



Gold Mining Equities: The Perfect Setup

Webcast: Tuesday, July 14, 2020

V7 7.14.2020

Sprott

Featured Speakers



Carter Worth, Chief Market Technician Cornerstone Macro

Carter Worth, who previously served as Chief Market Technician and Managing Director at Sterne Agee, was voted #1 technical analyst on Institutional Investor's All-America Research team for the second consecutive year in 2018, and was voted in the top three in each of the past ten years. Prior to joining Sterne Agee, Carter Worth worked at Oppenheimer & Co and Donaldson, Lufkin & Jenrette. He holds a bachelor's degree in International Relations from Boston University.



John Hathaway, CFA, Senior Portfolio Manager, Sprott Asset Management

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.



Rick Rule, President and CEO, Sprott U.S. Holdings Inc.

Rick Rule began his career in the securities business in 1974 and has been principally involved in natural resource security investments ever since. He is a leading resource investor specializing in mining, energy, water utilities, forest products and agriculture, and has originated and participated in hundreds of debt and equity transactions with private, pre-public and public companies. Mr. Rule is also the Founder of Global Resource Investments, President and CEO of Sprott U.S. Holdings, Inc. and a member of the Sprott Inc. Board of Directors. He is a frequent speaker at industry conferences and has been interviewed for numerous radio, television, print and online media outlets concerning natural resource investment and industry topics. Mr. Rule is frequently quoted by prominent natural resource oriented newsletters and advisories.

A Global Leader in Precious Metals Investments

Sprott

US\$12.1B in AUM¹

Sprott (SII) is publicly listed on the NYSE and TSX

Exchange Listed Products	Managed Equities	Lending	Brokerage
~\$8.2B AUM	~\$2.3B AUM	~\$0.8B AUM	
<ul style="list-style-type: none">Physical Bullion Trusts (NYSE Arca Listed)Gold Mining Equity ETFs (NYSE Arca Listed)	<ul style="list-style-type: none">Recently acquired Tocqueville gold strategies and investment team: Sprott Gold Equity Fund (SGDLX)Flagship U.S. mutual fund is Sprott Gold Equity Fund (SGDLX)Closed-End Value Strategy (NASDAQ Listed)	<ul style="list-style-type: none">Bespoke credit investments to mining and resource companiesCohesive team of credit and financing expertsLong dated streams and royalties	<ul style="list-style-type: none">Capital raising and advisory services to natural resource companiesWealth management services for individual investors in the U.S. and Canada

¹Sprott AUM as of May 6, 2020. This amount is subject to change without notice.

Webcast Overview



Rick Rule, President
and CEO, Sprott U.S.
Holdings Inc.

- Why Gold? – Carter Worth
- The Sprott Outlook – Rick Rule
- The Case for Gold Equities – John Hathaway
- Sprott's Expertise – Ed Coyne

Why Gold?

Carter Worth
Chief Marketing Technician Cornerstone Macro



U.S. 10-YR Treasury Yields

With its 150-month average



Source: Cornerstone Macro, FactSet, Bloomberg.

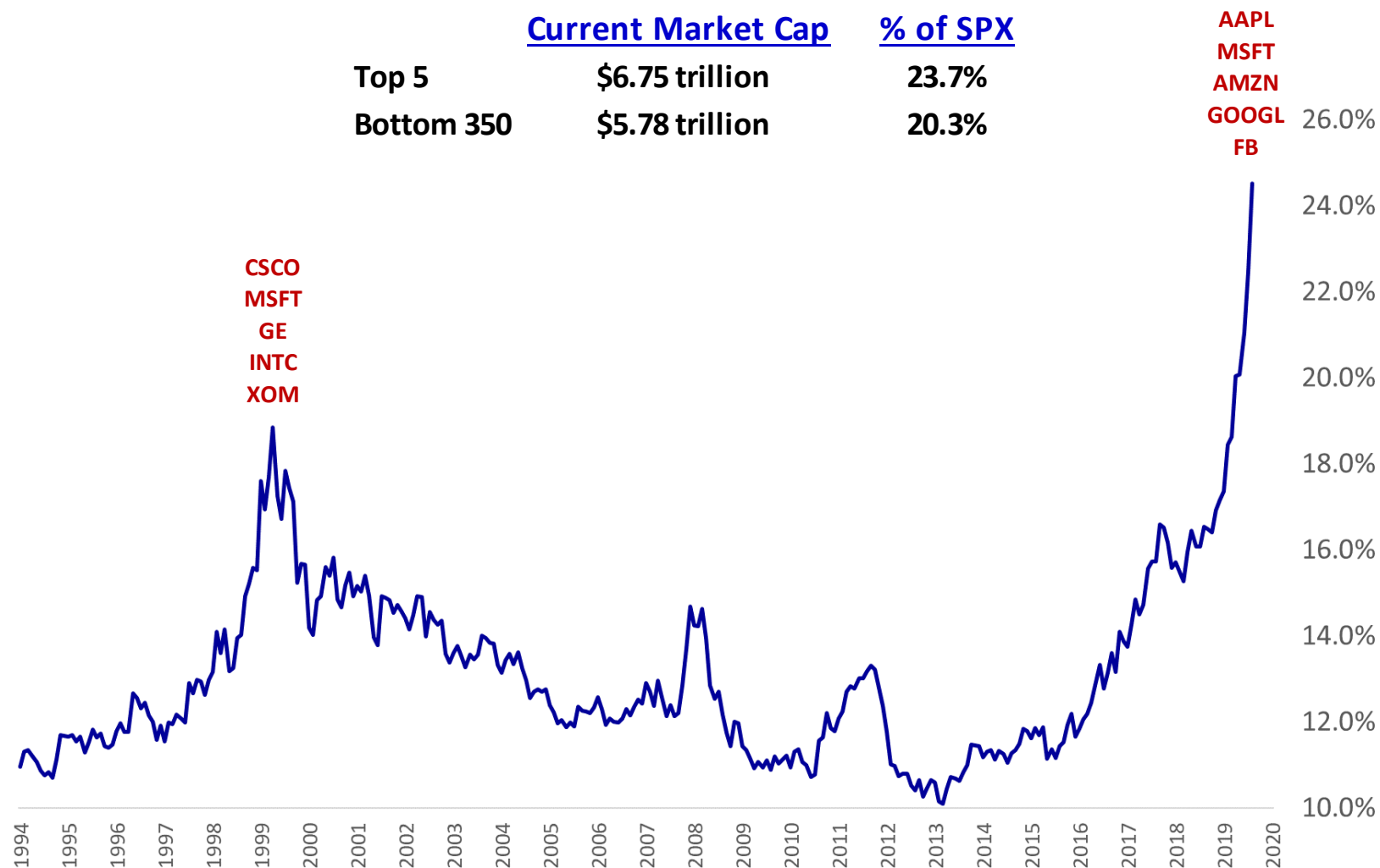
U.S. 10-YR Treasury Yields

With trend channel



Source: Cornerstone Macro, FactSet, Bloomberg.

Top 5 Stocks as a % of Total Market Cap of SPX



Source: Cornerstone Macro, FactSet, Bloomberg. The Bloomberg SPX Index measures the S&P 500 Index.

Gold Futures vs. S&P 500 vs. S&P 500 Total Return

Over 20 Years...“*EVEN MONEY*”



Source: Cornerstone Macro, FactSet, Bloomberg. Gold Futures are measured by the Bloomberg GC1:COM Generic 1st 'GC' Future Index.

