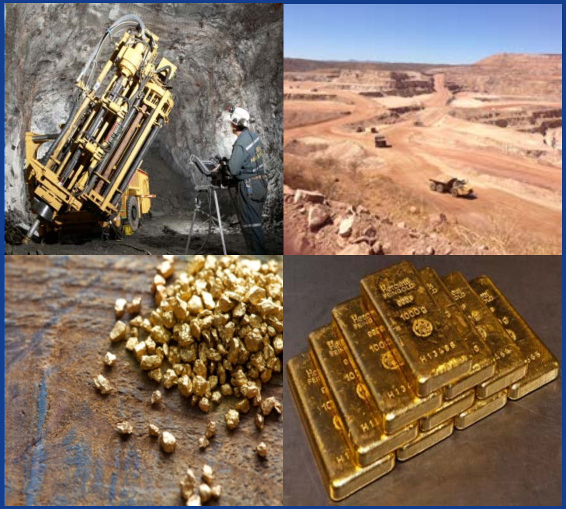
TOCQUEVILLE ASSET MANAGEMENT L.P.

What's wrong—what's right—with gold

Grant's Conference
April 2018



John Hathaway

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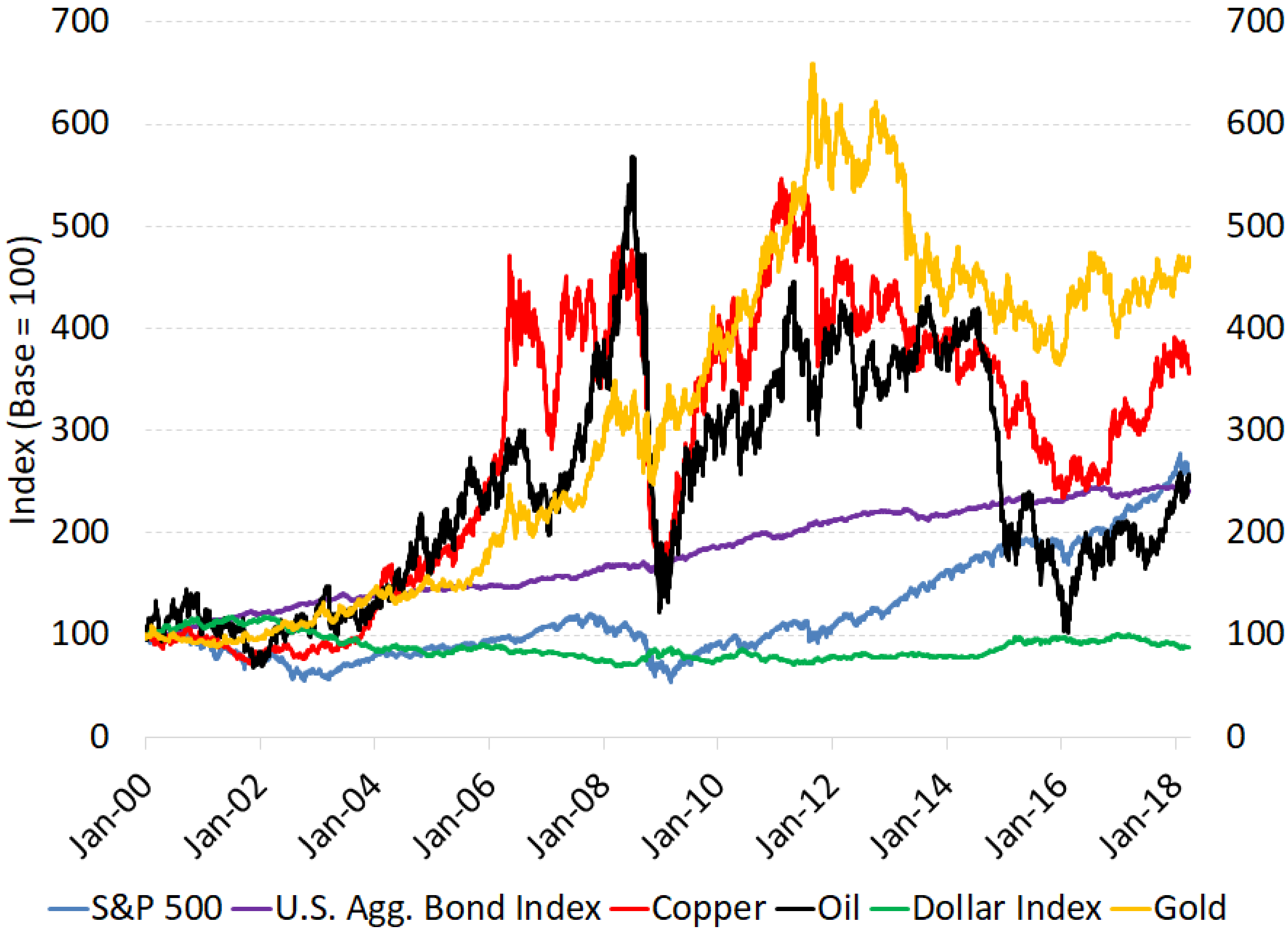
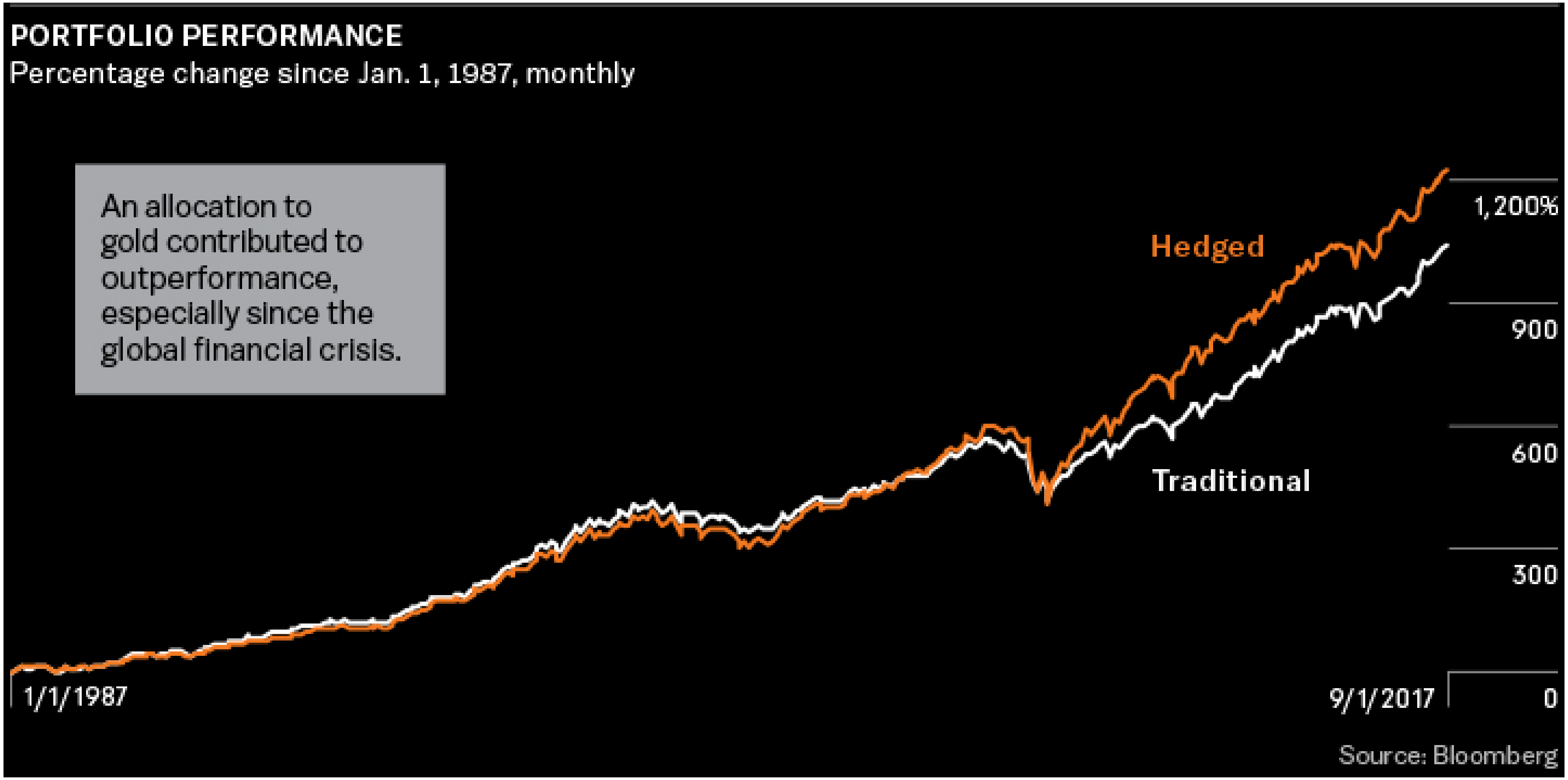
Gold vs. Everything Since 2000



