</li><li>• Invests in gold stocks across the market-cap spectrum</li><li>• Up to 20% in physical gold to reduce volatility</li></ul>	<ul style="list-style-type: none"><li>• <b>Sprott Gold Miners ETF</b> (NYSE Arca: SGDM)</li><li>• Invests in primarily large- and mid-cap gold companies</li><li>• <b>Sprott Junior Gold Miners ETF</b> (NYSE Arca: SGDJ)</li><li>• Invests in primarily small-cap gold companies</li></ul>



# Regional and National Sales Coverage

















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Senior Investment Consultant  
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# Sprott Gold Team

INVESTMENT TEAM			TECHNICAL ADVISORS			EXECUTIVE TEAM		
Team		Tenure* (Years)	Team		Tenure* (Years)	Team		Tenure* (Years)
<b>John Hathaway</b> Senior Portfolio Manager		50	<b>Neil Adshead</b> Portfolio Manager Economic Geologist		16	<b>Whitney George</b> Chief Investment Officer, Sprott Asset Management; Chairman, Sprott U.S. Holdings		40
<b>Douglas Groh</b> Senior Portfolio Manager		35	<b>Andrew Jackson</b> Economic Geologist		14	<b>Peter Grosskopf</b> Chief Executive Officer, Sprott Inc.; Managing Director, Sprott Resource Lending		33
<b>Victor Huwang</b> Director, U.S. Operations		28	<b>Justin Tolman</b> Economic Geologist		22	<b>Rick Rule</b> Senior Managing Director, Sprott Inc.; President & CEO, Sprott U.S. Holdings		46
<b>Maria Smirnova</b> Senior Portfolio Manager		21						
<b>Jason Mayer</b> Senior Portfolio Manager		19						
<b>Shree Kargutkar</b> Portfolio Manager		11						
<b>Paul Wong</b> Market Strategist		25						
Head Trader		17						

Unparalleled in scope and breadth, the Sprott Gold Team includes portfolio managers, geologists, analysts and traders who together boast more than 350 years of combined precious metals investment experience.

\* Tenure denotes years of investment management experience.

# Important Disclosure

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## **Sprott Physical Bullion Trusts**

Sprott Asset Management LP is the investment manager to the Sprott Physical Bullion Trusts (the “Trusts”). Important information about the Trusts, including the investment objectives and strategies, purchase options, applicable management fees, and expenses, is contained in the prospectus. Please read the document carefully before investing. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. This communication does not constitute an offer to sell or solicitation to purchase securities of the Trusts.

The risks associated with investing in a Trust depend on the securities and assets in which the Trust invests, based upon the Trust’s particular objectives. There is no assurance that any Trust will achieve its investment objective, and its net asset value, yield and investment return will fluctuate from time to time with market conditions. There is no guarantee that the full amount of your original investment in a Trust will be returned to you. The Trusts are not insured by any government deposit insurer. Please read a Trust’s prospectus before investing. The information contained herein does not constitute an offer or solicitation to anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. The information provided is general in nature and is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering of tax, legal, accounting or professional advice. Readers should consult with their own accountants and/or lawyers for advice on the specific circumstances before taking any action.

## **Sprott Gold Equity Fund**

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the [fund prospectus](#) which should be considered carefully before investing. [Click here](#) to obtain the prospectus or call 888.622.1813.

Sprott Gold Equity Fund invests in gold and other precious metals, which involves additional and special risks, such as the possibility for substantial price fluctuations over a short period of time; the market for gold/precious metals is relatively limited; the sources of gold/precious metals are concentrated in countries that have the potential for instability; and the market for gold/precious metals is unregulated. The Fund may also invest in foreign securities, which are subject to special risks including: differences in accounting methods; the value of foreign currencies may decline relative to the U.S. dollar; a foreign government may expropriate the Fund’s assets; and political, social or economic instability in a foreign country in which the Fund invests may cause the value of the Fund’s investments to decline. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund.

# Important Disclosure

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## Sprott ETFs

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a Statutory Prospectus, which contains this and other information please contact your financial professional, visit [sprottets.com](http://sprottets.com) or call 888.622.1813. Read the Statutory Prospectus carefully before investing. Sprott Gold Miners ETF and Sprott Junior Gold Miners ETF shares are not individually redeemable. Investors buy and sell shares of the Sprott Gold Miners ETF on a secondary market. Only market makers or “authorized participants” may trade directly with the Fund, typically in blocks of 50,000 shares. The Fund is not suitable for all investors. There are risks involved with investing in ETFs including the loss of money. The Fund is considered non-diversified and can invest a greater portion of assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a diversified fund.

Micro-cap stocks involve substantially greater risks of loss and price fluctuations because their earnings and revenues tend to be less predictable. These companies may be newly formed or in the early stages of development, with limited product lines, markets or financial resources and may lack management depth. The Fund will be concentrated in the gold and silver mining industry. As a result, the Fund will be sensitive to changes in, and its performance will depend to a greater extent on, the overall condition of the gold and silver mining industry. Also, gold and silver mining companies are highly dependent on the price of gold and silver bullion. These prices may fluctuate substantially over short periods of time so the Fund’s Share price may be more volatile than other types of investments.

Funds that emphasize investments in small/mid-cap companies will generally experience greater price volatility. Funds investing in foreign and emerging markets will also generally experience greater price volatility. There are risks involved with investing in ETFs including the loss of money. Diversification does not eliminate the risk of experiencing investment losses. ETFs are considered to have continuous liquidity because they allow for an individual to trade throughout the day. ALPS Portfolio Solutions Distributor, Inc. is the Distributor for the Sprott Gold Miners ETF and the Sprott Junior Gold Miners ETF. The underlying index for the Sprott Gold Miners ETF is rebalanced on a quarterly basis and a higher portfolio turnover will cause the Fund to incur additional transaction costs. The underlying index for the Sprott Junior Gold Miners ETF is rebalanced on a semi-annual basis and a higher turnover will cause the Fund to incur additional transaction costs. The US Dollar Index (DXY) is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies.

Generally, natural resources investments are more volatile on a daily basis and have higher headline risk than other sectors as they tend to be more sensitive to economic data, political and regulatory events as well as underlying commodity prices. Natural resource investments are influenced by the price of underlying commodities like oil, gas, metals, coal, etc.; several of which trade on various exchanges and have price fluctuations based on short-term dynamics partly driven by demand/supply and also by investment flows. Natural resource investments tend to react more sensitively to global events and economic data than other sectors, whether it is a natural disaster like an earthquake, political upheaval in the Middle East or release of employment data in the U.S. Past performance is no guarantee of future returns. Sprott Asset Management USA, Inc., affiliates, family, friends, employees, associates, and others may hold positions in the securities it recommends to clients, and may sell the same at any time.

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