



The Smart Money Case for Gold

October 2018

Sprott

Featured Speakers



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Ed Coyne, Executive Vice President, National Sales – Sprott Asset Management

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 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).



ASTORIA
Portfolio Advisors

John Davi, Founder & CIO, Astoria Portfolio Advisors

John Davi has 19 years of experience spanning across Macro ETF Strategy, Quantitative Research & Equity Derivatives. John spent 8 years as the Head of Morgan Stanley's Institutional ETF Content where he advised many of the world's leading investment management firms in quantitative ETF portfolio construction and implementation. John spent 10 years at Merrill Lynch as an Equity Derivatives & Quantitative Strategist. In 2017, John founded Astoria Portfolio Advisors, an investment management firm that specializes in quantitatively driven and Cross Asset ETF portfolio management. John earned his Bachelor of Science in Finance from Hofstra University.



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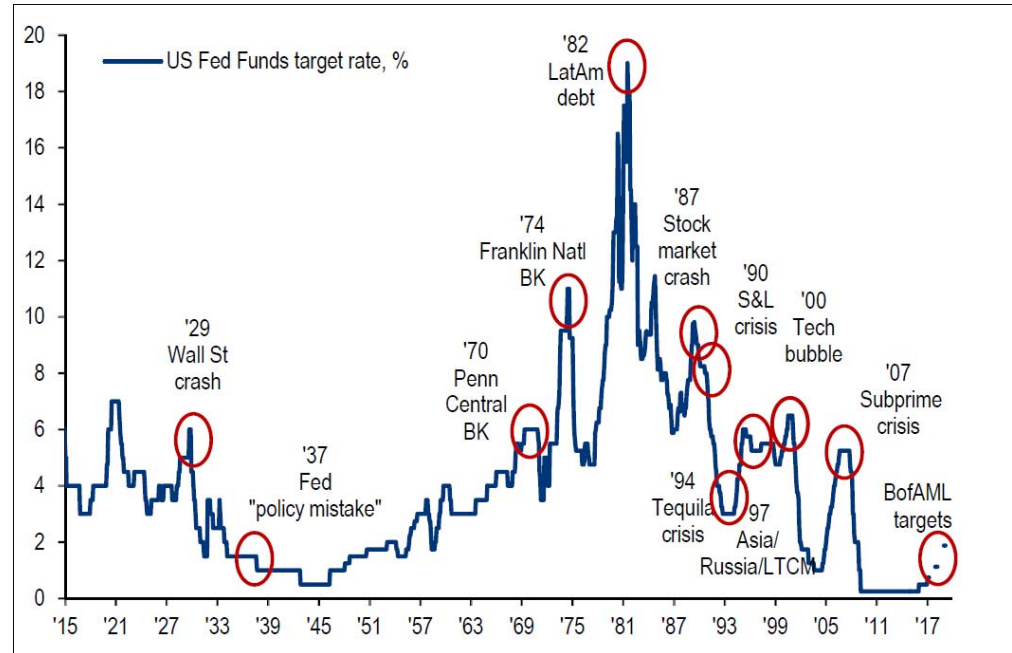
Shree Kargutkar, Portfolio Manager, CFA – Sprott Asset Management

Shree has more than 9 years of investment experience. He began his career at Sprott Asset Management in May 2010. During his time at Sprott, Shree 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.

The Market is Moving Into a New Cycle

- Disconnect between business cycle and the stock market cycle; there should be linkage
- Marketplace is unwinding from QE *put* orchestrated by central banks which inflated financial assets
- Inflation and interest rates are rising
- Ignore the Fed and focus on the big picture; Fed hiking cycles have historically led to recession
- Investment Strategy: Overweight equities; massively underweight bonds; own commodities
- Commodities are very cheap; and offer positive carry and skewness
- Gold is a protective hedge
- Q4/Q1 are seasonal good for gold; but there is an opportunity cost for owning gold