Source: Bloomberg.

Gold is an Efficient Diversifier



Note: The "hedged" portfolio has 55% in S&P 500, 35% in Treasurys, and 10% in gold. The "traditional" portfolio has 60% in S&P 500 and 40% in Treasurys.
Source: Bloomberg.

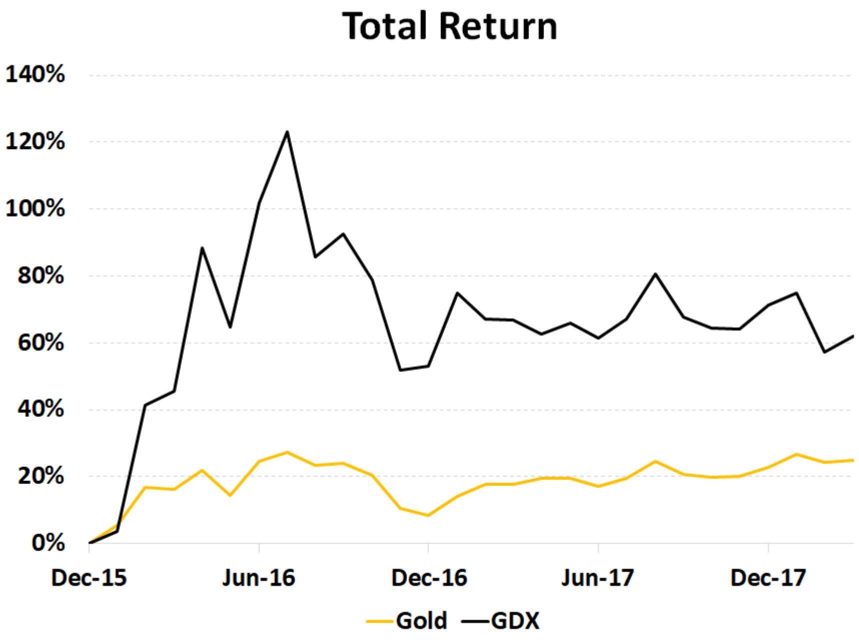
Gold Performance During Periods of Market Stress

