

# Closing the Books on 2020:

## Gold, Silver, Platinum and Palladium Opportunities

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Webcast: Wednesday, December 2, 2020

**Sprott**

# Featured Speakers

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## **Ed Coyne, Senior Managing Director, Global Sales, Sprott Inc.**

Ed Coyne joined Sprott in January 2016 and has more than 25 years of investment management and sales experience. Previously, he 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, Mr. Coyne worked with Zweig Mutual Funds and Neuberger Berman as a Regional Sales Director. He 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. Mr. Coyne worked in the firm's key account sales division servicing institutional clients.

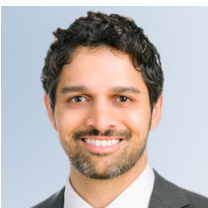
Mr. Coyne earned his Bachelor of Science in Architectural Studies from the University of Missouri. He also holds a Series 7 license, administered by Financial Industry Regulatory Authority (FINRA).



## **Maria Smirnova, MBA, CFA, Senior Portfolio Manager, Sprott Asset Management**

Maria joined Sprott Asset Management LP as a Research Associate in May 2005, and was appointed Associate Portfolio Manager in February 2010, Portfolio Manager in March 2014 and Senior Portfolio Manager in May 2017. Maria is part of the precious metals team and manages Ninepoint Silver Equities Class and Ninepoint Gold and Precious Minerals Fund.

Maria has over 20 years of experience in the financial services industry; she began her career at Excel Funds Management as Operations Manager, and subsequently worked in Product Development at Fidelity Investments. Maria graduated with distinction from the University of Toronto with a Bachelor of Commerce degree and has been a CFA charterholder since 2002. She graduated as a Bregman Scholar from the University of Toronto's MBA program in 2005.



## **Shree Kargutkar, MBA, CFA, Portfolio Manager, Sprott Asset Management**

Shree has more than 10 years of investment experience. He began his career at Sprott Asset Management in May 2010. During his time at Sprott, he has run both long-only and long-short strategies. Shree specializes in precious metals and commodities investing. He also leverages his expertise in derivatives across various mandates and implements strategies for risk mitigation, income generation and improving upside capture.

Shree obtained his MBA from the University of Toronto in 2011. He holds a B.A. Hons (Psychology) from York University and is a CFA® charterholder.

# A Global Leader in Precious Metals Investments

# Sprott

US\$16.3B in AUM<sup>1</sup>

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

Exchange Listed Products	Managed Equities	Lending	Brokerage
~\$11.5B AUM	~\$2.8B AUM	~\$0.9B AUM	
<ul style="list-style-type: none"> <li>Physical Bullion Trusts (NYSE Arca Listed)</li> <li>Gold Mining Equity ETFs (NYSE Arca Listed)</li> </ul>	<ul style="list-style-type: none"> <li>Flagship U.S. mutual fund is Sprott Gold Equity Fund (SGDLX)</li> <li>Closed-End Value Strategy (NASDAQ Listed)</li> </ul>	<ul style="list-style-type: none"> <li>Bespoke credit investments to mining and resource companies</li> <li>Cohesive team of credit and financing experts</li> <li>Long dated streams and royalties</li> </ul>	<ul style="list-style-type: none"> <li>Capital raising and advisory services to natural resource companies</li> <li>Wealth management services for individual investors in the U.S. and Canada</li> </ul>

<sup>1</sup> Sprott AUM as of September 30, 2020.

# Webcast Outline

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## **Maria Smirnova**

- Gold and silver have had a breakout year and we believe both metals will reach higher highs in the medium term
- The current environment of expansionary monetary and fiscal policies worldwide aiming to stoke inflation while keeping interest rates low provide an ideal backdrop for a bull market in both metals
- Mining equities will continue to benefit from high metal prices

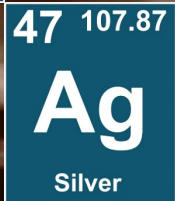
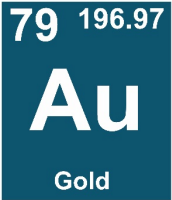
## **Shree Kargutkar**

- Strong investment demand trends for platinum and palladium will persist into 2021
- Palladium continues its meteoric rise since 2016
- Platinum is preparing to breakout

## **Ed Coyne**

- Precious metals provide an alternative when bonds provide little return and no downside portfolio protection

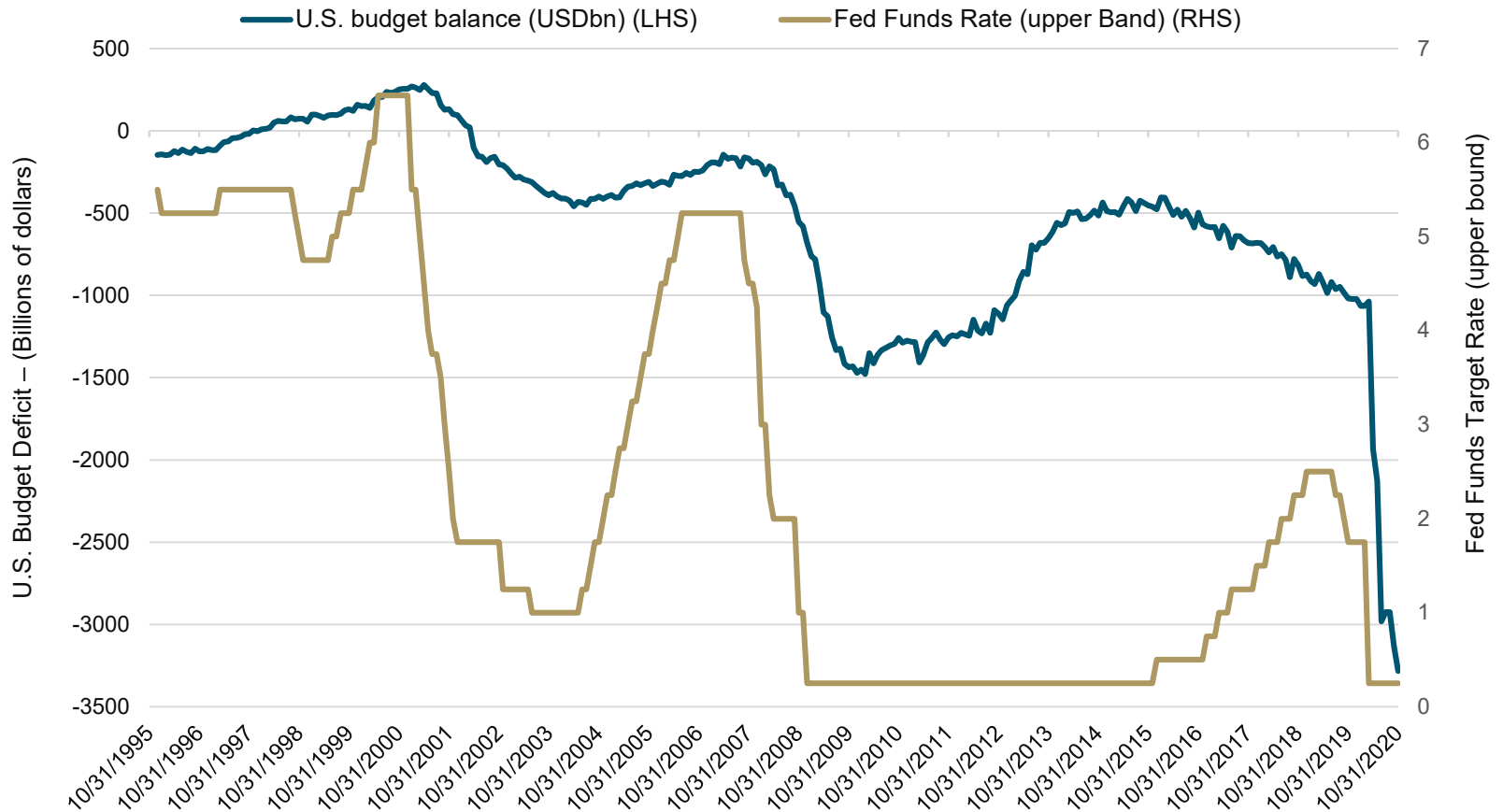
Outlook is subject to change without notice.