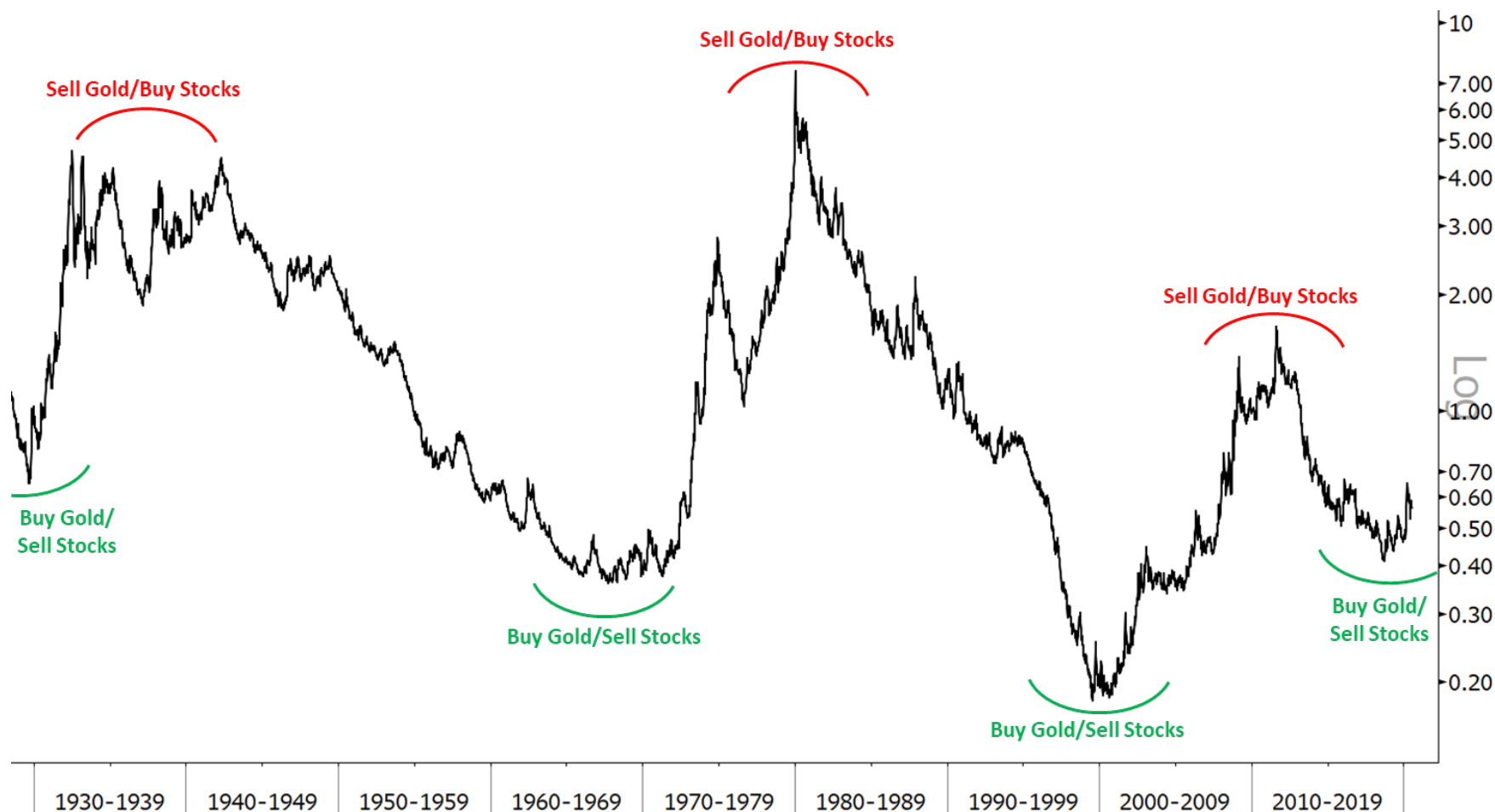
Gold Bullion



Source: Cornerstone Macro, FactSet, Bloomberg. Gold is measured by the Bloomberg GC1:COM Generic 1st 'GC' Future Index.

The “Gold/Stock Ratio”

Gold’s relative performance to the S&P 500



Source: Cornerstone Macro, FactSet, Bloomberg. Gold performance is measured by Bloomberg XAU Curncy (Spot Gold). The S&P 500 is measured by the Bloomberg SPX Index.

The “Gold/Stock Ratio”

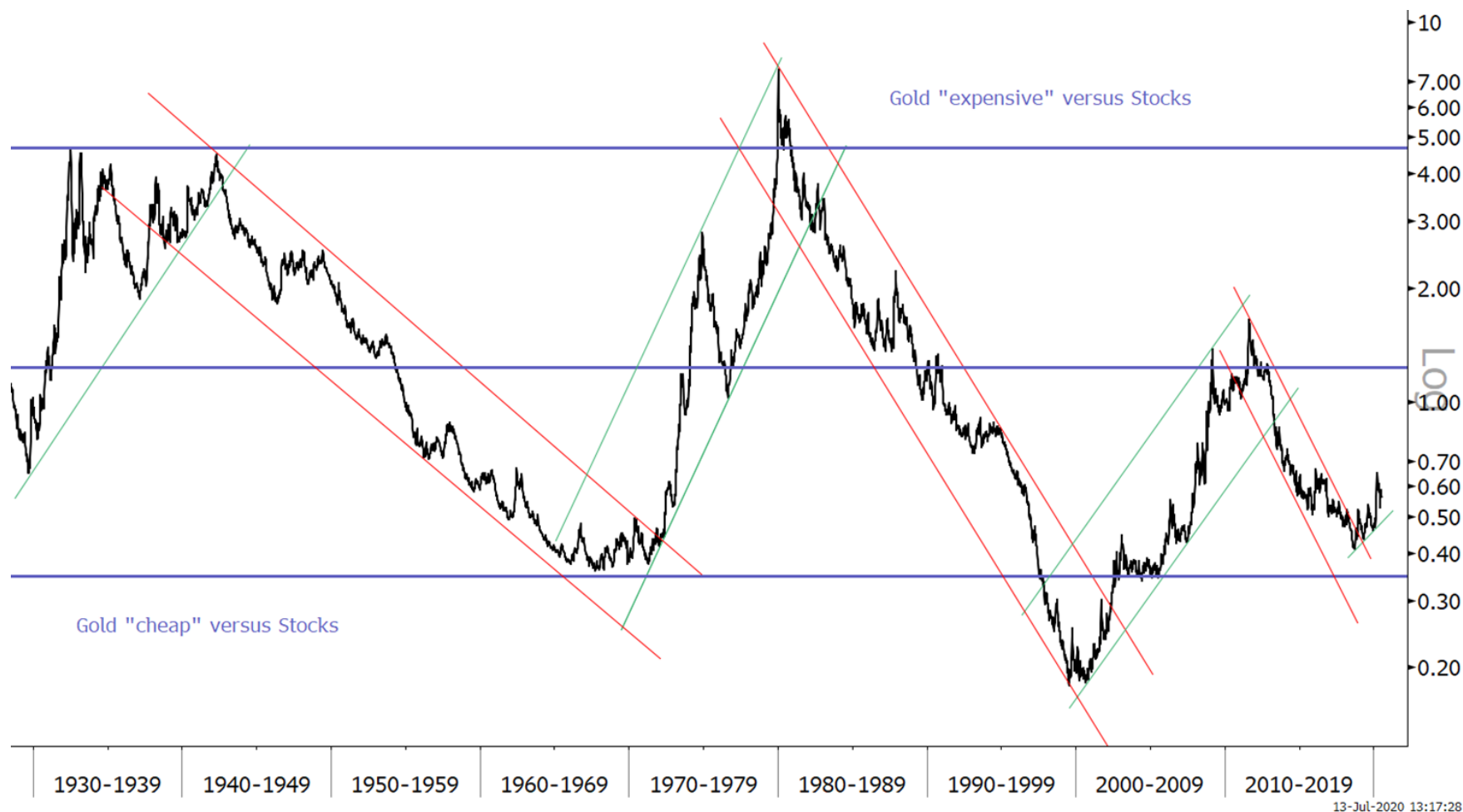
Gold’s relative performance to the S&P 500



Source: Cornerstone Macro, FactSet, Bloomberg. Gold performance is measured by Bloomberg XAU Curncy (Spot Gold). The S&P 500 is measured by the Bloomberg SPX Index. 13-Jul-2020 13:19:00

The “Gold/Stock Ratio”

Gold's relative performance to the S&P 500



Source: Cornerstone Macro, FactSet, Bloomberg. Gold performance is measured by Bloomberg XAU Currency (Spot Gold). The S&P 500 is measured by the Bloomberg SPX Index.