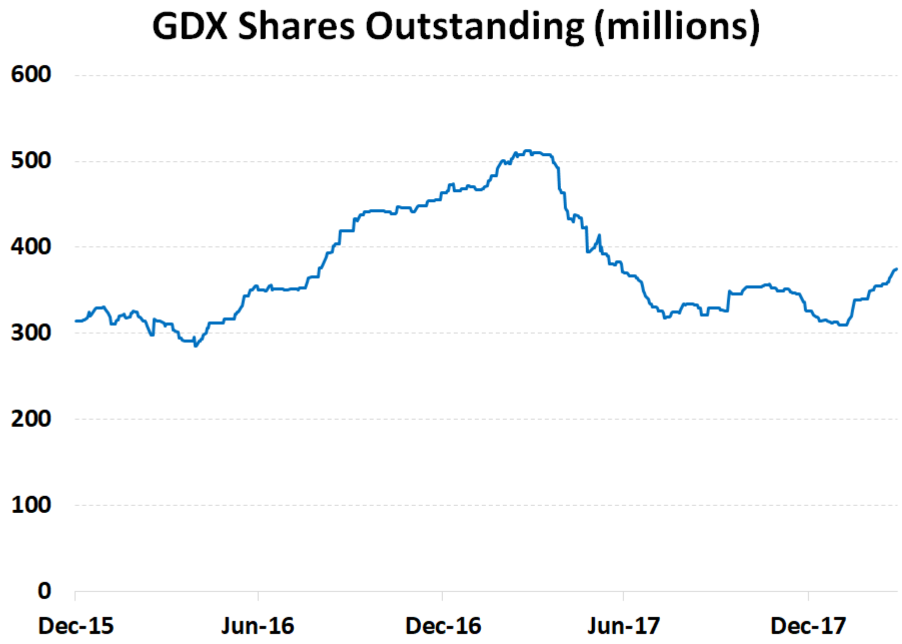
	Start	End	S&P 500 index	U.S. Treasuries	Gold
1987 crash	8/25/87	10/19/87	-33.2%	-7.2%	5.0%
Iraq invades Kuwait	7/17/90	10/12/90	-17.6%	-0.4%	7.6%
Asia crisis	10/7/97	10/28/97	-6.2%	0.0%	-4.6%
Russia/Long-Term Capital Management crisis	7/20/98	10/8/98	-18.7%	5.3%	1.2%
Sept. 11	9/10/01	10/11/02	-22.3%	11.2%	16.6%
Global financial crisis	10/11/07	3/6/09	-54.5%	15.8%	25.6%
2010 euro zone crisis and flash crash	4/20/10	7/1/10	-14.5%	4.5%	5.1%
U.S. sovereign debt downgrade	7/25/11	8/9/11	-12.3%	3.6%	7.8%
Taper tantrum	5/22/13	6/24/13	-4.8%	-2.0%	-6.4%
China worries	8/18/15	2/11/16	-11.8%	3.5%	11.5%
Average			-19.6%	3.4%	6.9%

Source: Bloomberg

Source: Bloomberg.