# Gold & Silver

**Maria Smirnova, Senior Portfolio Manager, Sprott Asset Management**

# U.S. Federal Budget Deficit and Fed Funds Target Rate



Source: Bloomberg. Data as of October 31, 2020.

# “Whatever It Takes”

Global Monetary And Fiscal Stimulus To Fight COVID-19 Impact 2020 Feb to Nov (CSM)						
	Potential Central Bank Liquidity Injection		Potential Fiscal Stimulus		Central Bank Liquidity Injection and Fiscal Stimulus	
	\$ Tln	% GDP	\$ Tln	% GDP	\$ Tln	% GDP
<b>U.S.**</b>	<b>\$6.21</b>	<b>29.0%</b>	<b>\$3.29</b>	<b>15.4%</b>	<b>\$9.50</b>	<b>44.3%</b>
<b>Eurozone</b>	<b>\$2.65</b>	<b>19.9%</b>	<b>\$4.27</b>	<b>32.0%</b>	<b>\$6.92</b>	<b>52.0%</b>
<b>Japan**</b>	<b>\$1.03</b>	<b>20.0%</b>	<b>\$2.22</b>	<b>43.1%</b>	<b>\$3.25</b>	<b>63.1%</b>
<b>U.K.</b>	<b>\$0.57</b>	<b>20.7%</b>	<b>\$0.59</b>	<b>21.6%</b>	<b>\$1.16</b>	<b>42.3%</b>
<b>China****</b>	<b>\$1.43</b>	<b>10.0%</b>	<b>\$1.22</b>	<b>8.4%</b>	<b>\$2.64</b>	<b>18.4%</b>
<b>Others*</b>	<b>\$0.92</b>		<b>\$2.85</b>		<b>\$3.77</b>	
<b>Total</b>	<b>\$12.80</b>	<b>14.8%</b>	<b>\$14.44</b>	<b>16.7%</b>	<b>\$27.25</b>	<b>31.5%</b>

Source: Cornerstone Macro, data as of 11/20/2020.

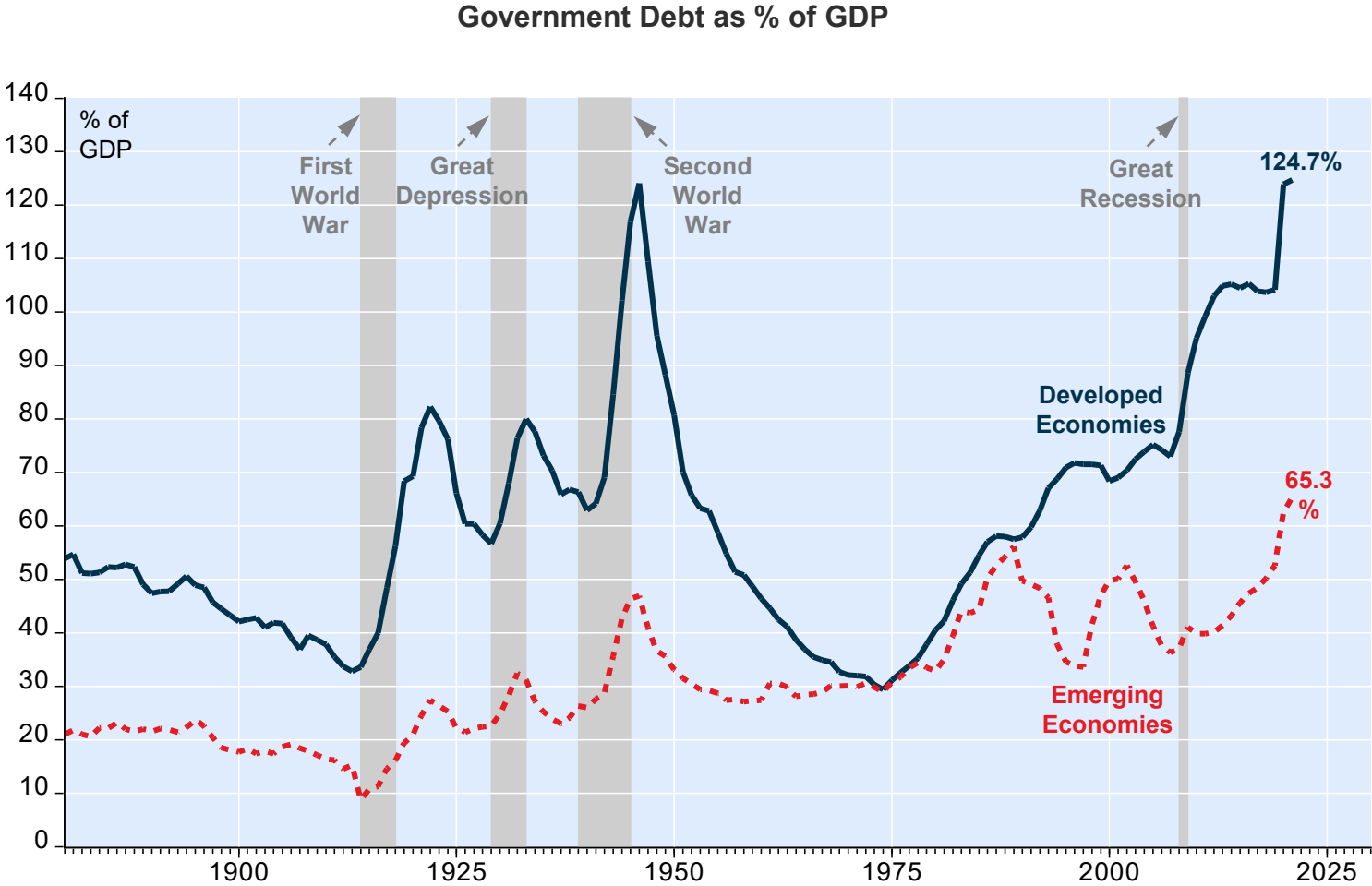
\* Includes: RoW, ADB, IMF, WB.

\*\* “BOJ Vows to Buy as Many Bonds as Needed in Stimulus Move.” (BBG, 4/27) ”.

\*\*\* U.S.: Fed’s \$6.2 tln injection incl the \$2.5 tln announced on Apr 9, and the \$3.7 facility.

\*\*\*\* China CB stimulus incl liq injections and other activities, e.g. re-lending, RRR, direct small biz lending, etc.