Gold as a Hedge

<u>Date of Market High</u>	<u>Date of Market Low</u>	<u>S&P 500 Return</u>	<u>Gold Return</u>	<u>Gold Relative S&P 500</u>
16-Sep-1929	1-Jun-1932	-86.19%	+0.29%	+86.48%
2-Aug-1956	22-Oct-1957	-21.63%	-0.11%	+21.52%
12-Dec-1961	26-Jun-1962	-27.97%	-0.06%	+27.91%
9-Feb-1966	7-Oct-1966	-22.18%	0.00%	+22.18%
29-Nov-1968	26-May-1970	-36.06%	-10.50%	+25.56%
11-Jan-1973	3-Oct-1974	-48.20%	+137.47%	+185.67%
28-Nov-1980	9-Aug-1982	-27.27%	-45.78%	-18.51%
25-Aug-1987	20-Oct-1987	-35.94%	+1.38%	+37.32%
16-Jul-1990	11-Oct-1990	-20.36%	+6.81%	+27.17%
17-Jul-1998	8-Oct-1998	-22.29%	+1.71%	+24.00%
24-Mar-2000	10-Oct-2002	-50.50%	+11.18%	+61.68%
11-Oct-2007	6-Mar-2009	-57.69%	+25.61%	+83.30%
21-Sep-2018	26-Dec-2018	-20.21%	+5.59%	+25.80%
19-Feb-2020	23-Mar-2020	-35.41%	-3.63%	+31.78%
	MEAN	-36.65%	+10.28%	+45.85%
	MEDIAN	-27.97%	+1.38%	+27.54%

Source: Cornerstone Macro, FactSet, Bloomberg. Gold performance is measured by Bloomberg XAU Curncy (Spot Gold). The S&P 500 is measured by the Bloomberg SPX Index.

Gold Bullion



Source: Cornerstone Macro, FactSet, Bloomberg. Gold is measured by the Bloomberg GC1:COM Generic 1st 'GC' Future Index.

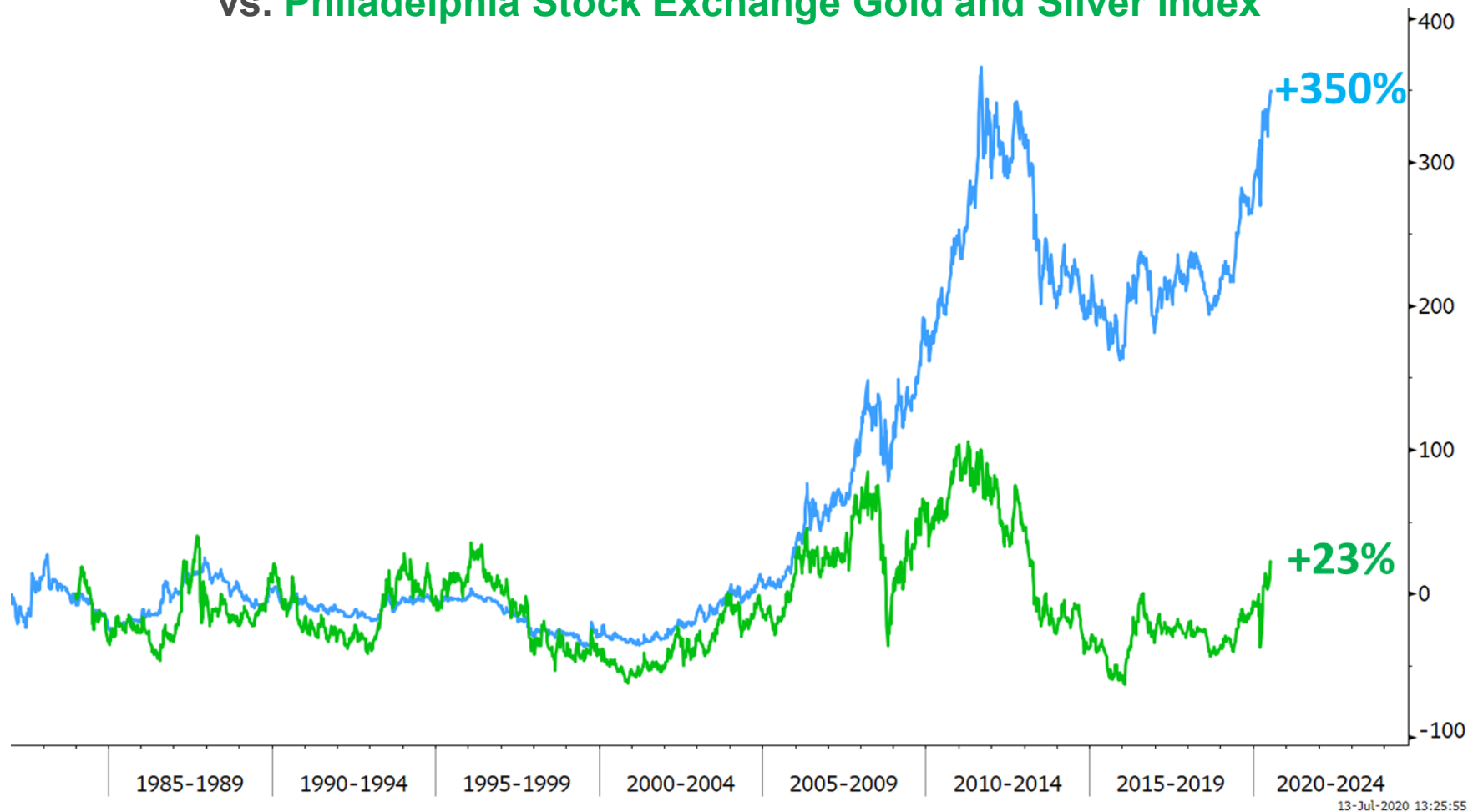
Gold Bullion



Source: Cornerstone Macro, FactSet, Bloomberg. Gold is measured by the Bloomberg GC1:COM Generic 1st 'GC' Future Index.

Gold Bullion

vs. Philadelphia Stock Exchange Gold and Silver Index



Source: Cornerstone Macro, FactSet, Bloomberg. Gold is measured by the Bloomberg GC1:COM Generic 1st 'GC' Future Index.

Sprott's Outlook



- Both gold and gold stocks are under-represented in both institutional and investor portfolios
- Investors should take advantage of weakness to establish and increase long positions
- Gold is still trading below its 2011 peak of \$1,900 even though the Fed balance sheet is 150% higher and continuing to grow
- Bonds are at a dead end as a portfolio diversifier for 60/40 portfolios...at 0% interest rates they offer minimal upside combined with substantial downside risk
- Gold mining stocks are the least expensive relative to bullion in decades and cheap by any standard valuation metric
- The earnings and cash flow outlook for the gold miners is highly favorable, especially when compared to most other equity sectors
- Gold mining stocks have outperformed gold bullion 2-3x* during past bull phases for the metal

Opinion subject to change without notice.

* Based on the relative performance of GOLDS Comdty vs. GDM Index for the 30-year period ended 4/30/2020.



The Case for Gold Equities

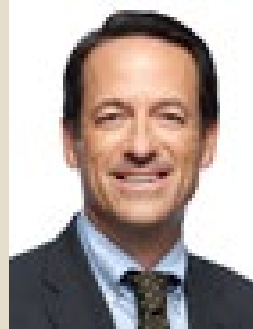
John Hathaway
Senior Portfolio Manager

(Please See Appendix A. for Supporting Slides)