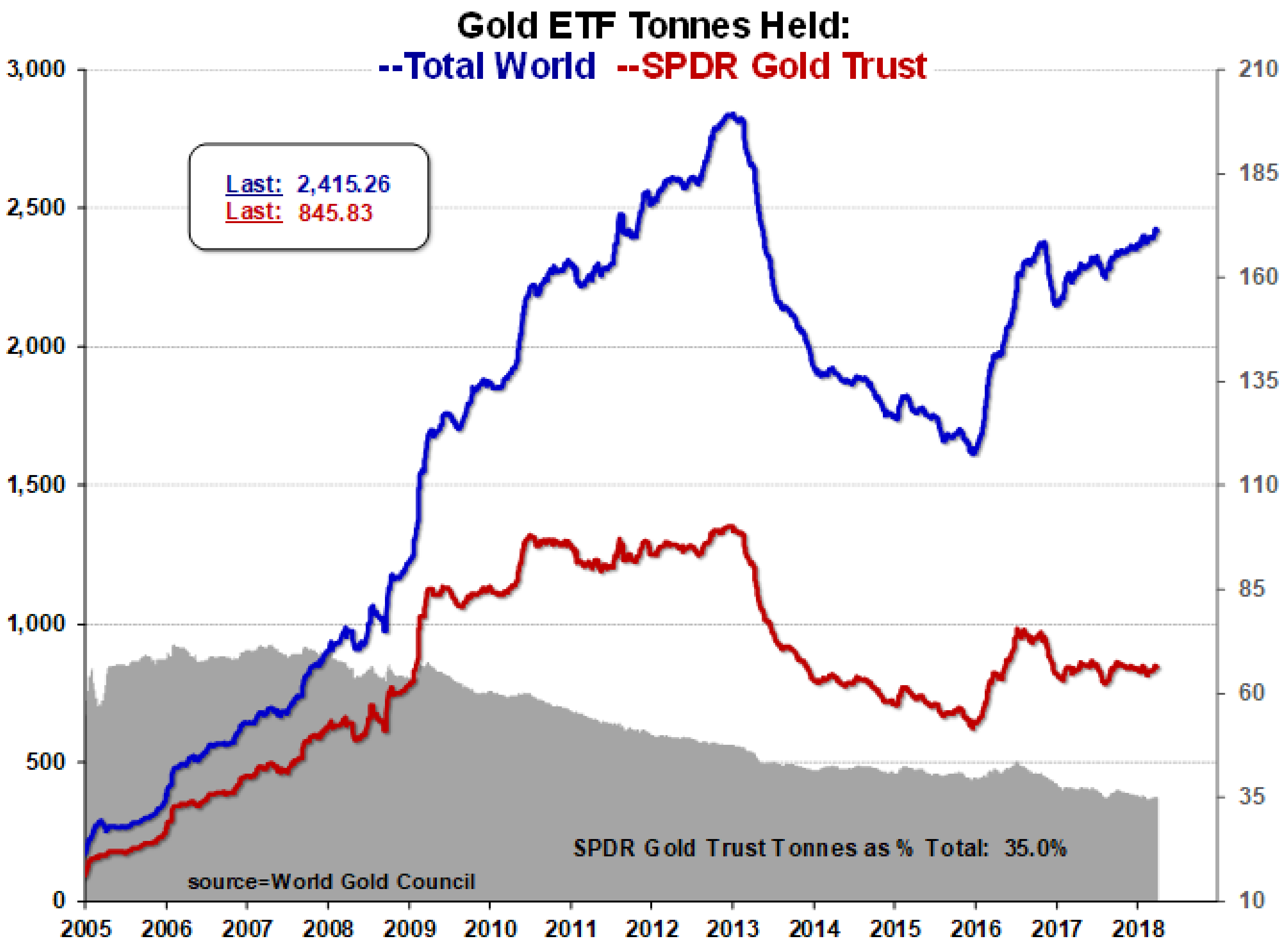
Gold & GDX





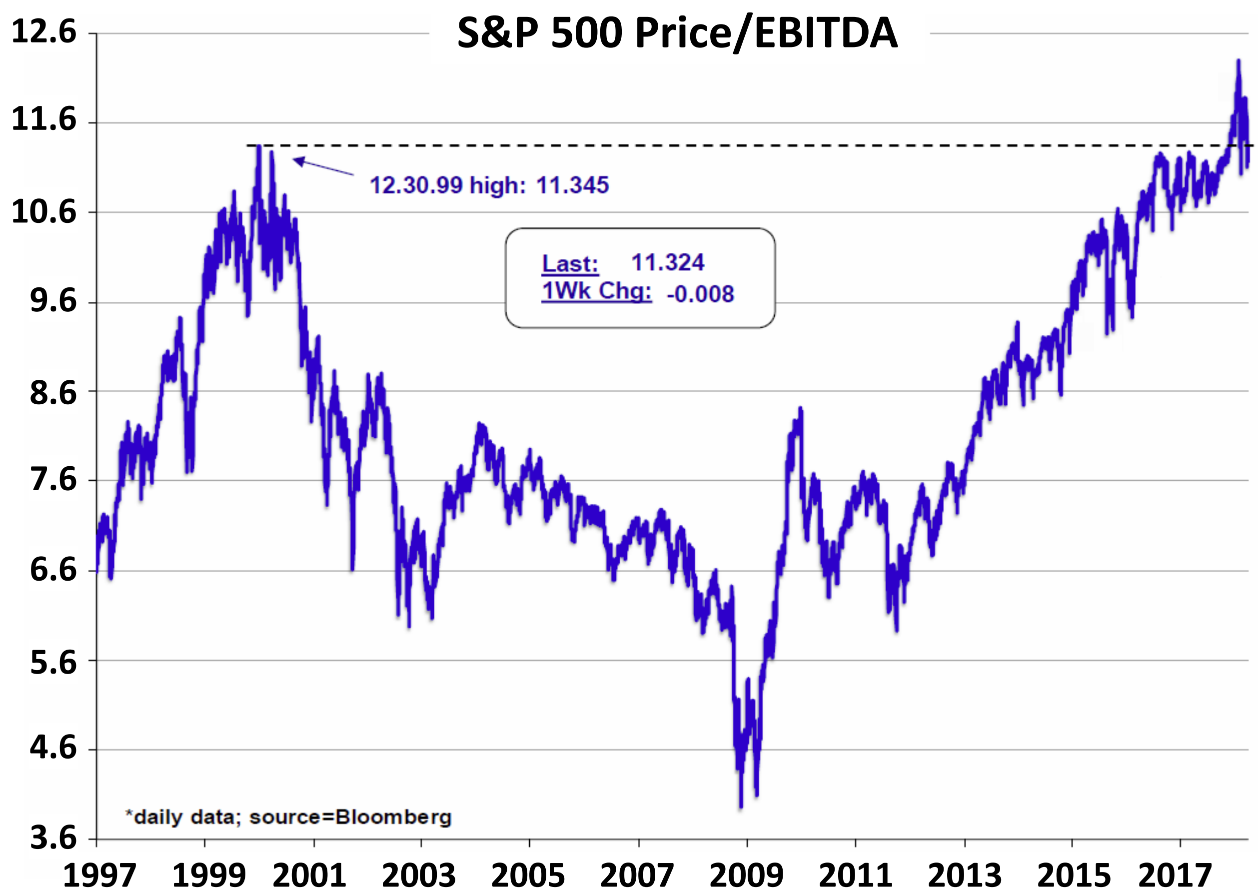
Source: Bloomberg.