# World: Government Indebtedness at an All-Time High

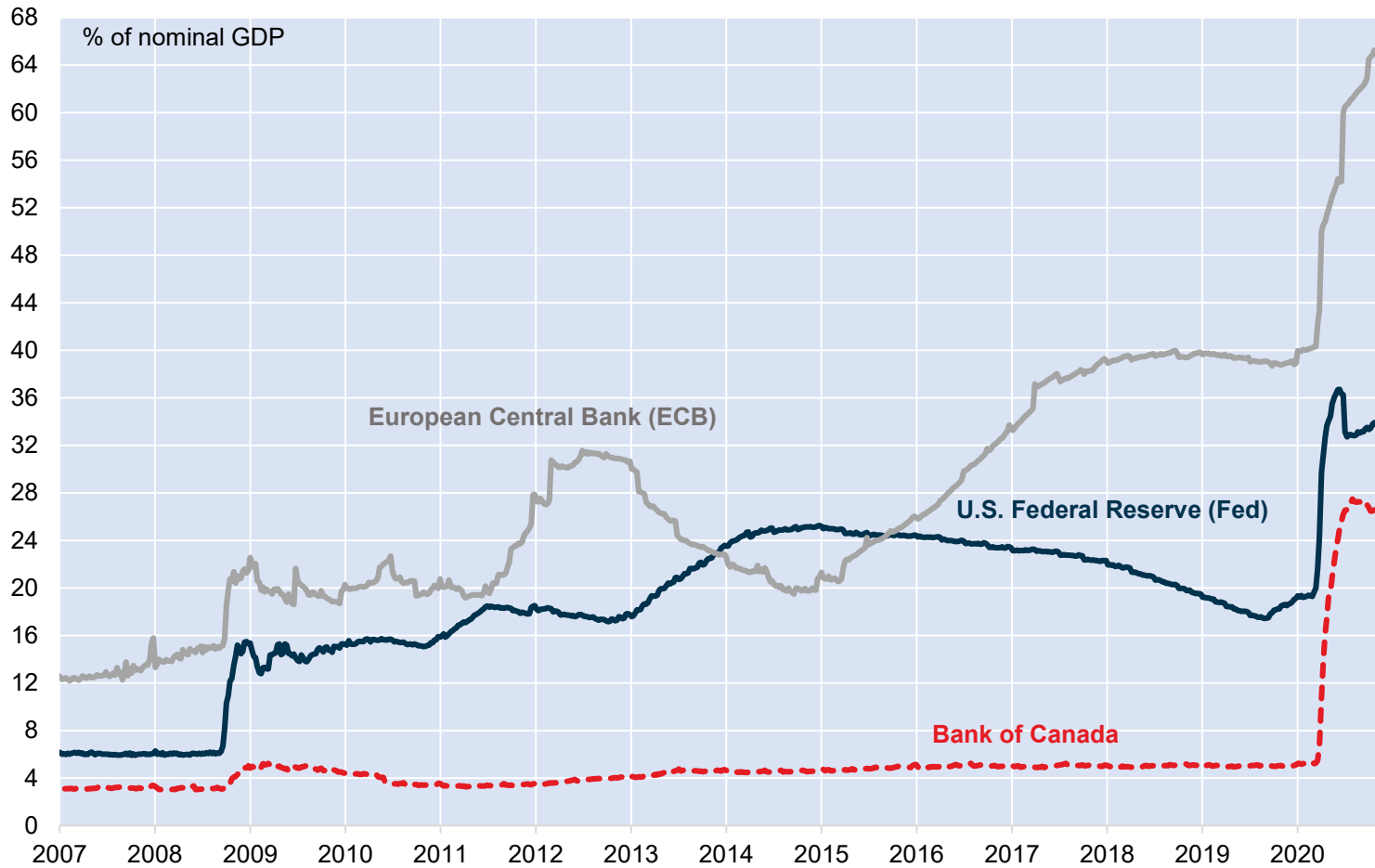


Source: IMF; NBF Economics and Strategy.



# Central Banks: Balance Sheets on the Rise

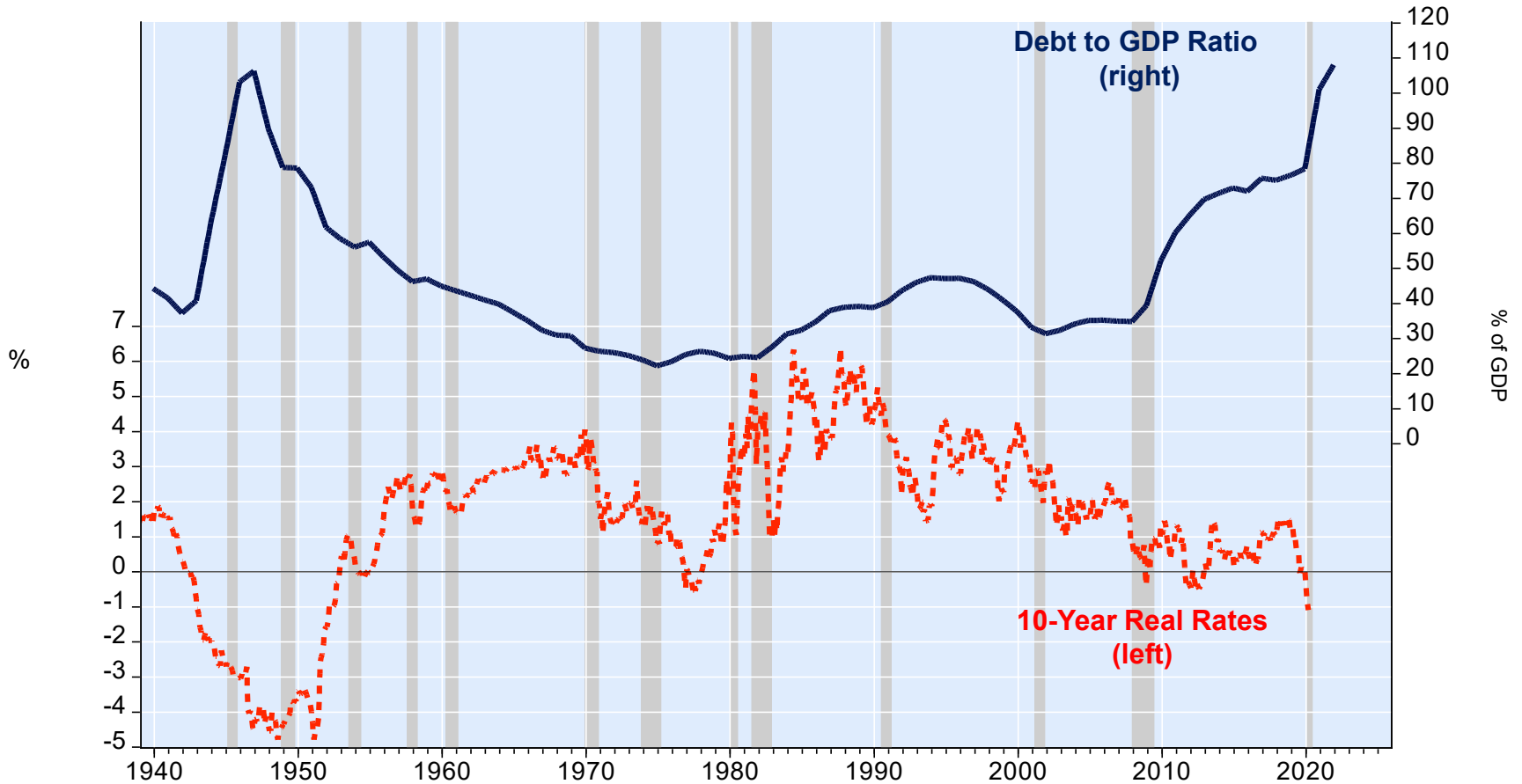
Total Assets Held by the European Central Bank (ECB), U.S. Federal Reserve (Fed) and the Bank of Canada



Source: NBF Economics and Strategy (data via Refinitiv and Bank of Canada), data as of 11/04/2020.