Ed Coyne
Senior Managing Director,
Global Sales



Raising the Bar in **precious metals investing**™



Sprott Physical
Gold and Silver Trust



Sprott Physical
Gold Trust



Sprott Physical
Silver Trust



Sprott Physical Platinum
and Palladium Trust



Sprott Gold Equity Fund

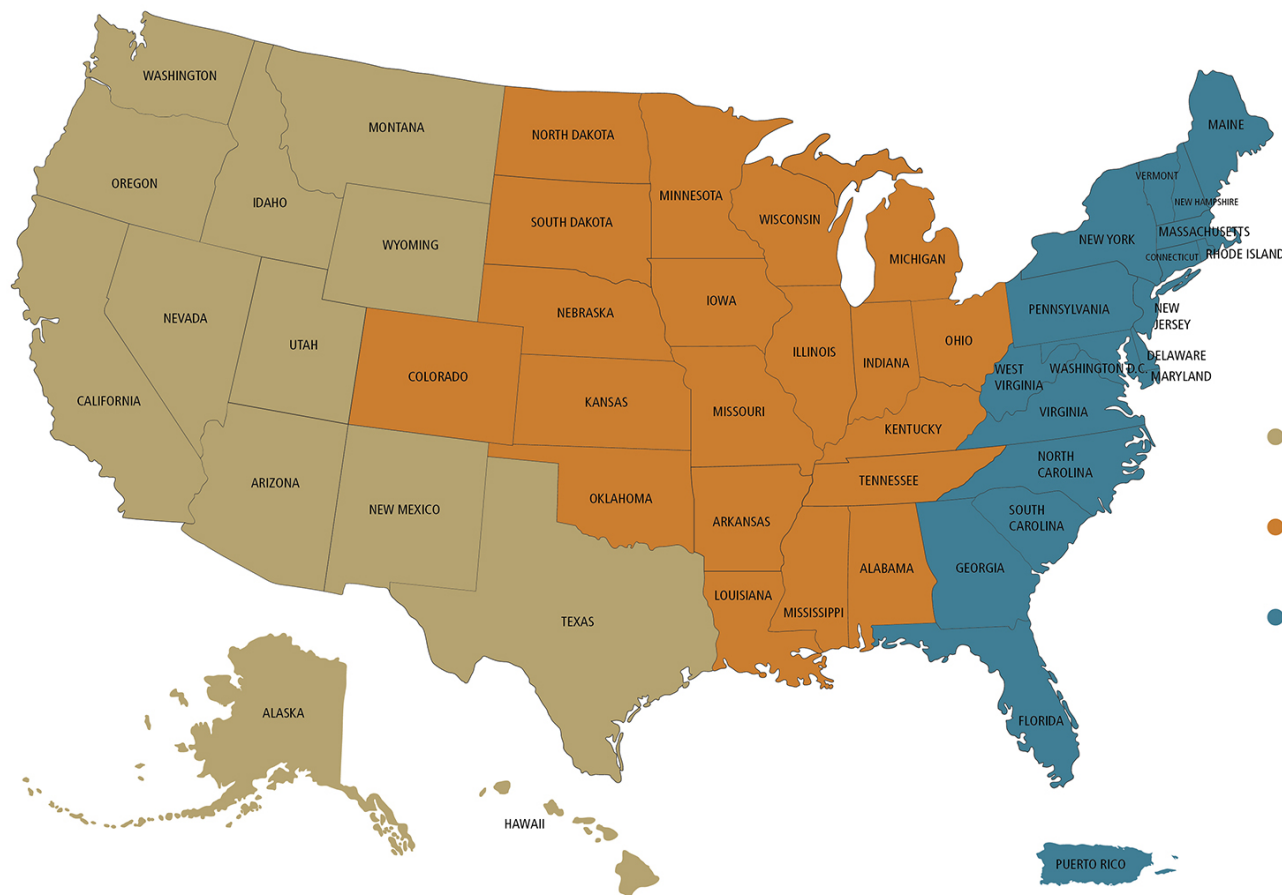


Sprott Gold Miners ETF



Sprott Junior Gold Miners ETF

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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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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 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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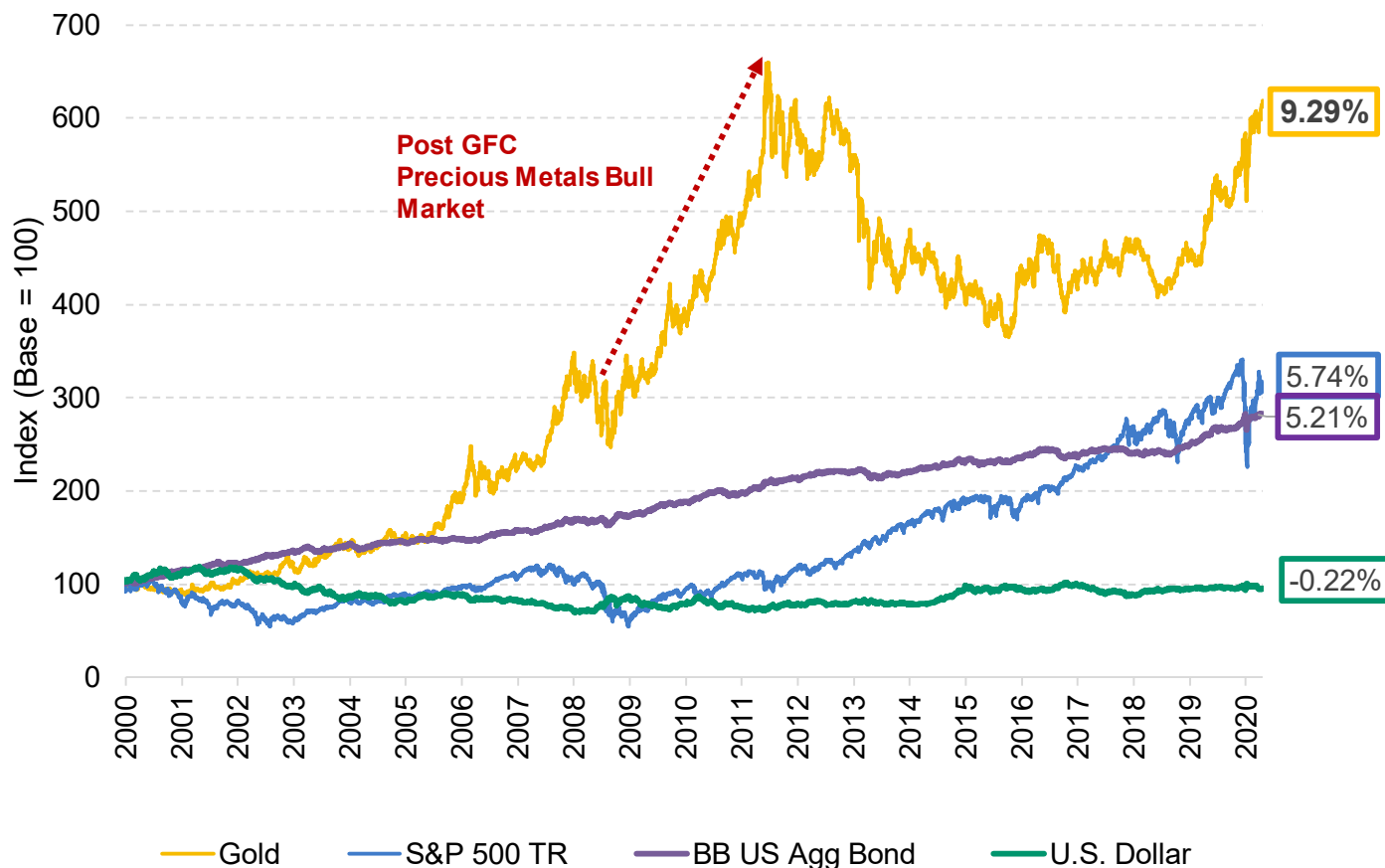
Sprott Inc. | Royal Bank Plaza, South Tower | 200 Bay Street Suite 2600 | Toronto, Ontario M5J 2J1 Canada | Telephone: 888.622.1813

Appendix A.