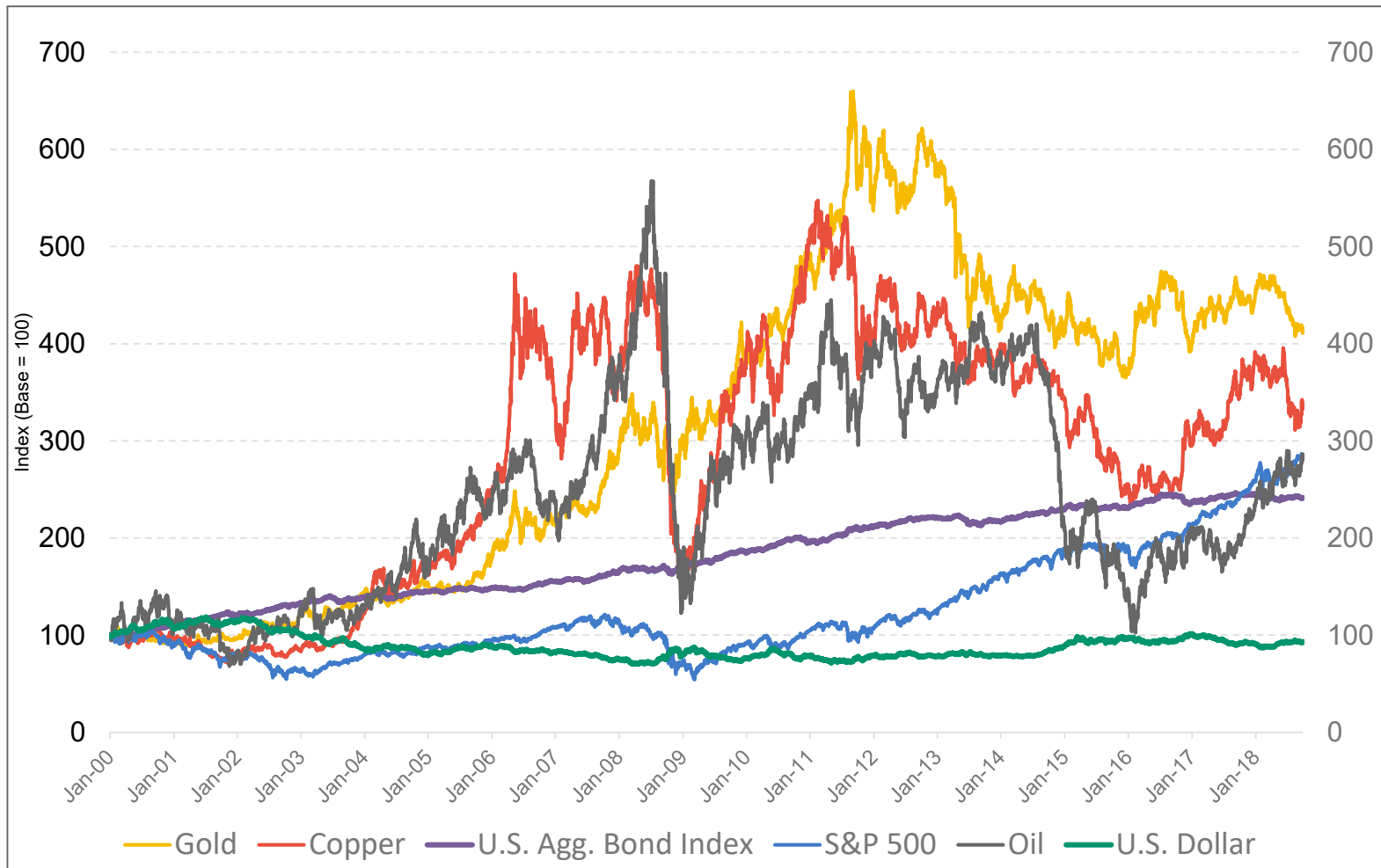
Fed Tightening Often Ends with a Negative Financial Event



Source: BofA Merrill Lynch Global Investment Strategy, Global Financial Data.