# U.S. Wartime Accommodation

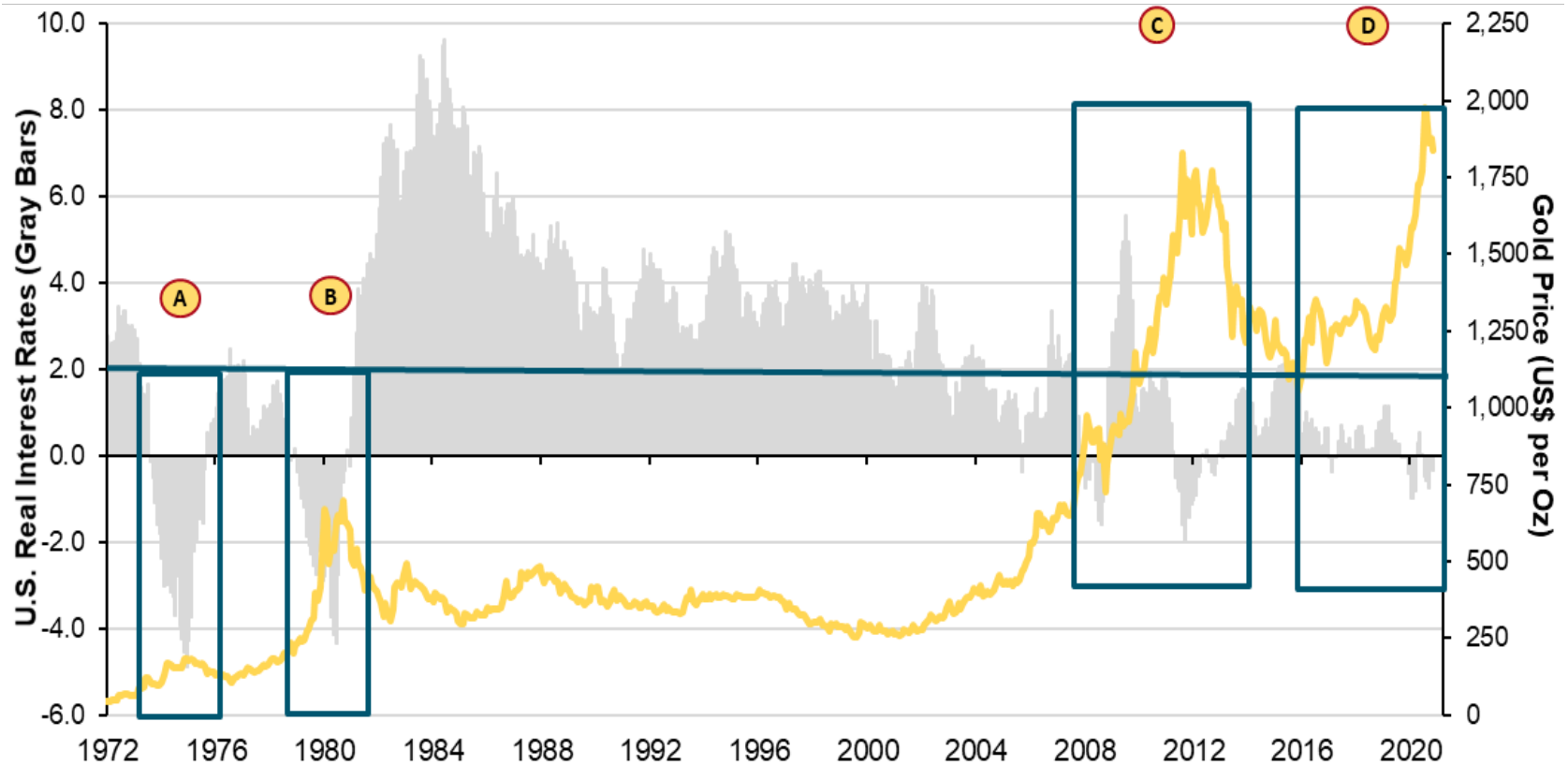
**Debt-to-GDP Ratio and Real Interest Rates**  
(10-year treasury yield minus 5-year moving average inflation)



Source: NBF Economics and Strategy (data via Bloomberg).

# Gold and Real Interest Rates

Gold Price and Real U.S. Interest Rates During Four Notable Periods of Negative Real Rates



Source: Bloomberg and CIBC World Markets Inc., data as of 11/23/2020.

# Gold Price Breakout Provides a Catalyst

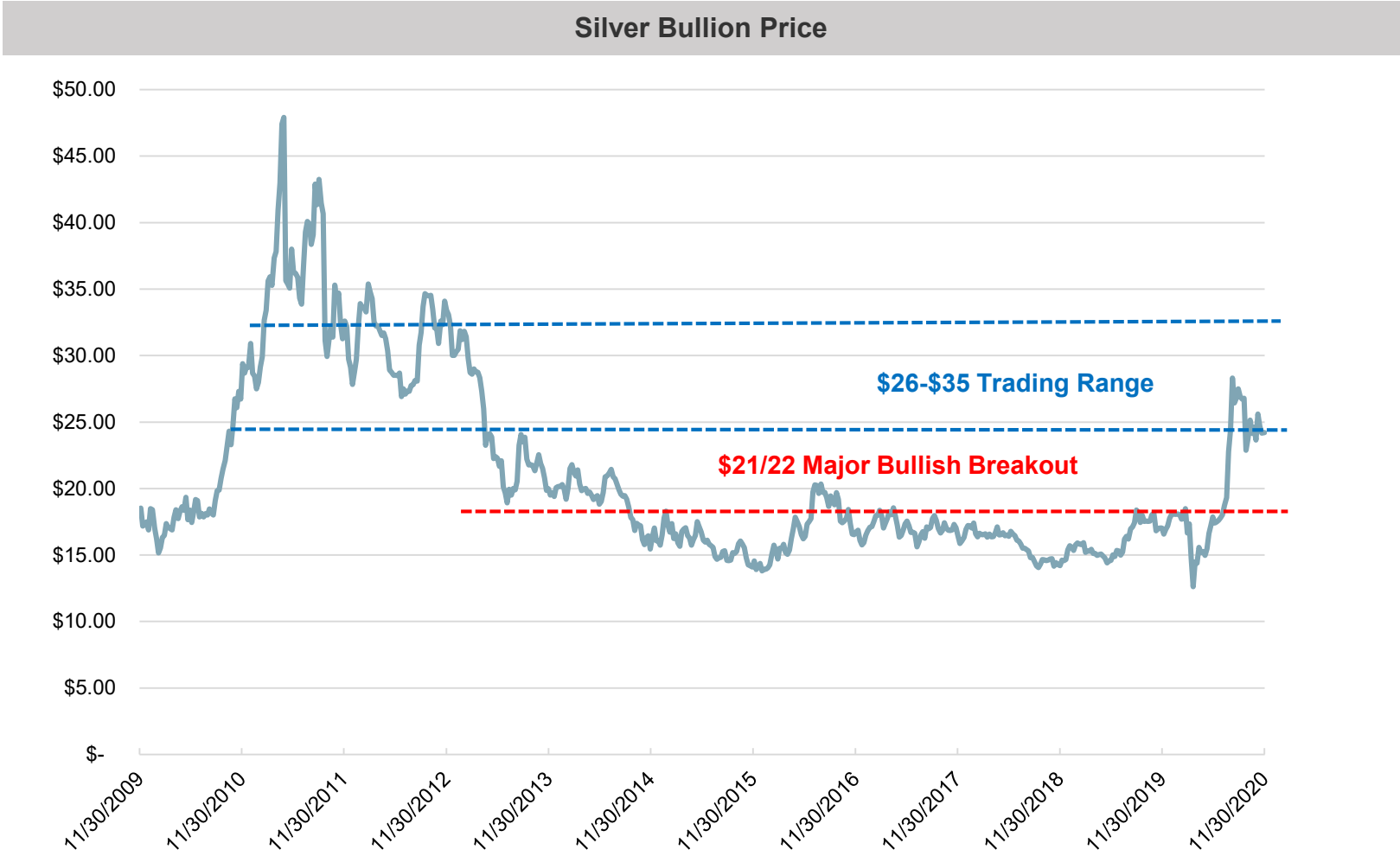
- Gold began to breakout in May 2019, and has risen above \$2,000 in 2020
- Recent pullback reflects seasonal weakness and selling to finance reflation positioning trade
- The significant macro drivers of gold remain unchanged and are bullish