John Hathaway
Senior Portfolio Manager

Gold Performance Since 2000

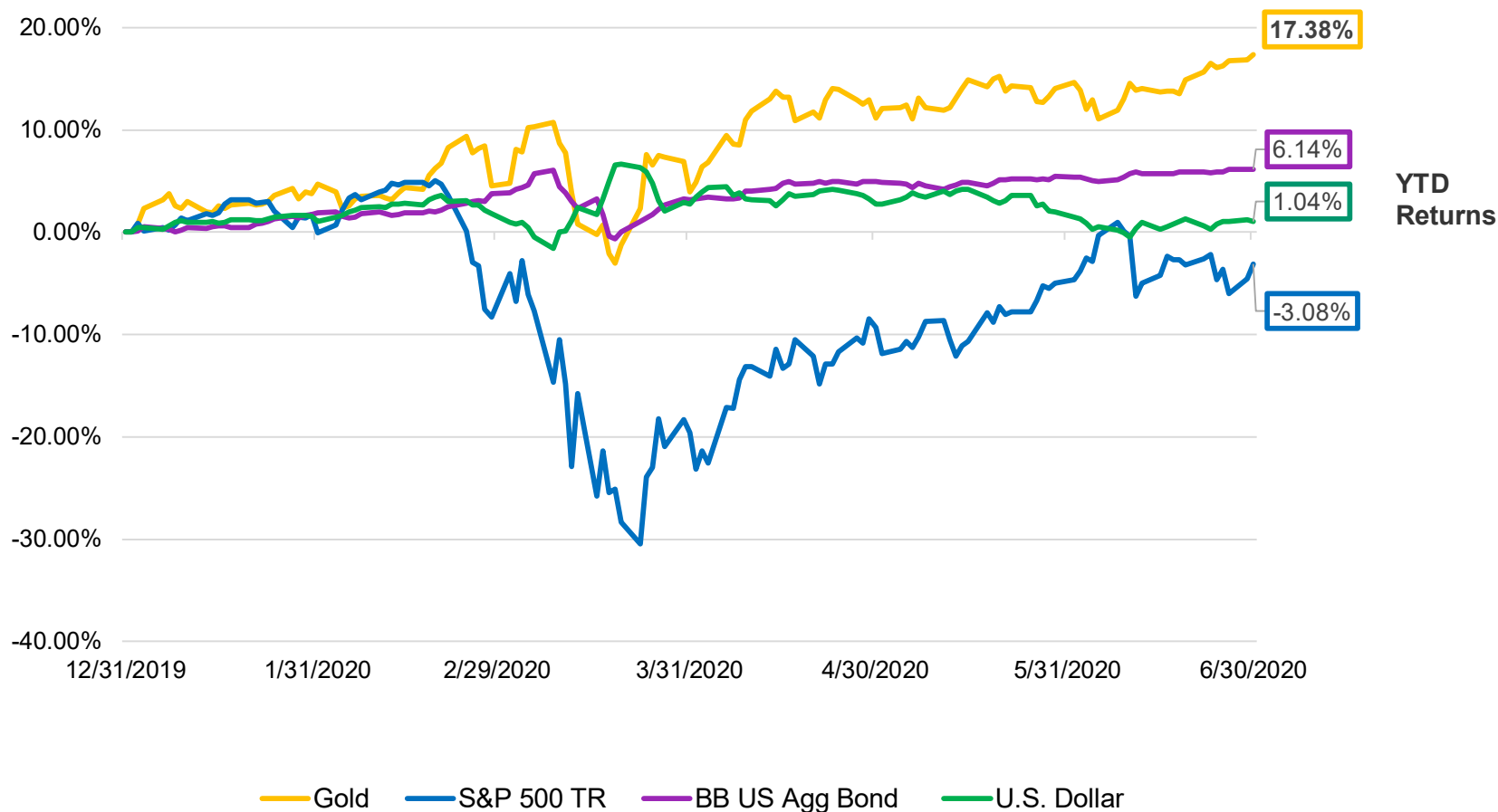
Gold vs. Stocks, Bonds and USD Returns for Period from 12/31/1999-6/30/2020



Source: Bloomberg. Period from 12/31/1999-6/30/2020. Gold is measured by GOLDS 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 Outperforms Major Assets Classes YTD

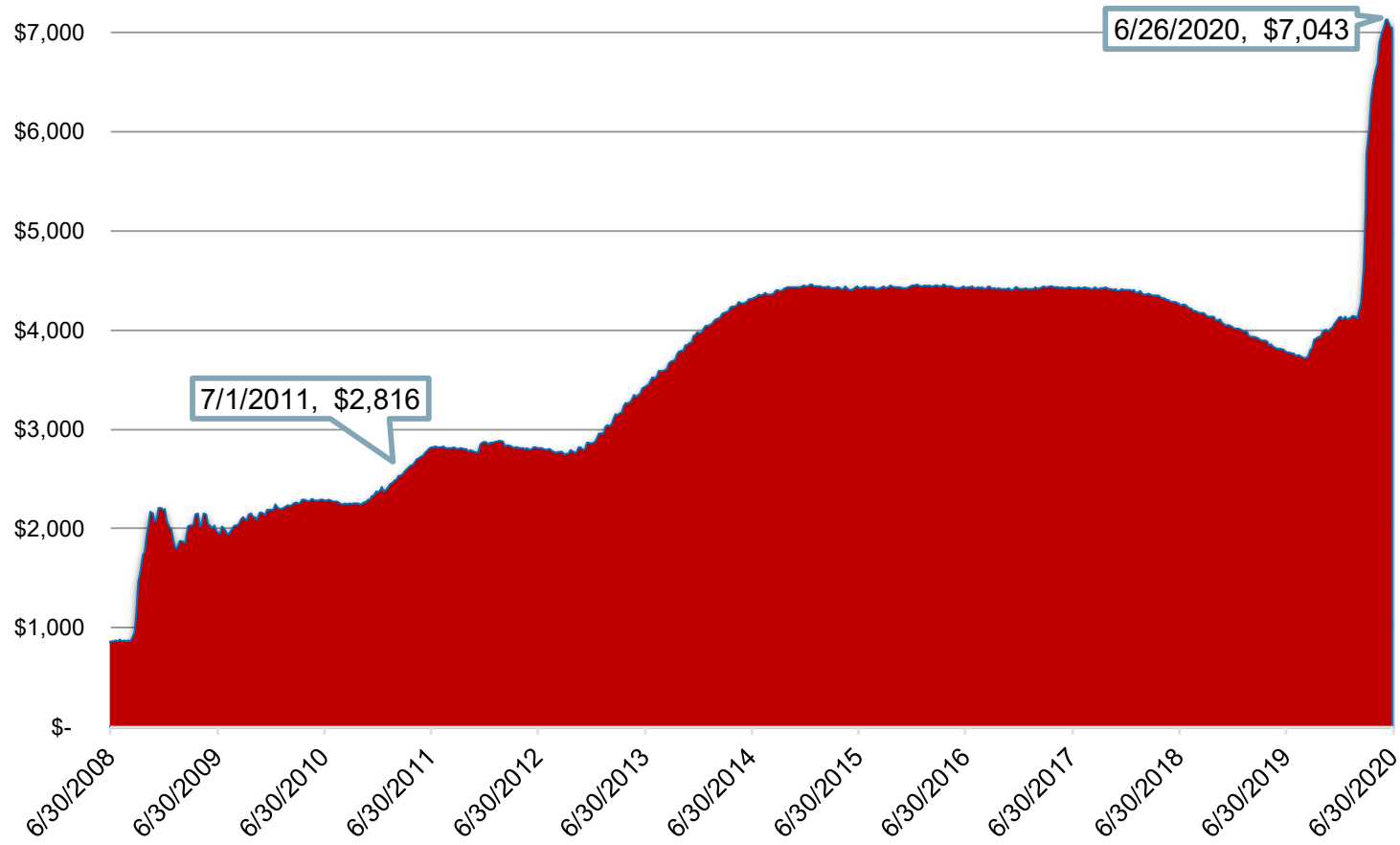
Gold broke through significant resistance in May of 2019, and is up 17.38% YTD 2020



Source: Bloomberg. Period from 12/31/1999-6/30/2020. Gold is measured by GOLDS 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.