Gold Bullion ETFs



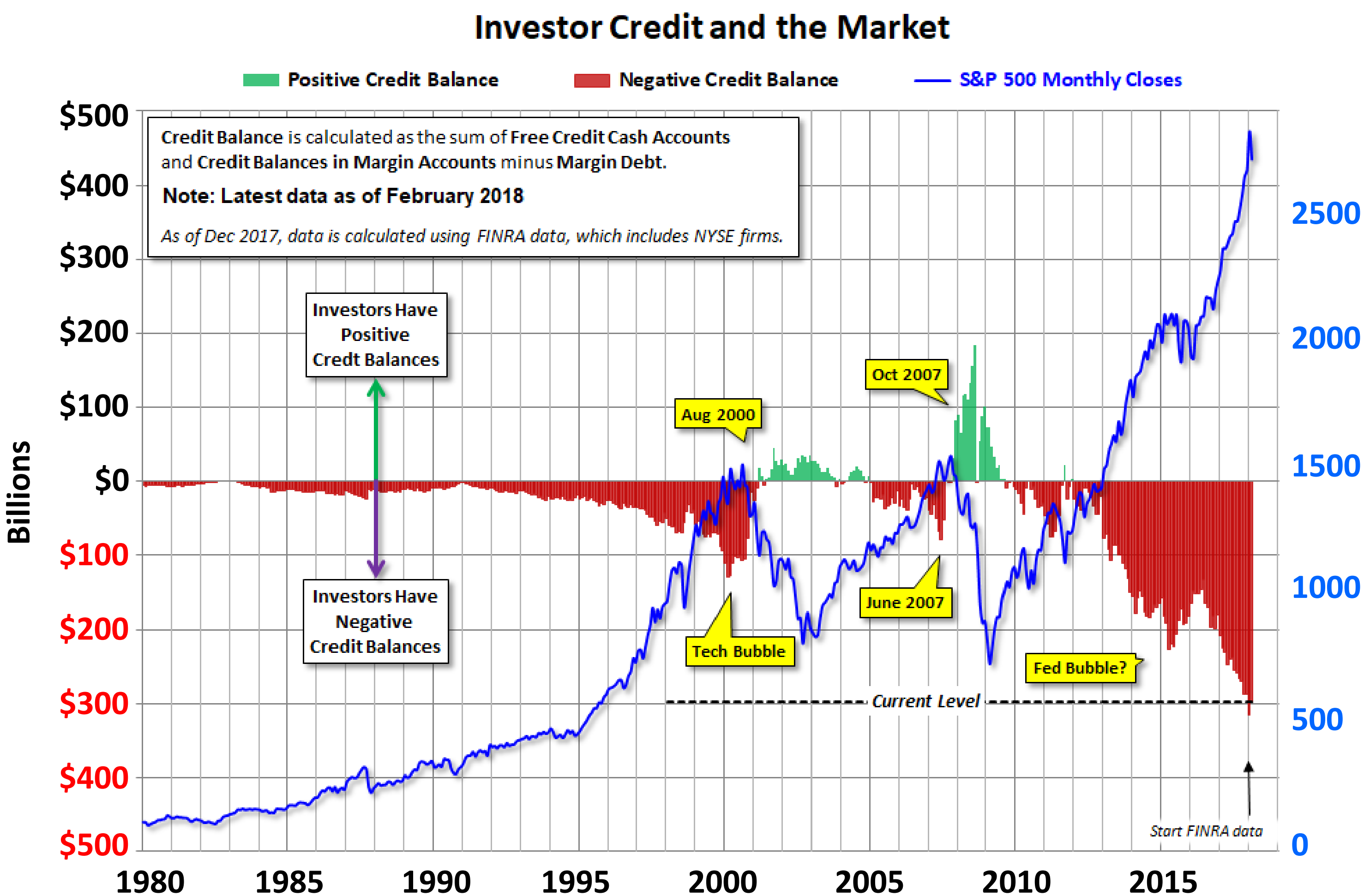
Source: World Gold Council, Meridian Macro Research.

Catalysts for a Change – U.S. Equity Valuations



Source: Meridian Macro Research.

Catalysts for a Change – Margin Debt



Source: Advisor Perspectives.

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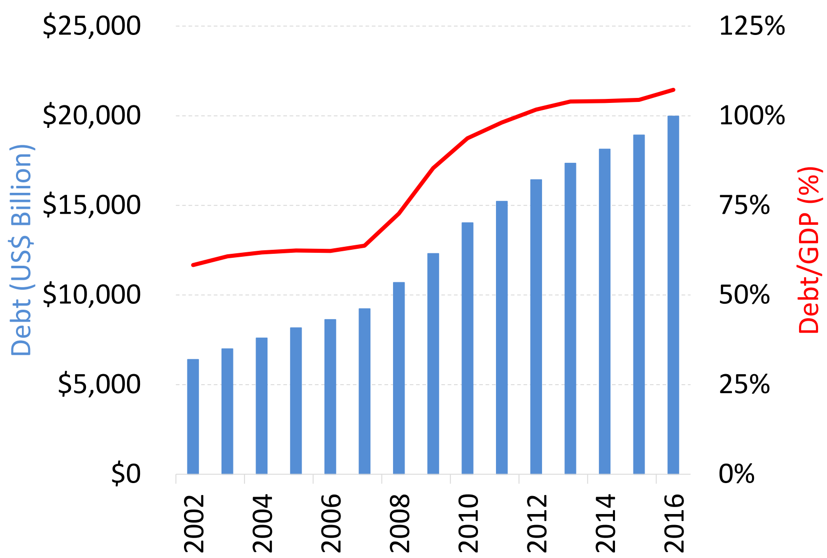
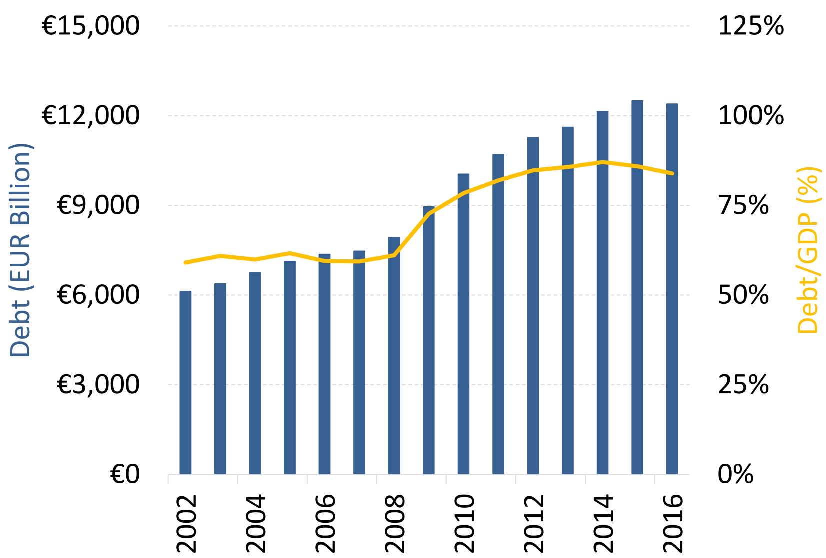
Catalysts for a Change – Sovereign Credit Risk