Gold Bullion Price



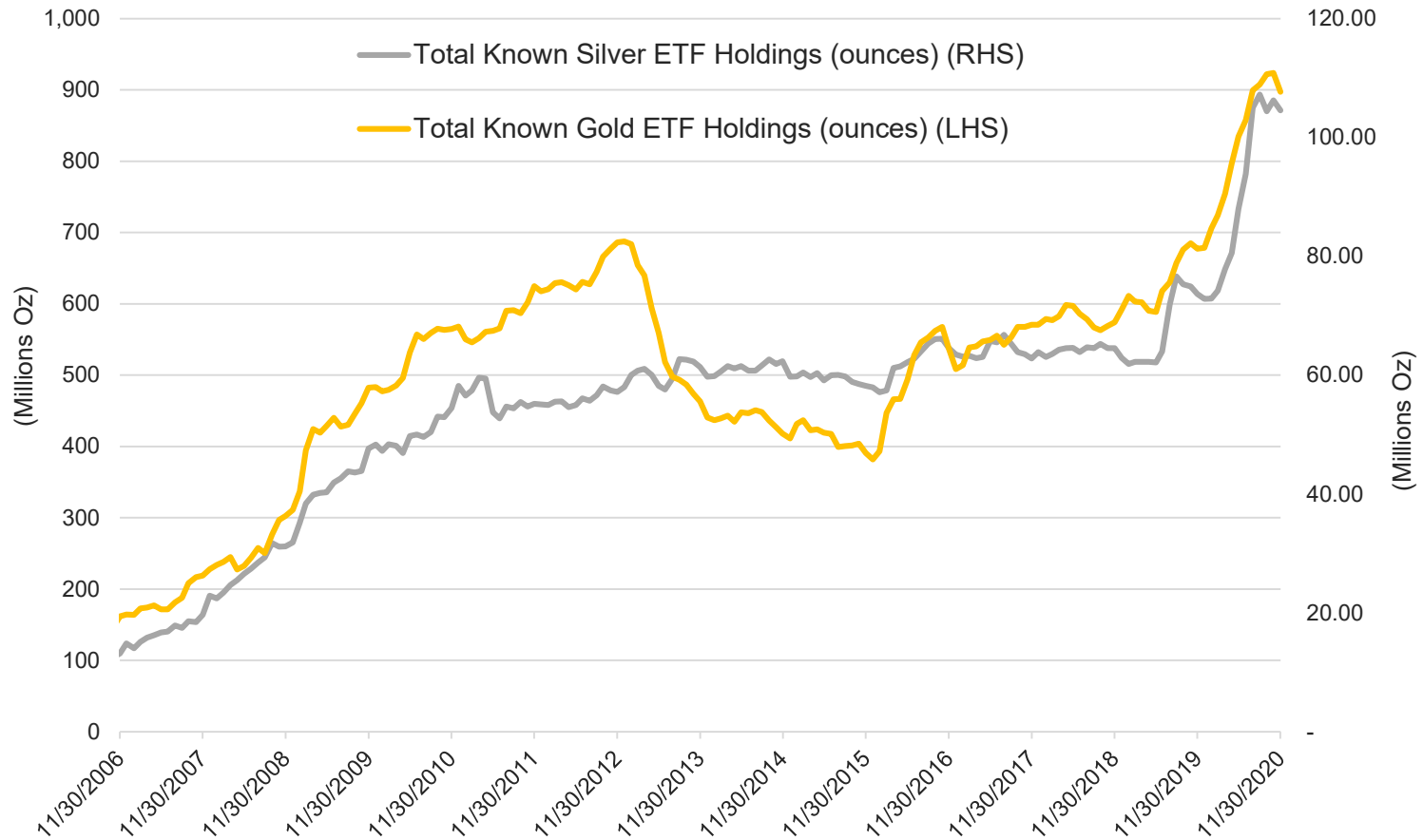
Source: Bloomberg. Data as of 12/01/2020. You cannot invest directly in an index. Past performance is not indicative of future results.

# Silver Broke Out in July 2020



Source: Bloomberg. Data as of 12/01/2020. You cannot invest directly in an index. Past performance is not indicative of future results.

# Record Inflows into Bullion ETFs



Source: Bloomberg. Data as of 11/30/2020.

# Silver Sentiment is Recovering

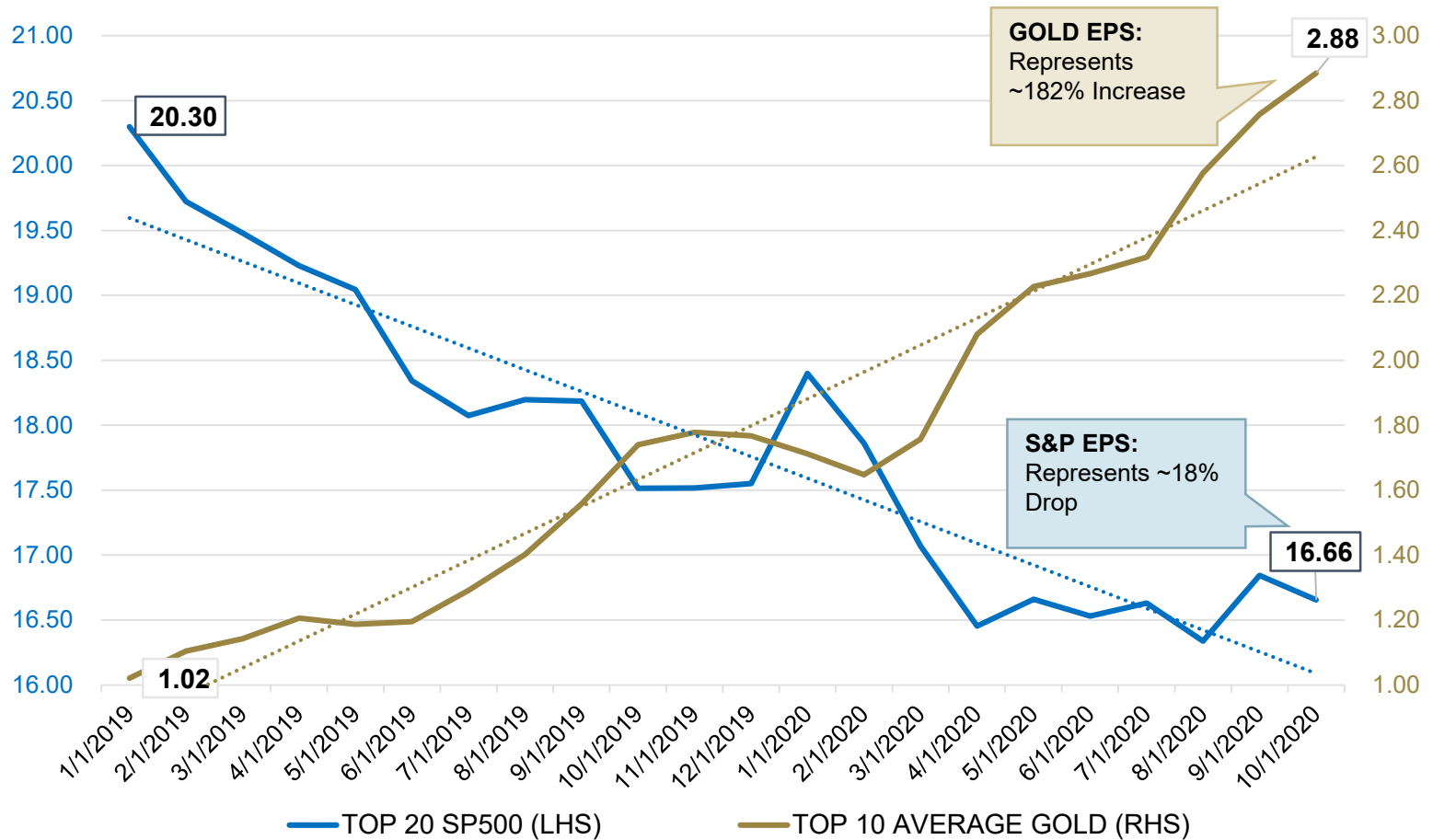
### Gold to Silver Price Ratio



Source: Bloomberg. Data as of 10/31/2020.