Fed Balance Sheet

- At \$7.043 trillion, the U.S. Federal Reserve Balance Sheet is 150% higher than it was in 2011, and still growing



Gold Bullion and Gold Stocks: Dislocation

- There is a strong correlation between the price of gold and gold mining stocks, although they are not always in sync
- Gold miners are now at a 25-year low vs. gold. Miners need to outperform gold by 500% to reach the old 2011 highs in relative performance

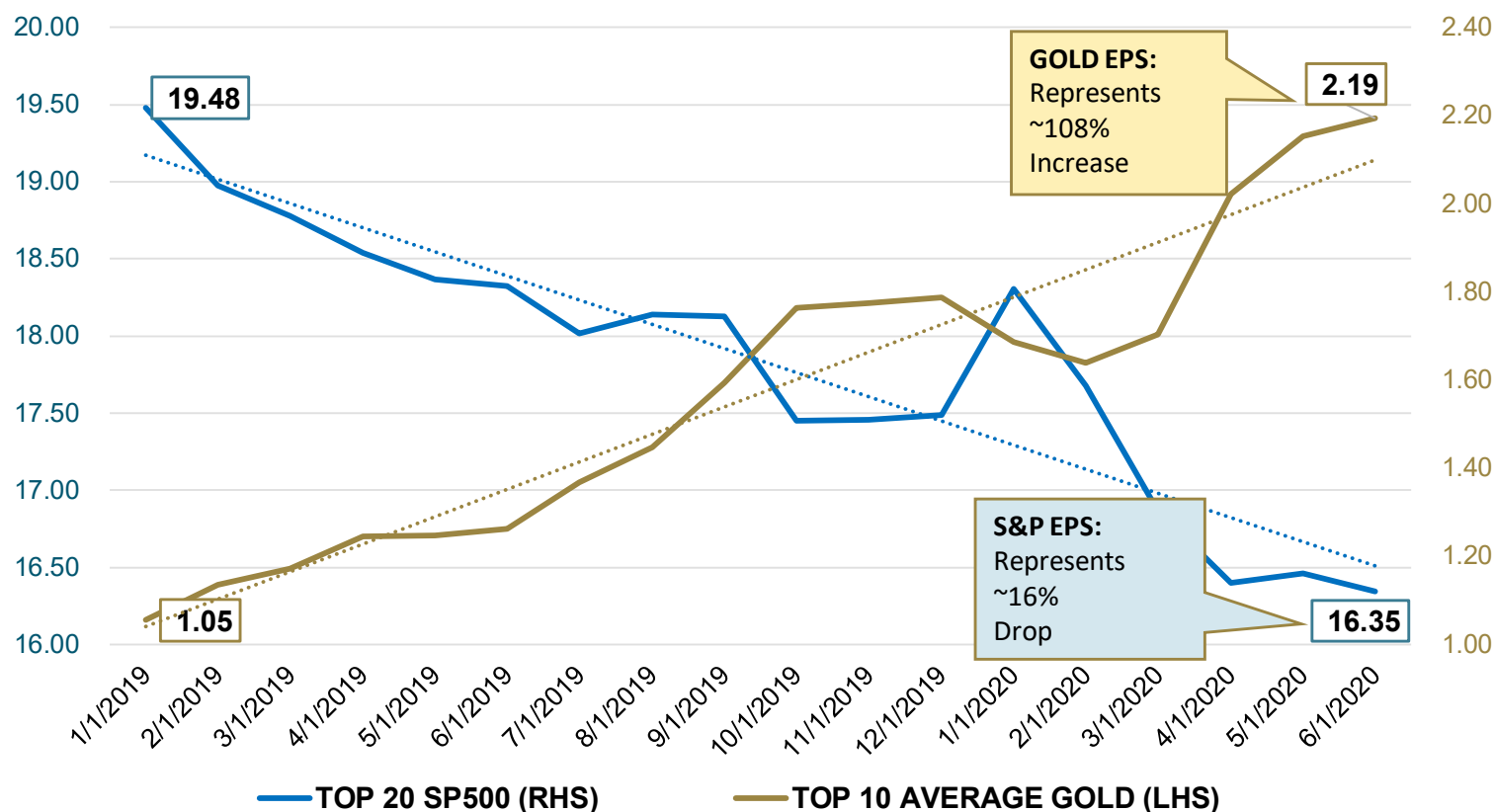


Source: Bloomberg. Data as of 6/30/2020. Gold is measured by the GOLDS Comdty Index and gold equities by the NYSE Arca Gold Miners Index (GDM). You cannot invest directly in an index.

Gold Miners EPS Outlook is Very Positive

EPS estimates are up ~108% for gold miners and down ~16% for the S&P 500

Based on 1-YR Forward EPS revisions for the top 10 gold mining companies vs. the average for the top 20 S&P 500 companies



Data as of 6/30/2020. Source: Bloomberg.

Gold Miners Metrics: Valuation

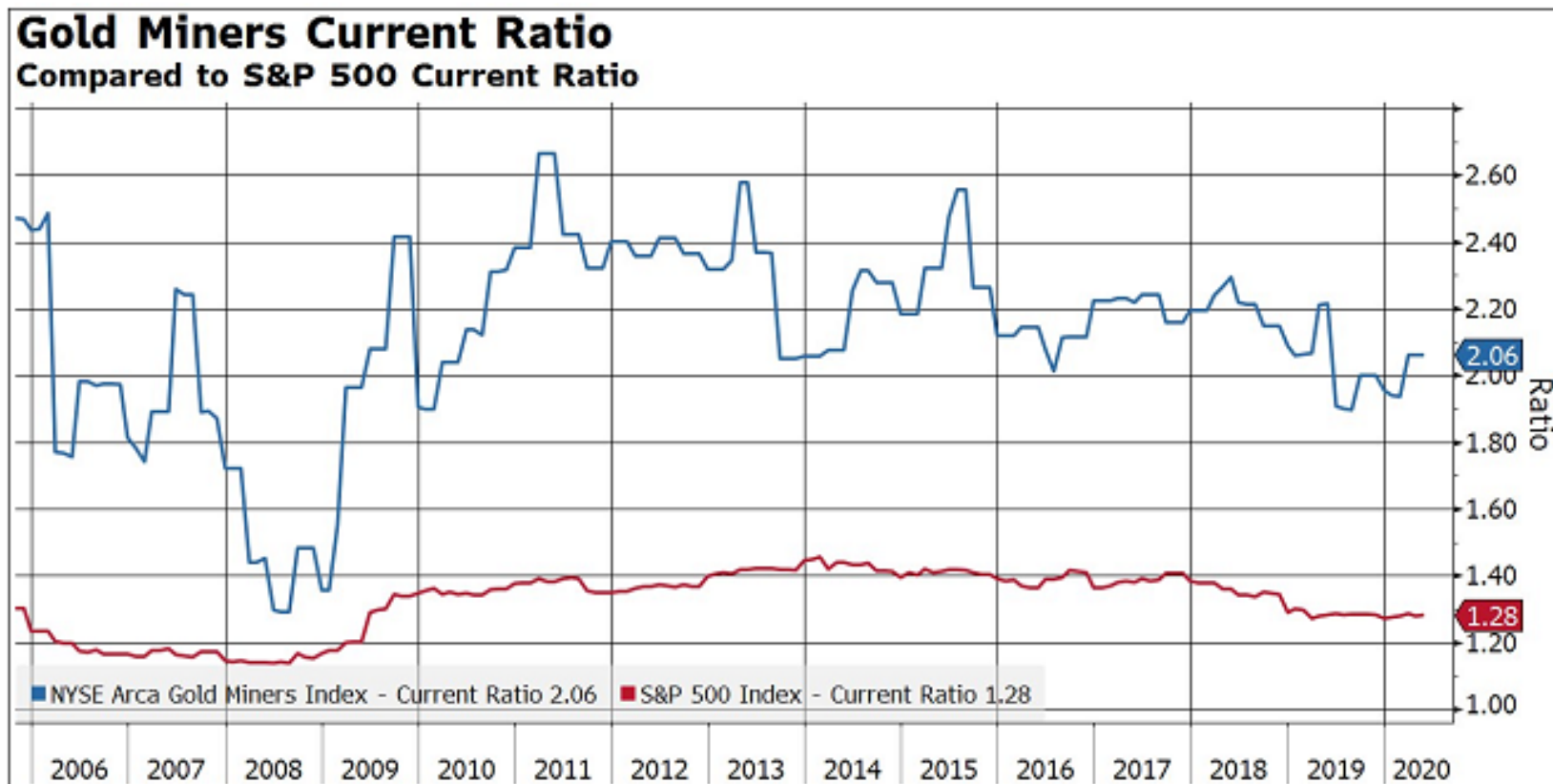
Valuation: Gold miners are cheaper than the broader stock market. Between 2005-2016, miners traded at a premium to the S&P500; now they are at a 15% discount.



Source: Bloomberg. Data as of 5/15/2020. Gold equities are measured by the NYSE Arca Gold Miners Index (GDM); S&P 500 TR is measured by the SPX. You cannot invest directly in an index.