The Modern Era of Gold

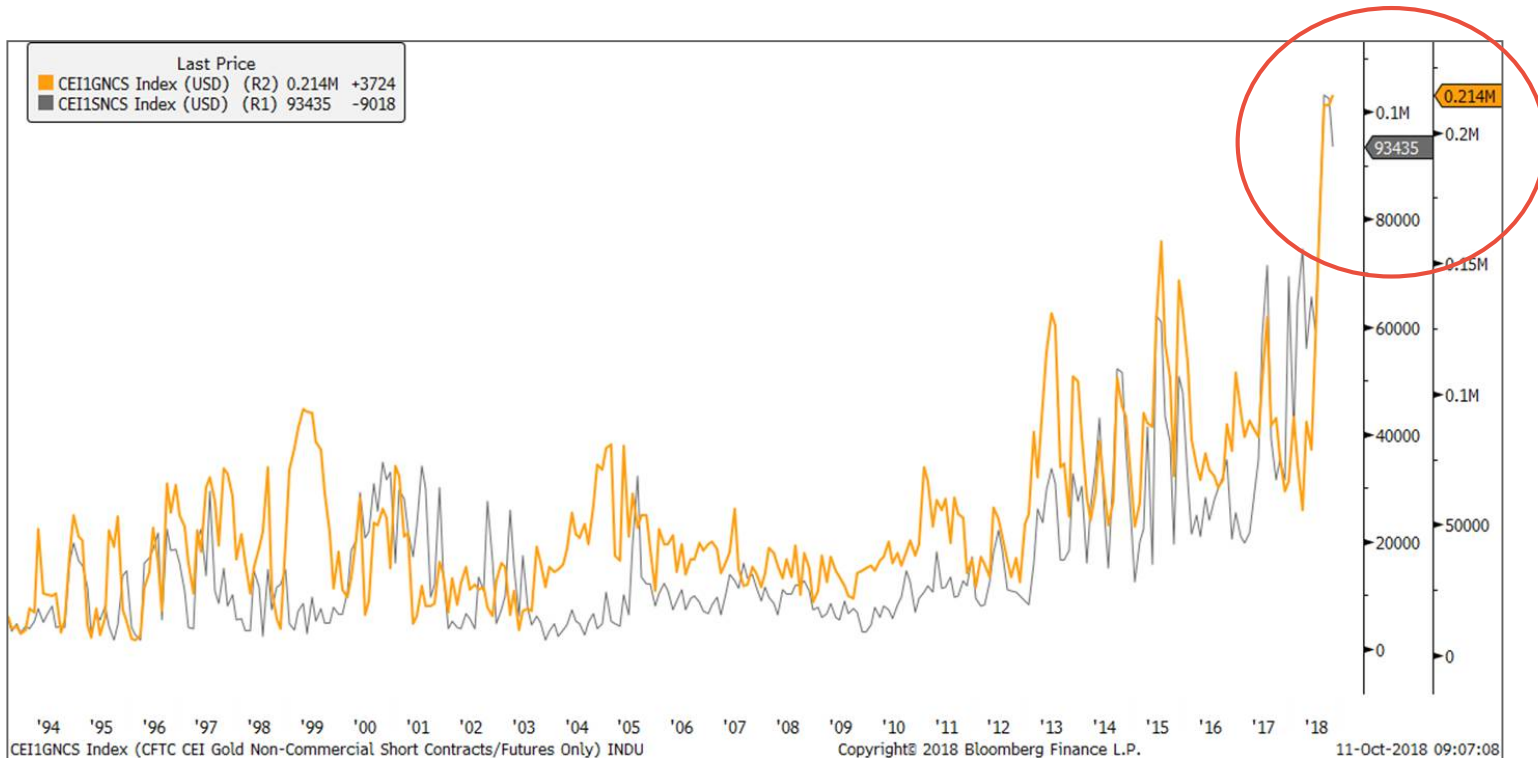
Gold is the original alternative investment.



Source: Bloomberg. As of 9/30/2018. Past performance is no guarantee of future results.