# Gold Miners EPS Outlook is Very Positive

Earnings Per Share (EPS) estimates are up ~182% for gold miners and down ~18% for the S&P 500

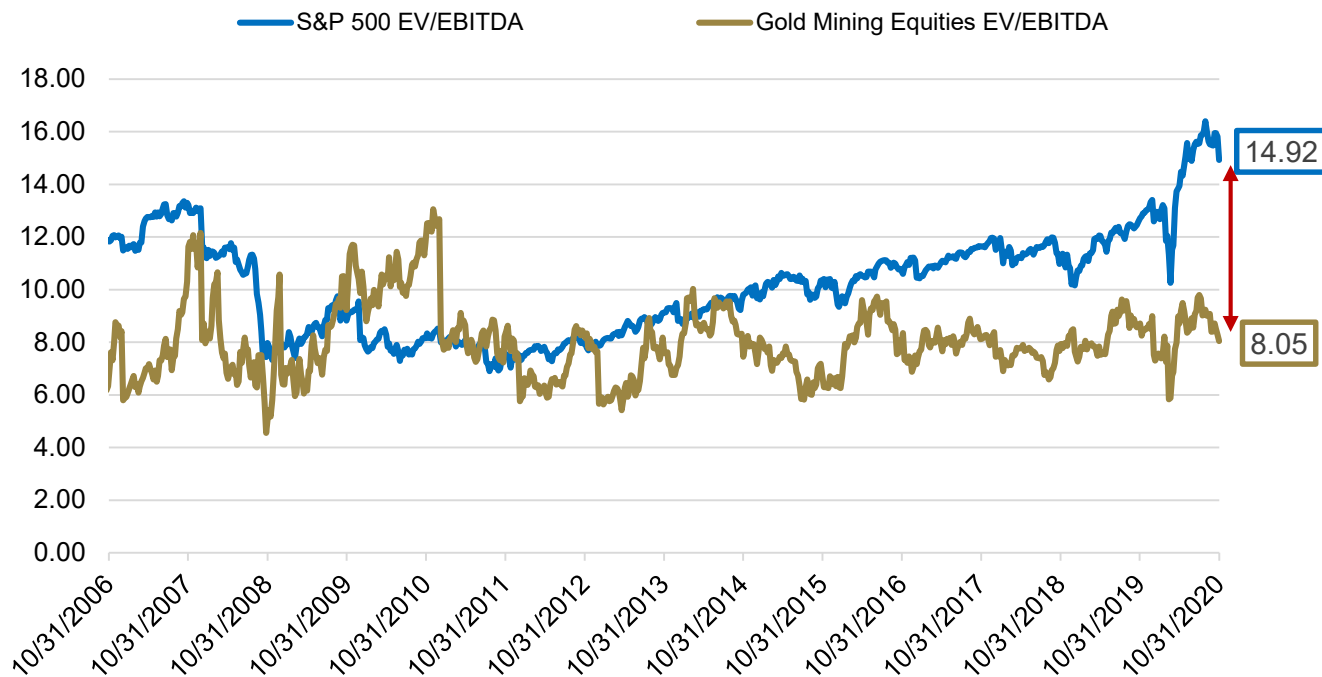


Source: Bloomberg. Data as of 10/31/2020. Based on 1-YR Forward EPS revisions for the top 10 gold mining companies vs. the average for the top 20 S&P 500 companies. You cannot invest directly in an index. Past performance is no guarantee of future results.



# Gold Mining Equities vs. S&P 500 Index: EV/EBITDA

- Gold mining shares represent unprecedented value in comparison to conventional equity alternatives
- Miners trade at EV/EBITDA\* of 8.05x compared to the equal-weighted S&P 500 of 14.92x, the widest spread in 10 years

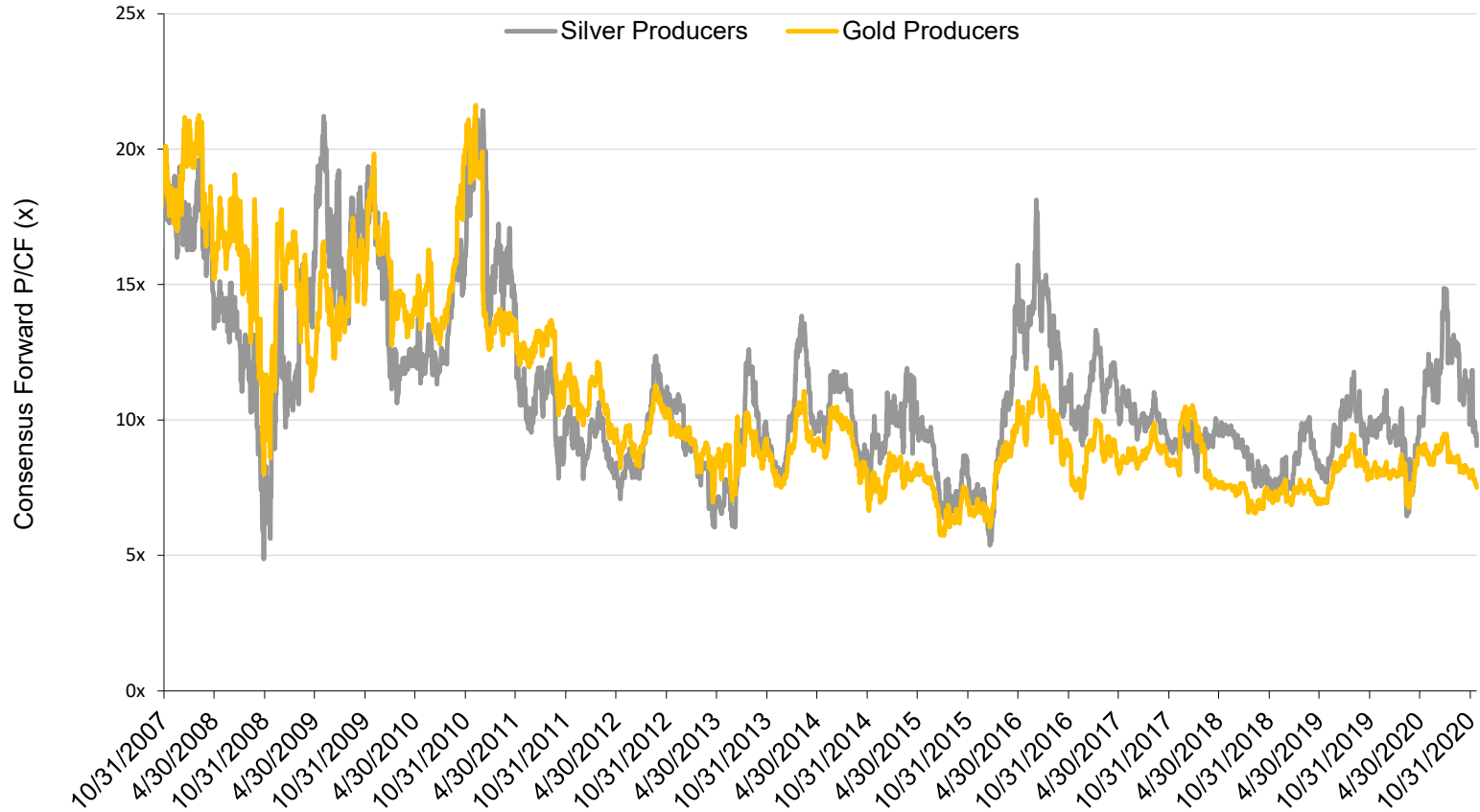


\*Enterprise value to earnings before interest, taxes, depreciation and amortization. The EV/EBITDA ratio is a popular metric used as a valuation tool to compare the value of a company, debt included, to the company's cash earnings less non-cash expenses.

Source: Bloomberg. Data as of 10/31/2020. S&P 500 Index is measured by the SPXEVEBT Index and Gold Mining Equities are measured by the GDMEVEBT Index. You cannot invest directly in an index. Past performance is no guarantee of future results.

# Gold & Silver Company Valuations

## Consensus Forward Looking Price to Cash Flow Multiples



Source: Bloomberg; RBC Capital Markets, data to November 23, 2020.