Gold Miners Metrics: Liquidity

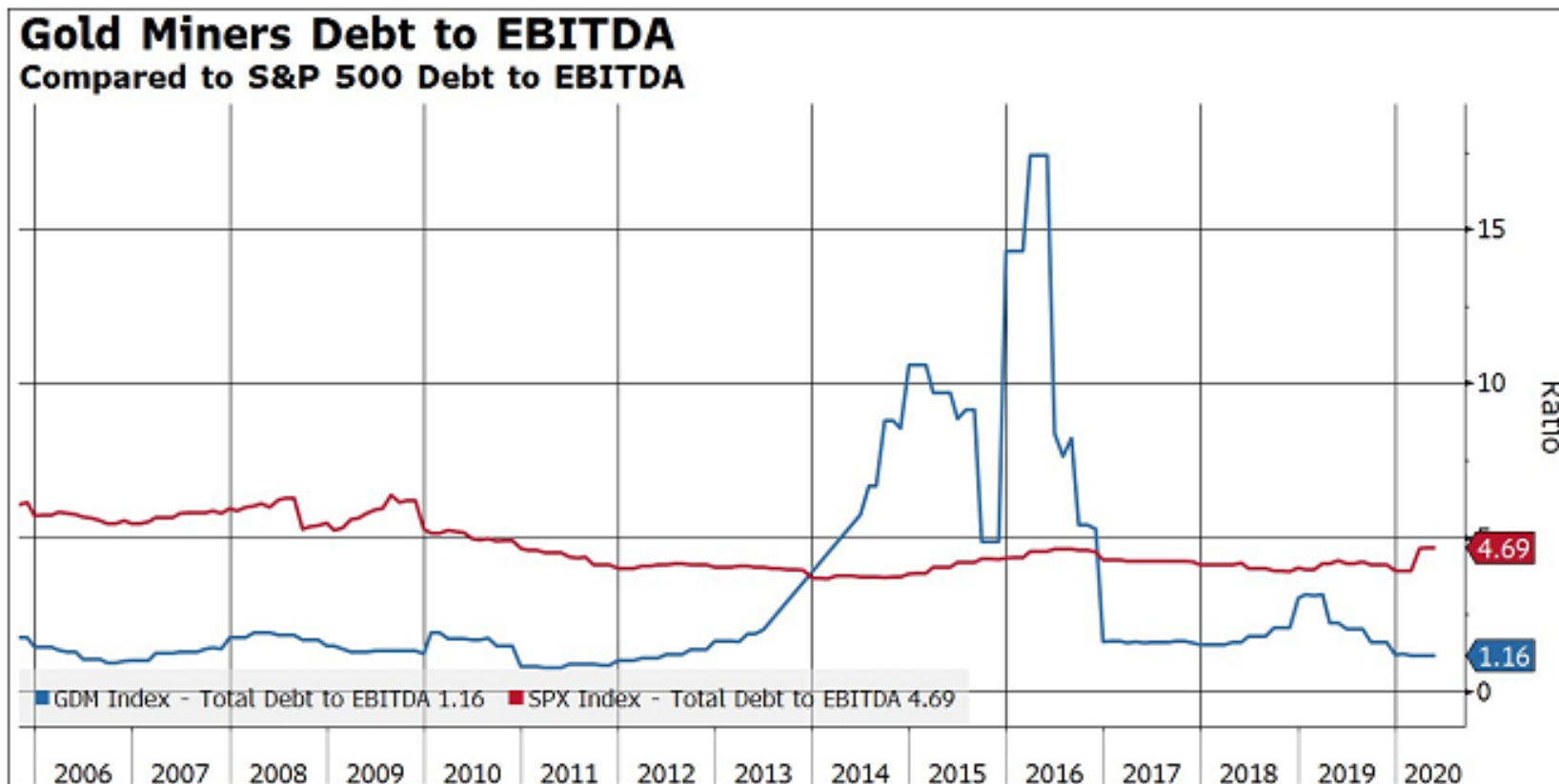
Liquidity: At 2.06 vs. 1.28, gold miners current ratio (assets/liabilities) is 2X that of the S&P 500



Source: Bloomberg. Data as of 5/15/2020. Gold equities are measured by the NYSE Arca Gold Miners Index (GDM); S&P 500 TR is measured by the SPX. You cannot invest directly in an index.

Gold Miners Metrics: Solvency

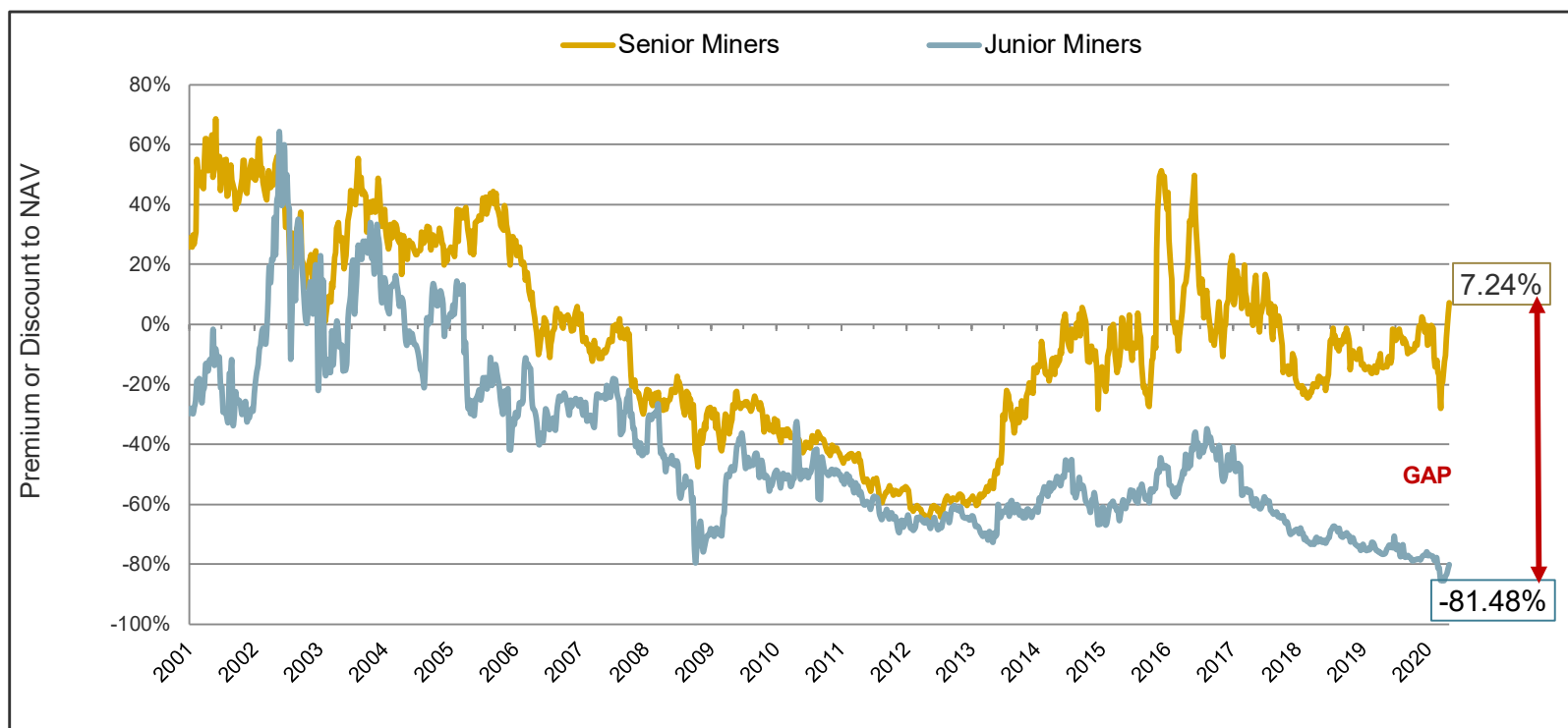
Solvency: At 1.16 vs. 4.69, gold miners debt to EBITDA is ~75% less than the S&P 500



TOP CHART: Source: Bloomberg. Data as of 5/15/2020. Gold equities are measured by the NYSE Arca Gold Miners Index (GDM); S&P 500 TR is measured by the SPX. BOTTOM CHART: Source: BMO Capital Markets, FactSet. As of 4/30/2020. "Junior" gold mining companies generally have market caps under \$500 million, and are considered riskier than larger, "senior" gold mining companies which generally have market caps greater than \$500 million.