Gold and Silver Buying Opportunity

Gold and Silver Futures Shorts at All Time Highs (1994-2018)

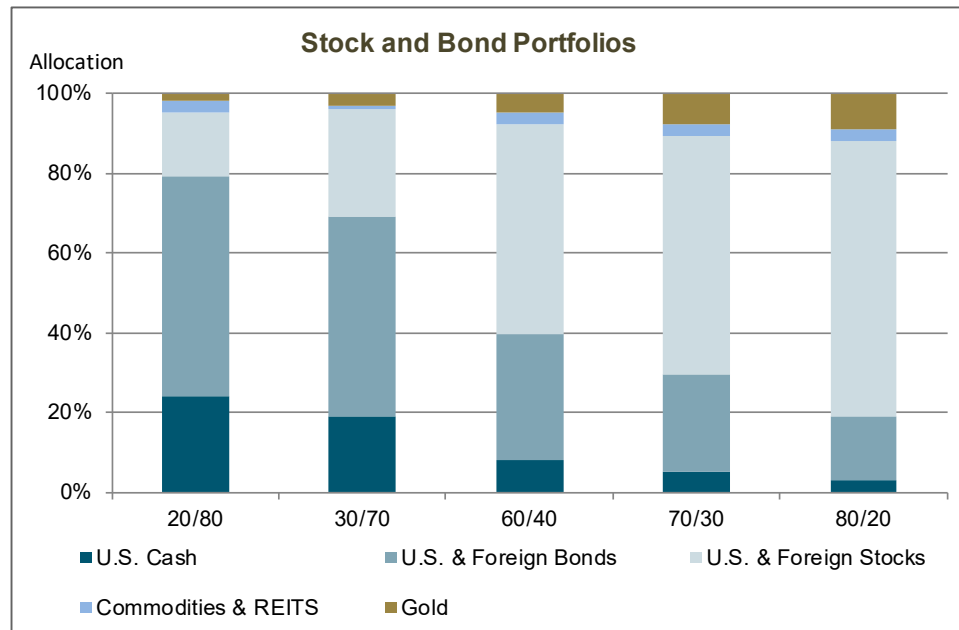


Investor sentiment is stretched to the negative end, and any short covering is likely to create a quick bounce in price. Prices are close to the bottom of recent trading ranges at \$1,100-\$1,400 (gold) and \$14-\$18 (silver). This is creating very attractive opportunities for investors.

Source: Bloomberg. CFTC CEI Gold Non-Commercial Short Contracts/Futures, CFTC CEI Silver Non-Commercial Short Contracts/Futures.

When Equities are Stretched – Gold Protects

Adding Gold to Portfolios Optimizes Risk Adjusted Returns*



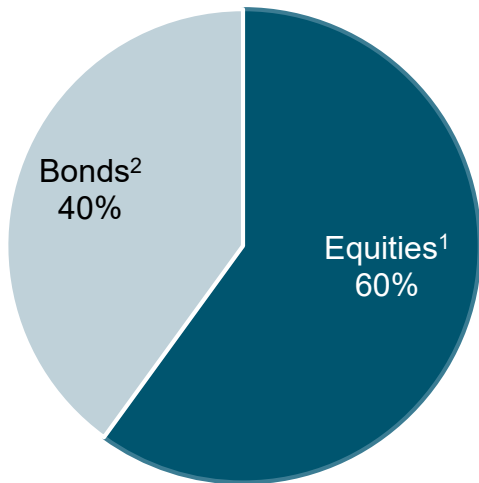
Scenario	20/80	30/70	60/40	70/30	80/20
U.S. Cash	24%	19%	8%	5%	3%
U.S. & Foreign Bonds	55%	50%	32%	25%	16%
U.S. & Foreign Stocks	16%	27%	53%	60%	69%
Commodities & REITS	3%	1%	3%	3%	3%
Gold	2%	3%	5%	8%	9%
	21%/79%	31%/69%	61%/40%	71%/30%	81%/19%

*Based on Michaud & Michaud RE Optimization; World Gold Council.

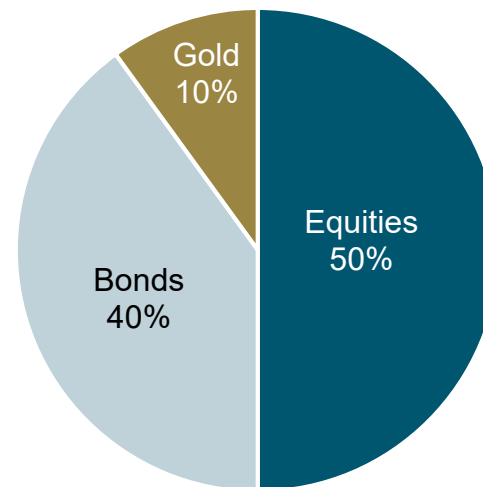
The Optimal Portfolio Allocation to Gold

Astoria Advisors Recommends a 5%-10% Allocation to Gold

With a traditional 60/40 portfolio, equities¹ represents **98%** of the total portfolio risk



Adding 10% gold to the portfolio, reduces the equity risk contribution from **98%** to **83%**



¹ **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.