# Sprott Outlook: Gold and Silver

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- Gold and silver are real assets which cannot be debased or devalued
- The earnings and cash flow outlook for the miners is highly favorable, especially when compared to most other equity sectors
- The road to recovery from the COVID-19 pandemic will be rocky, and not a V-shaped recovery
- Governments are pledging to increase employment, support inflation and keep interest rates below inflation
- Liquidity injections and fiscal stimuli will be massive and ongoing for the foreseeable future
- Massive debt purchases by central banks will freeze interest rates at ultra-low levels

Outlook is subject to change without notice.

78 195.08

Pt

Platinum

46 106.42

Pd

Palladium



# Platinum & Palladium

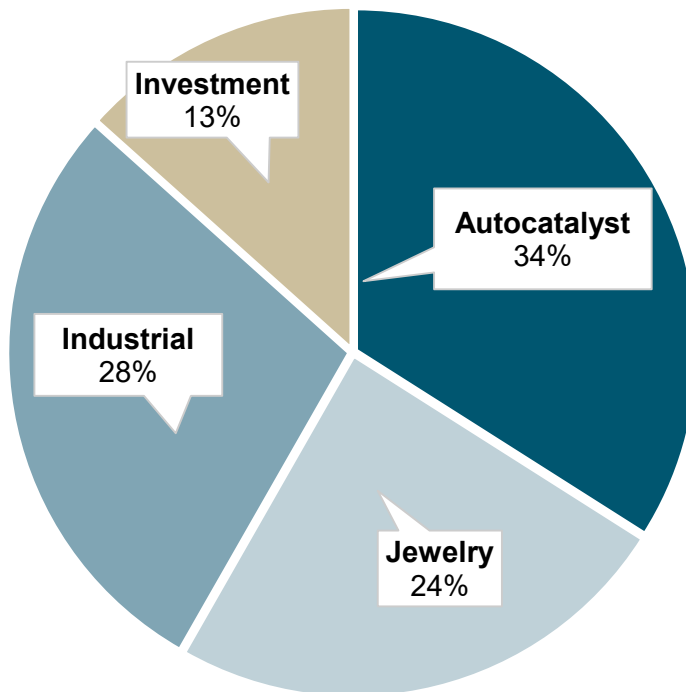
Shree Kargutkar, Portfolio Manager, Sprott Asset Management

# Platinum Demand Sources

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Platinum is a rare metal with distinctive qualities that make it highly valued across a number of diverse demand segments.

Gross Demand in 2019 ('000 oz)



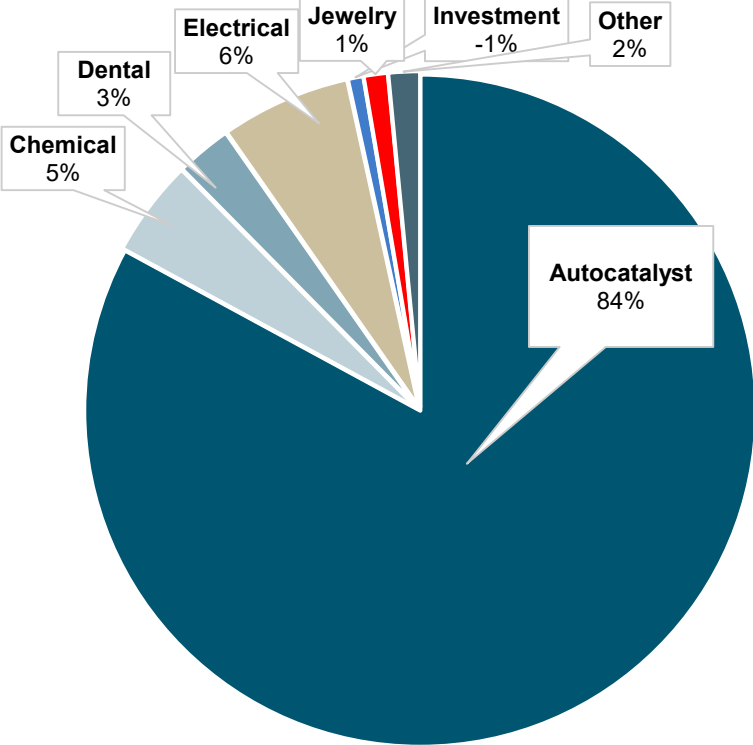
**The automotive industry is the primary demand driver.** Both platinum and palladium are key elements in the manufacturing of catalytic converters which help reduce toxic emissions from automotive exhaust.

Source: Bloomberg; Johnson Matthey, May 2020.

# Palladium Demand Sources

Over the past decade, palladium has replaced platinum as the primary metal used in catalytic converters due to its lower cost.

Gross Demand in 2019 ('000 oz)

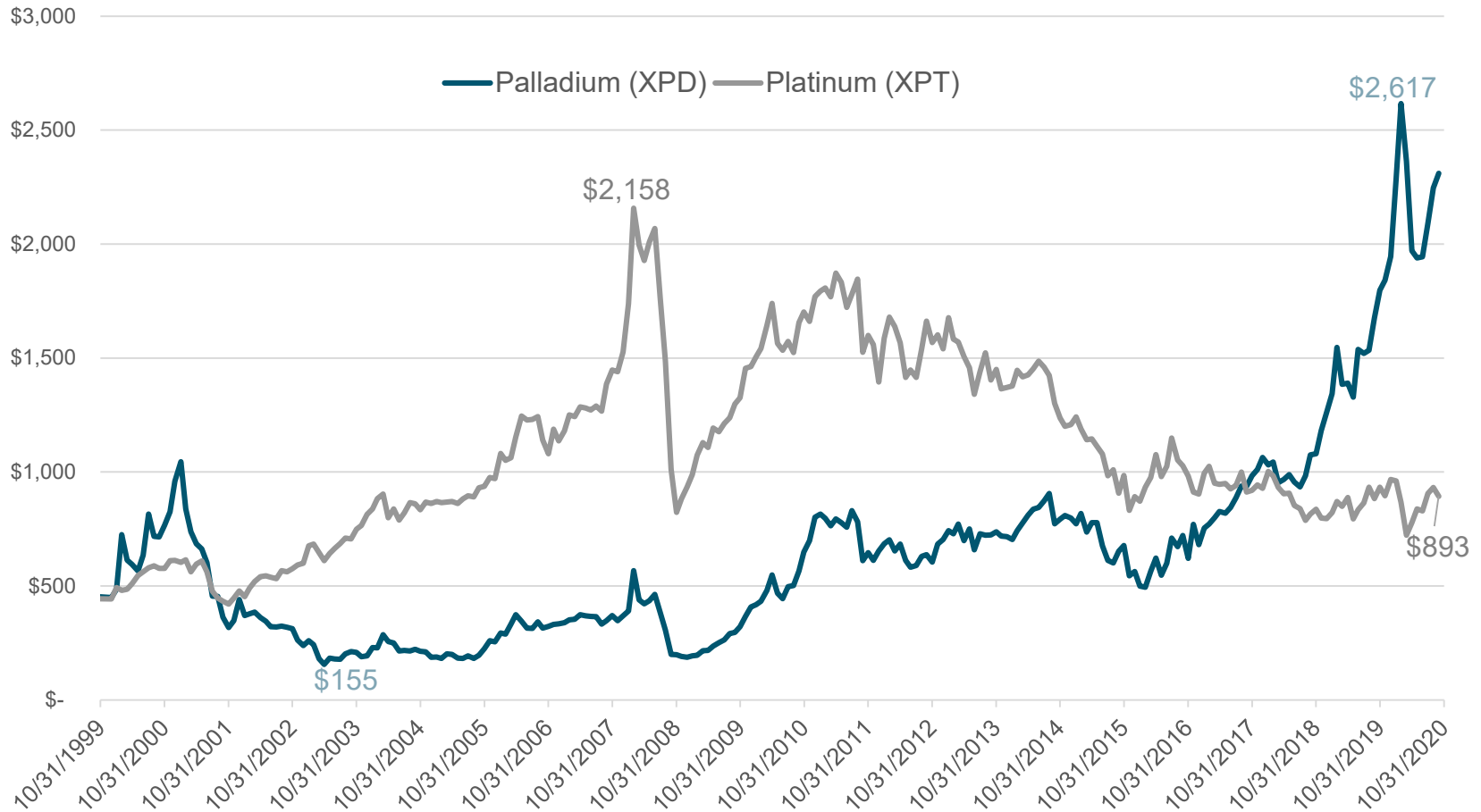


Palladium demand has been **robust**, as environmental concerns — and *Dieselpgate* — have prompted a global shift from diesel to gasoline and hybrid vehicles.