Junior-Senior Valuation Gap

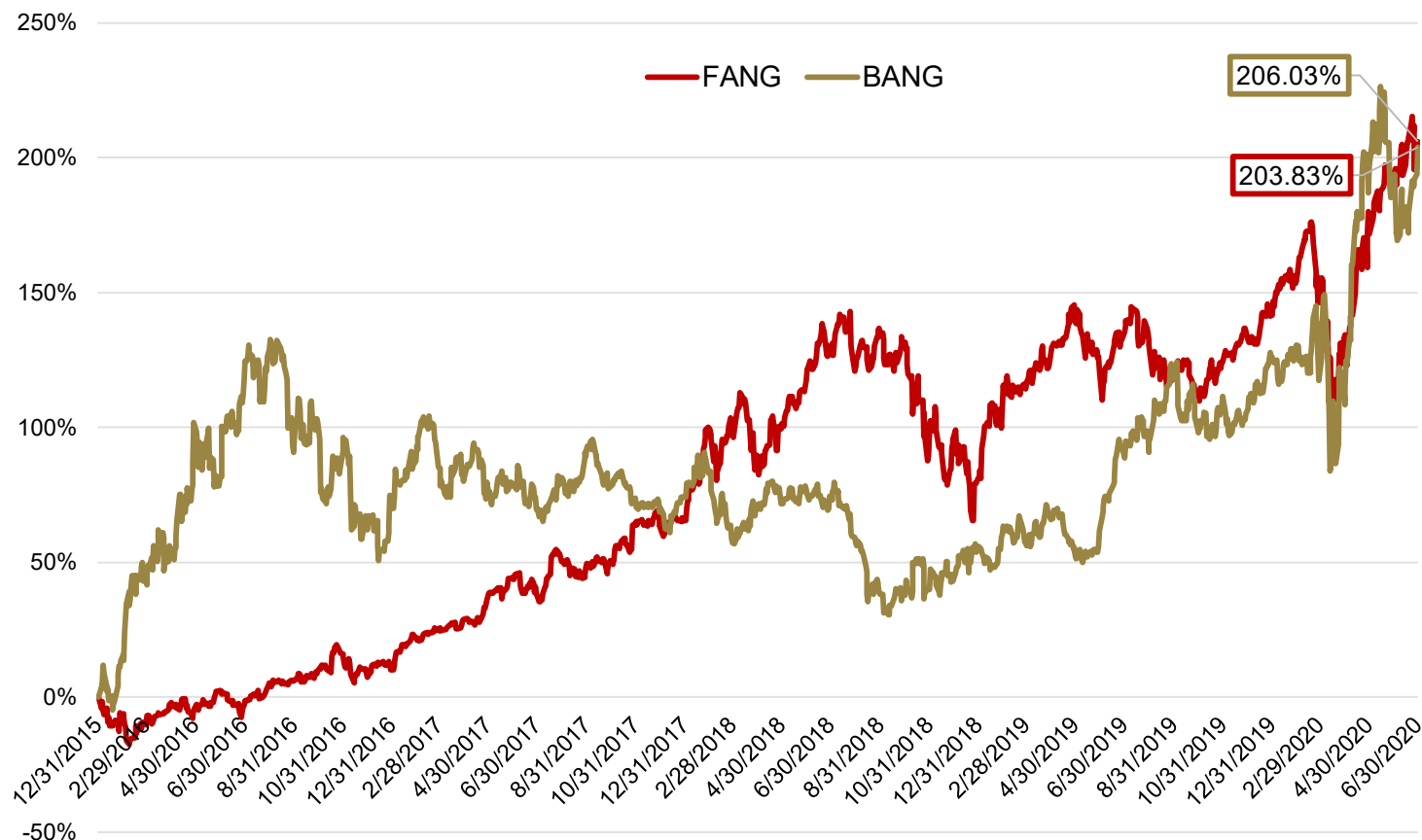
The valuation gap between NA junior and senior gold miners is at historic extremes. Junior mining stocks are trading at a significant discount to their underlying NAVs vs. senior mining stocks.



Source: BMO Capital Markets, FactSet. As of 4/30/2020. "Junior" gold mining companies generally have market caps under \$500 million, and are considered riskier than larger, "senior" gold mining companies which generally have market caps greater than \$500 million.

BANG vs. FANG Stocks

The BANG stocks (**B**arrick, **A**gnico Eagle, **N**ewmont and **G**oldcorp) have outperformed the FANG stocks (**F**acebook, **A**mazon, **N**etflix and **A**lphabet's **G**oogle) for the period 12/31/2015 – 6/30/2020

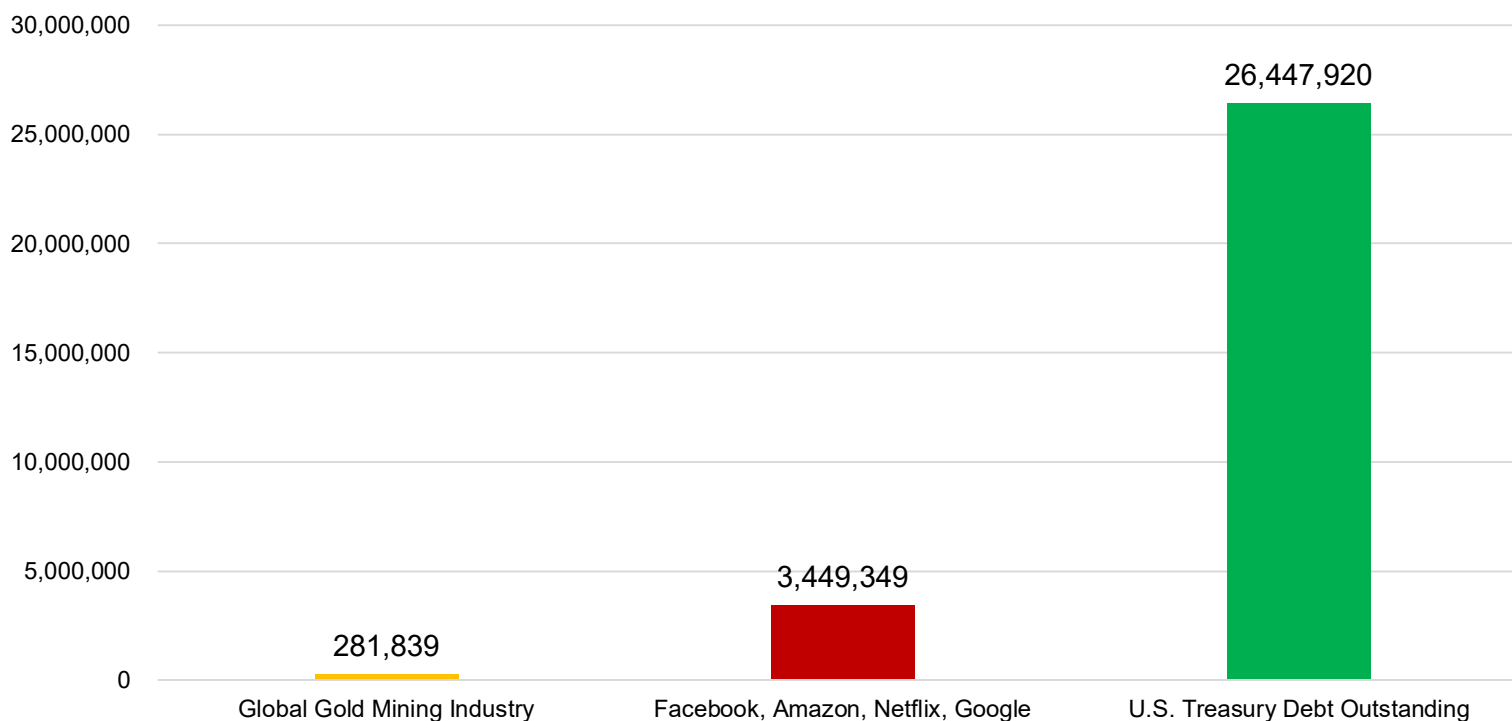


Source: Bloomberg. Data as of 6/30/2020.

A Small Move will Have A Major Impact

Substantial capital is available to flow to gold miners given that the market cap of global gold miners is just \$281B*, compared to \$3.5T for the FANG stocks and the \$26T in U.S. Treasury debt

Treasury debt



* Excludes miners below \$10M in market capitalization.
Source: Bloomberg. Data as of 6/30/2020.