United States



- A 100 bps increase in interest rates would increase the deficit by ~US$140B or 25% to 3.9% of GDP
  - 50% of the debt matures in <3 years

Europe



- A 100 bps increase in interest rates would increase the deficit by ~EUR90B or 36% to 2.3% of GDP

Source: Bloomberg as of 12/31/16.

Catalysts for a Change – Inflation

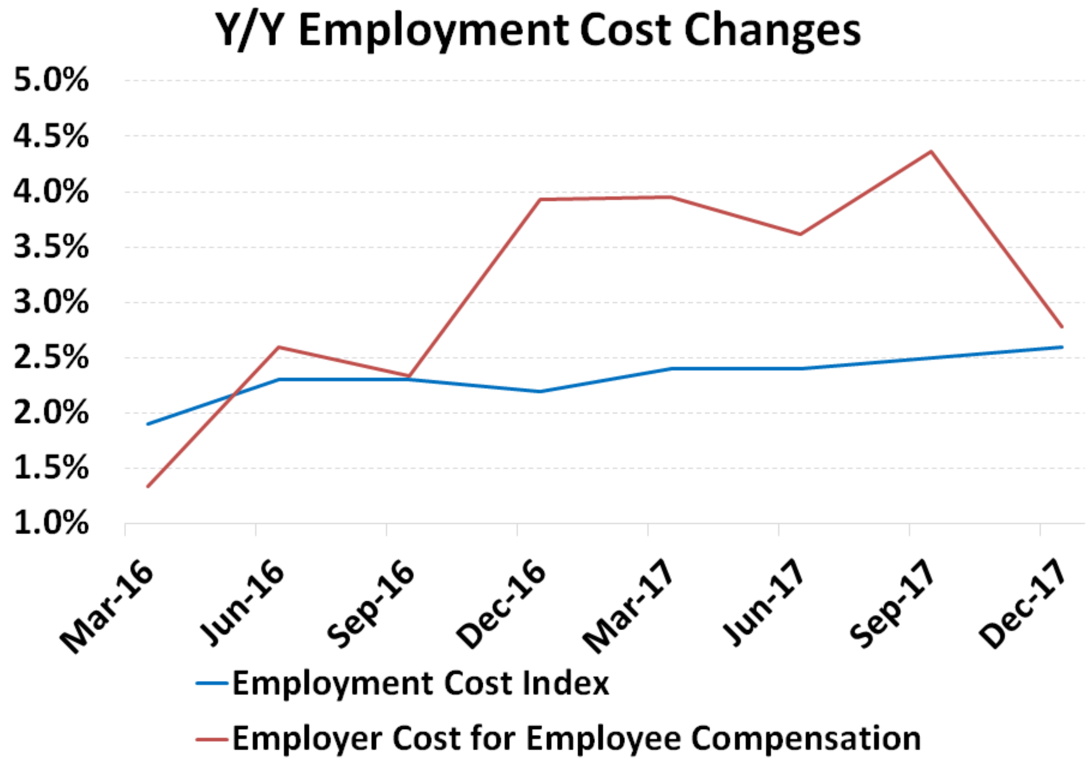
Astounding

Unemployment claims declined to just 215k this week, about where they were 45 years ago. And since then, employment has doubled. This means that there are virtually no layoffs. The unemployment rate is likely to decline to 3.5% over the next year. And AHEs are likely to accelerate above +3.0% y/y.

Source: Evercore ISI.

Catalysts for a Change – Inflation

- "The ECI is indispensable to understanding America's economy."
  -- *Former Federal Reserve Board Chairman Ben Bernanke*