Source: Bloomberg; Johnson Matthey, May 2020.

# A Tale of Two Metals

## Palladium vs. Platinum Prices



Source: Bloomberg. Data as of 10/31/2020.

# Sprott Outlook: Platinum and Palladium

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## Platinum

- Platinum will likely be in a deficit in a third consecutive year of deficit in 2021
- Automotive demand continues to grow due to tighter emissions standards in the EU and China, as well as substitution away from palladium
- Strong investment demand trends will persist into 2021
- An emerging hydrogen economy could be a game-changer for platinum

## Palladium

- Strong palladium prices can persist due to sustained deficits for the metal
- Thrifting away from palladium into platinum is unlikely to meaningfully change demand from the auto sector
- Automotive demand expected to grow as stricter emission standards lead to higher palladium loadings
- Mine supply of palladium will remain constrained

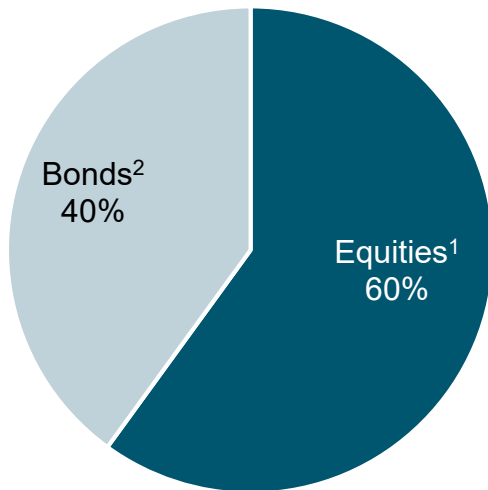
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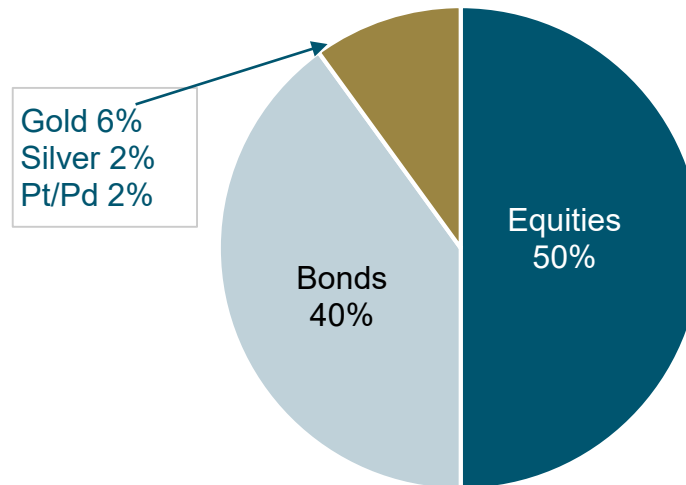
# Precious Metals Portfolio Allocation

## Sprott Recommends a 5%-10% Allocation to Precious Metals Gold, Silver, Platinum & Palladium

With a traditional 60/40 portfolio, equities<sup>1</sup> represents **98%** of the total portfolio risk.



Adding 10% precious metals to the portfolio, may reduce the equity risk contribution from **98%** to **83%**.



<sup>1</sup> **International Equities Benchmark:** The MSCI ACWI Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world.

<sup>2</sup> **Bonds Benchmark:** 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

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## 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

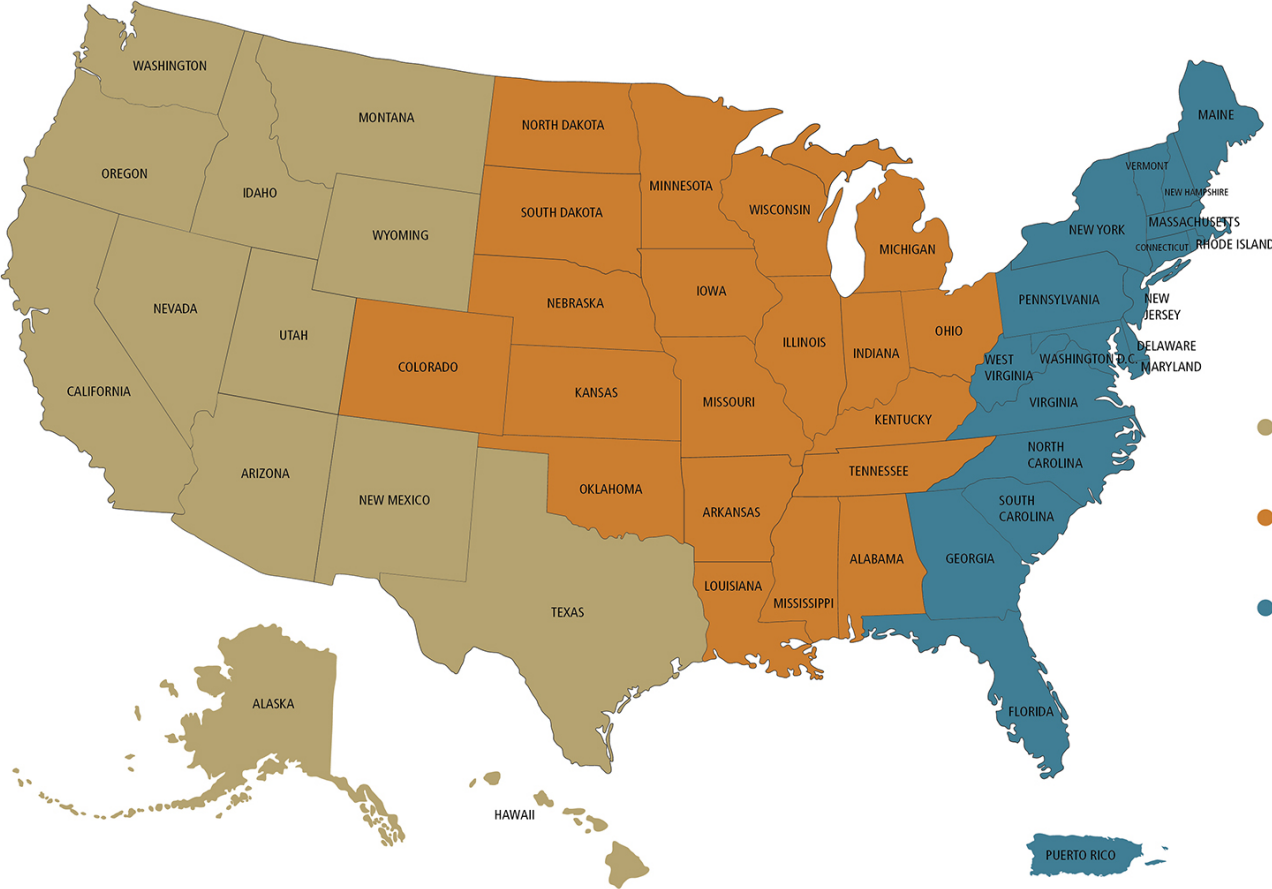


Sprott Gold Miners ETF



Sprott Junior Gold Miners ETF

# Sprott Regional and National Sales Coverage



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# Q&A/Contact Information

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# Important Disclosure

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## **Past performance is no guarantee of future results. You cannot invest directly in an index.**

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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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## 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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