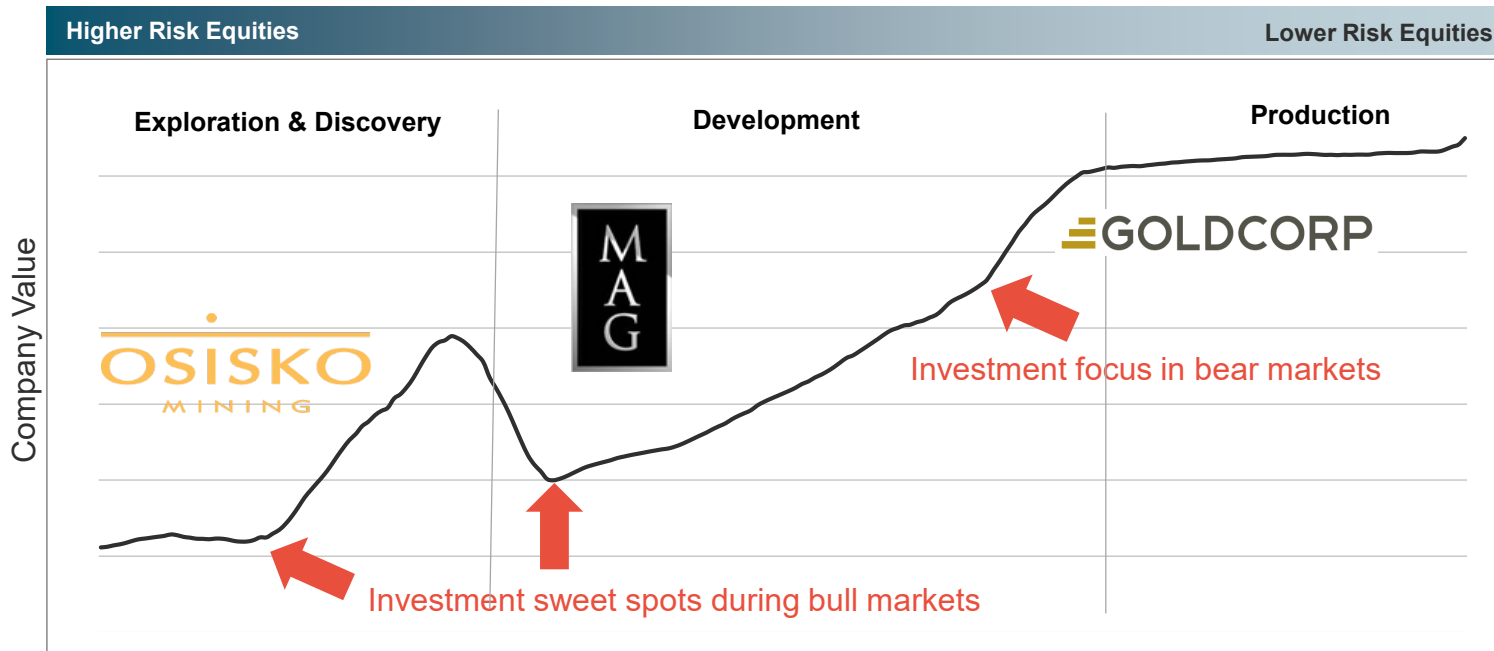
² **Bonds Benchmark:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

How Do Managers Evaluate Gold/Silver Equities?

- Many investors view investing in precious metals equities as simply a levered play on the underlying bullion
- Walk us through how a portfolio manager shifts from investing in physical bullion to precious metals equities
- How do you identify attractive gold and silver mining companies that can potentially outperform?