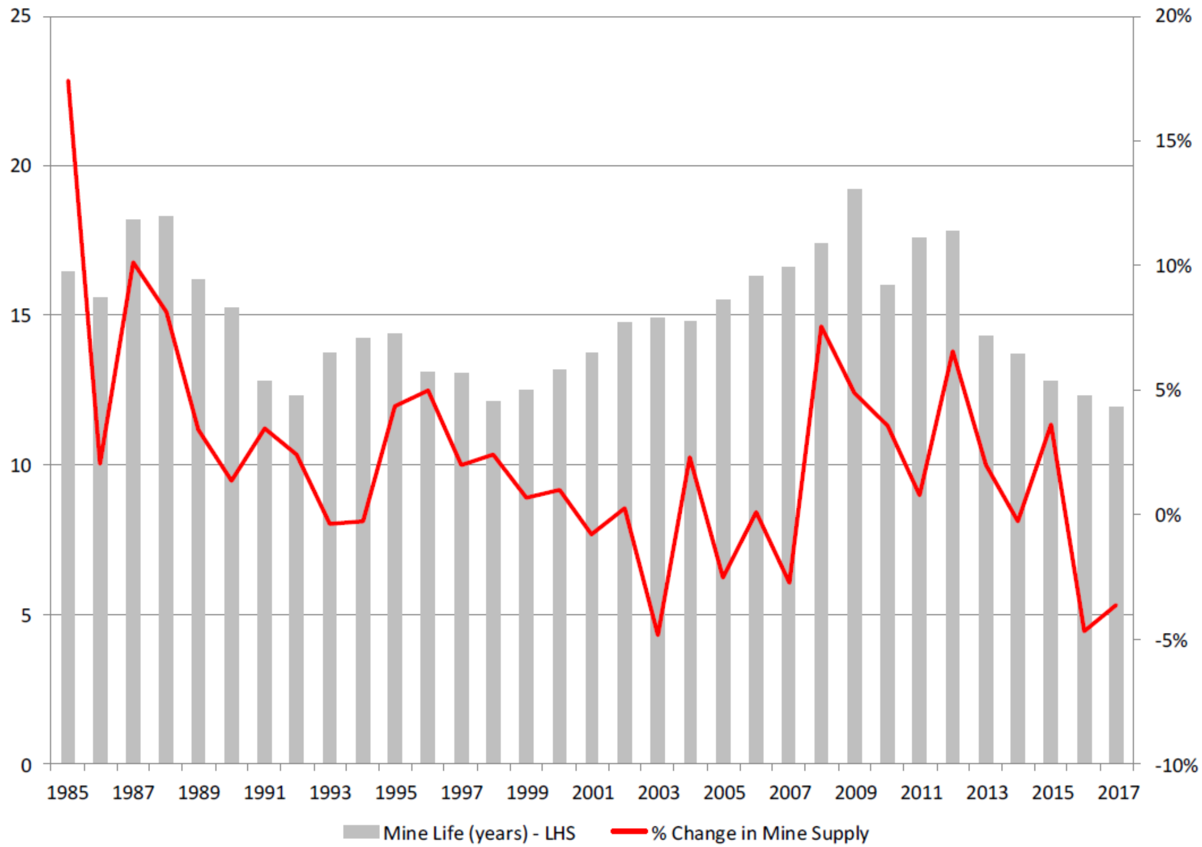


Source: Bureau of Labor Statistics.

Bullish Supply & Demand Fundamentals

- Mine lives in the gold sector are currently at historical lows

Exhibit 40: Historical Average Mine Life versus Change in Supply

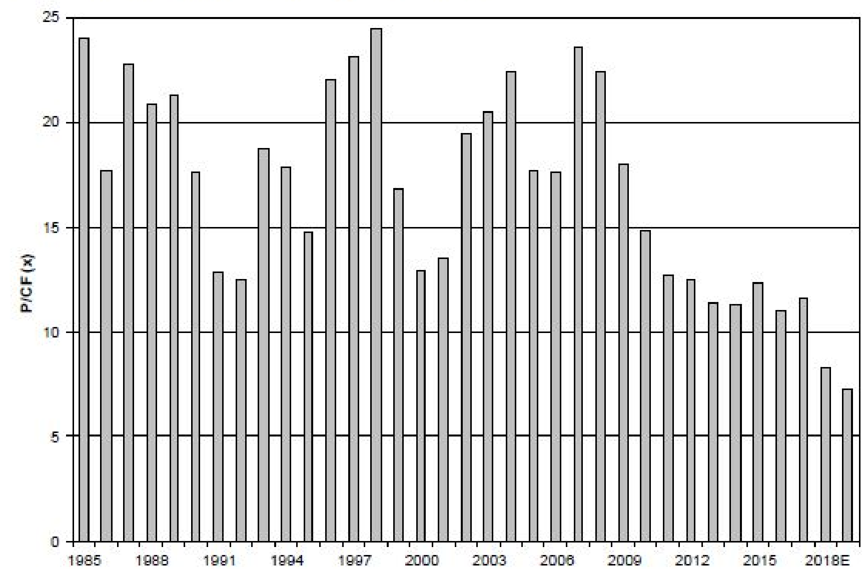


Source: Scotiabank.

Opportunity

- The gold mining industry is emerging from a period of underinvestment
  - Few discoveries have been made in the past several years and many companies are facing production and/or reserve declines; increased M&A is likely
- Gold equities are historically inexpensive and provide diversification from other financial assets