Managers Must Focus on Protecting Investor Capital

- We are in a bear market cycle and capital is scarce for miners, so we are focused on strong gold producers
- We look closely at: **1)** Management Teams; **2)** Balance Sheets; **3)** Mine Location
- When the market turns bullish, we will focus more on exploration companies



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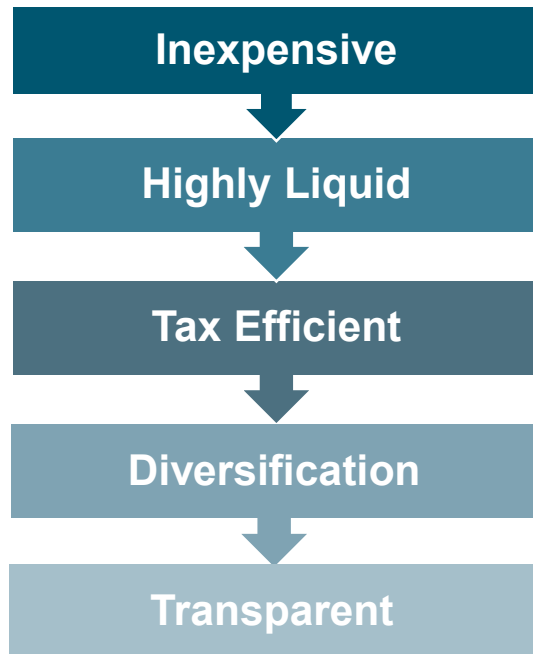
Gold: Hedge Against Inflation & Rising Rates

Rates are rising: Since August, U.S. 10-Year Treasury yields have risen 50 basis points.



Source: Bloomberg. US Treasury Yield Curve Rate T Note Constant Maturity 10 Year.

Benefits of ETFs



Astoria Portfolio Advisors is an investment management firm that specializes in the construction, management and model delivery of tactically constructed, cross asset ETF managed portfolios.

Sprott offers investors world-class precious metals and real assets investments, including two factor-based ETFs:

- Sprott Gold Miners ETF ([SGDM](#))
- Sprott Junior Gold Miners ETF ([SGDJ](#))

Do ETFs Fit into an Active Portfolio?

- Difficult to outperform an index by buying the index
- We use ETFs when valuation become rich and we need to raise cash
- ETFs can function as a proxy on a short-term basis

Outlook 2018 - 2019



John Davi
Founder & CIO
Astoria Portfolio Advisors



- Inflation and rates are rising
- Significant divergence in U.S. versus global growth
- U.S. may underperform; a rotation away from growth to value
- Commodities are attractive
- The equity story has been played out
- Tactically, gold makes sense over multiple market cycles

Outlook 2018 - 2019



Shree Kargutkar
Portfolio Manager
Sprott Asset Management

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- Interest rates are rising in U.S. and abroad
- Reintroduction of inflation should benefit gold and silver
- Top of the market?
- We may be past the high for P/E multiples
- Agree that the Fed is often behind the eight ball
- Over-heating style move where the commodity complex does well

Outlook 2018 - 2019

A Possible Early End to Fed Tightening?

“While the quarterly **FOMC** meeting undoubtedly deserves attention, we suspect that **investors are missing the forest for the trees**. As long as I have been working in this industry, the **Fed has generally always been behind the curve (i.e., they are a lagging indicator)**. The big picture trends that are impacting risk assets have been brewing for some time.

Read more: <https://www.astoriaadvisors.com/blog/pay-less-attention-to-the-fed-and-focus-on-the-big-picture>

Outlook 2018 - 2019

Fed Rate Hikes Have Helped Gold

Gold is up more than 20% since the Fed began raising interest rates in December 2015... 8 rate hikes later.



Back in 2004-2006, the Fed increased rates 17 consecutive times and gold was up over 80%.

Q&A/Contact Information



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Sprott ETFs | NYSE Arca: [SGDM](#) and [SGDJ](#)

Elevate your exposure to gold with
Sprott Gold Miners ETF

SGDM

A smart way to invest in junior gold stocks
Sprott Junior Gold Miners ETF

SGDJ

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Sprott ETFs

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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.