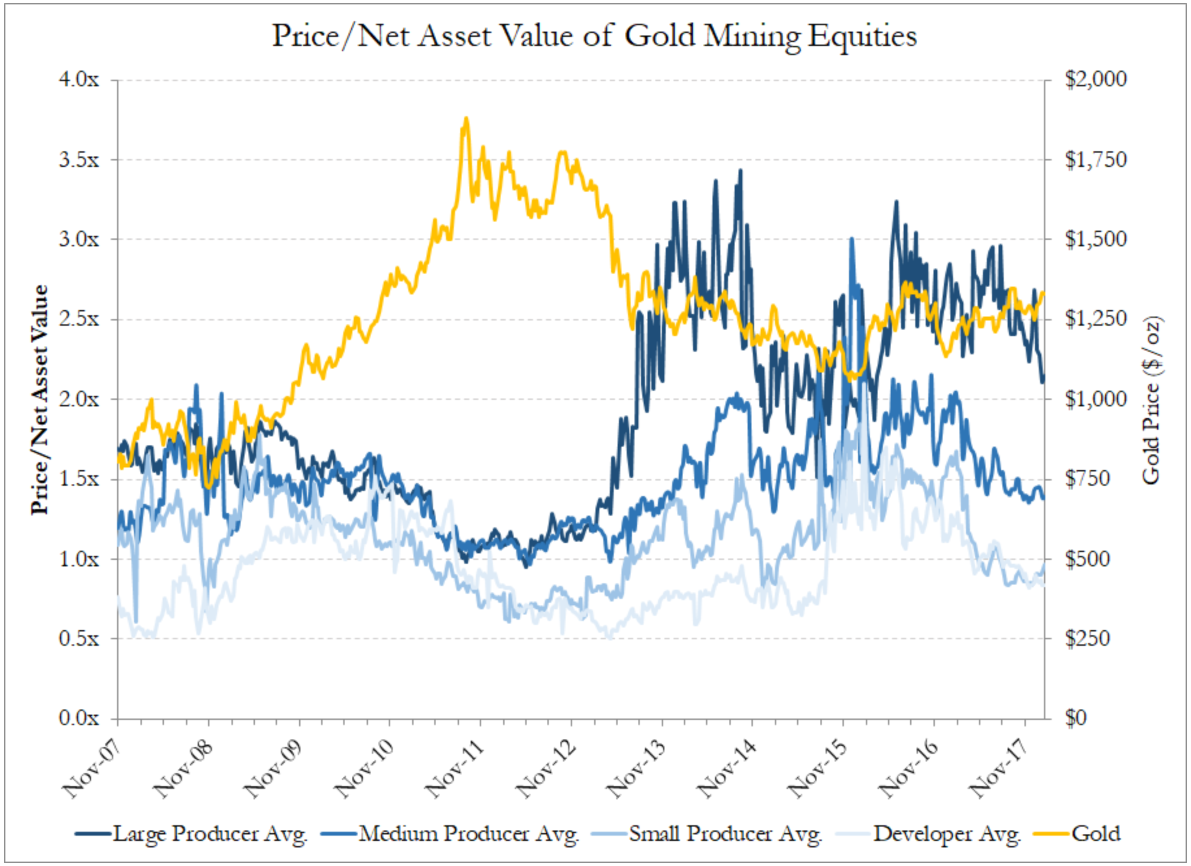
Exhibit 69: Price to Cash Flow – Universe of Coverage Average



Source: Scotiabank as of 12/31/17. Valuations based on gold price assumptions of $1,300/oz in 2018, $1,300/oz in 2019, and $1,300/oz in 2020 and beyond.

Specific Opportunities in Gold Mining Equities

- Small cap equities are trading at much lower levels than large cap equities



Source: BMO Capital Markets.

Detour Gold Corporation (DGC)

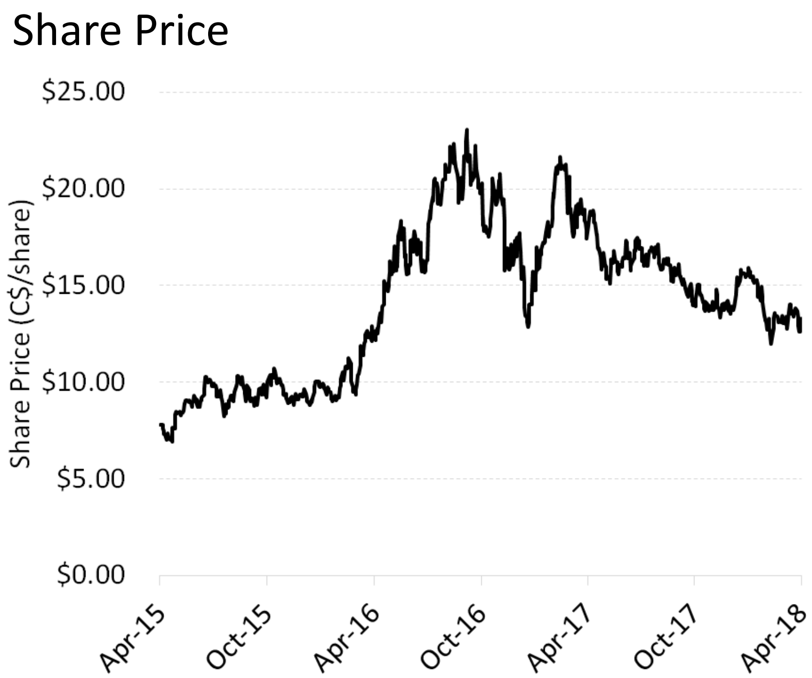
Share Price

Market Cap.	US$1,804M
Enterprise Value	US$1,918M
2018 EV/EBITDA	5.2x

Source: Tocqueville Asset Management, Bloomberg.

- Owns a large and long life gold mine in Canada
- Should generate ~US$5B FCF over its 22 year mine life
- Larger gold producers could pay a 64% premium before the transaction becomes dilutive on EV/EBITDA
- Precedent transactions show potential for a 143% premium based on "total acquisition cost"

MAG Silver Corp. (MAG)



Market Cap.	US$861M
Enterprise Value	US$687M
2021 EV/EBITDA	6.6x

Source: Tocqueville Asset Management, Bloomberg.

- Owns a 44% interest in an advanced high-grade silver project in Mexico
- Production to begin in 2020 and there is significant potential for future expansion
- Precedent transactions show potential for a 35% premium based on "total acquisition cost"

SEMAFO Inc. (SMF)

Share Price

Market Cap.	US$953M
Enterprise Value	US$905M
2019 EV/EBITDA	4.1x

- Owns one operating mine and a development project scheduled for production in 2018
- Strong West African experience and historically a good allocator of capital
- Larger gold producers could pay a 66% premium before the transaction becomes dilutive on EV/EBITDA

Source: Tocqueville Asset Management, Bloomberg.

Summary

- Gold is a big macro idea
- Pariah status undeserved
- Must trade above $1,360-1,370/oz to attract interest
- Multiple catalysts will cause systemic risks to blossom
  - Extreme valuations are the current expression of systemic risk
- Plausible chain reaction between fiscal peril, interest rates, inflation, and falling asset values


WHAT... ME WORRY?

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