


# TDV Weekly Update Summary

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*August 10, 2020*

## TDV's Premium Defensive Investors Long Term Stock Portfolio*

| Company | Symbol | 2020 Open | Last Price | YTD Return | 2019 Return |
|---|---|---|---|---|---|
| **Gold/Silver Majors (40%)** | | | | **45.17%** | **32.69%** |
| Agnico Eagle Mines | AEM | 62.08 | 82.35 | 32.65% | 52.20% |
| IAMGOLD Corp | NYSE:IAG | 3.78 | 4.59 | 21.43% | 1.36% |
| Yamana Gold | AUY | 4.01 | 6.48 | 61.60% | 66.67% |
| Newmont | NEM | 43.55 | 68.91 | 58.23% | 27.23% |
| Cameco | CCJ | 8.9 | 10.37 | 16.52% | 2.06% |
| Pan American Silver | PAAS | 23.96 | 36.7 | 53.17% | 42.48% |
| B2Gold | BTG | 4.05 | 6.99 | 72.59% | 36.86% |
| **Junior Producers (45%)** | | | | **43.09%** | **33.62%** |
| Alacer Gold | ALIAF | 5.35 | 7.15 | 33.64% | 190.71% |
| Argonaut Gold | ARNGF | 1.45 | 2.23 | 53.79% | 31.86% |
| Endeavour Mining | EDVMF | 19.19 | 26.4 | 37.57% | 17.19% |
| McEwen Mining | MUX | 1.31 | 1.4 | 6.87% | -30.60% |
| Fortuna Silver | FSM | 4.12 | 6.66 | 61.65% | 11.17% |
| Endeavour Silver | EXK | 2.44 | 4.1 | 68.03% | -5.86% |
| Premier Gold Mines | TSE:PG | 1.97 | 2.76 | 40.10% | 20.86% |
| **Explorers / Emerging Producers (15%)** | | | | **50.00%** | **11.01%** |
| Sabina Gold & Silver | TSE:SBB | 1.94 | 2.25 | 15.98% | 51.18% |
| Alexco Res Corp | AXU | 2.37 | 2.93 | 23.63% | 34.88% |
| Cascadero Copper | CVE:CCD | 0.02 | 0.04 | 100.00% | -33.33% |
| EMX Royalty | EMX | 1.69 | 2.88 | 70.41% | 43.48% |
| Mexican Gold | CVE:MEX | 0.1 | 0.14 | 40.00% | -41.18% |
| **Total Return** | | | | **44.96%** | **29.86%** |

***Note: This is the flagship portfolio. We have also released three mini-portfolios focused on specific sub-sectors in the resource space; the TDV Select Silver Shares, TDV Uranium Portfolio & TDV Oil Tankers. You will find them listed on the website at https://dollarvigilante.com/portfolios/#tdvportfolio.***

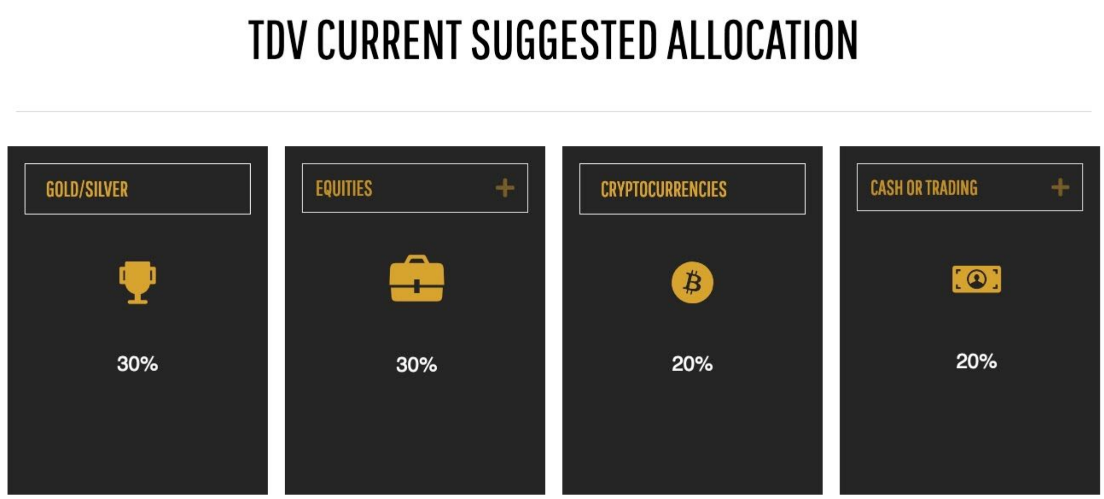
**TDV Weekly Position Updates**

Please note that Premium members get these updates in real time on the dates in the update subtitles in the body below. Each week we copy and paste them into this report. On the first page we've tabulated the equity positions in the TDV Defensive Investors Stock Portfolio, and their returns over the past year and a half. We have designed this portfolio as part of a diversified investment strategy that I've described as somewhat of a variant of Harry Browne's Permanent Portfolio, which is a "buy & hold" strategy, or HODL, as bitcoiners like to say. It is based on diversifying among different financial assets. In his case it was between stocks, gold, fiat cash, and government bonds, and it was meant to be *permanent*, or passive. That is, not requiring managing.

In the case of our strategy, the asset classes are equity, goldsilver, and crypto. Real estate is generally a good way to protect one's wealth from the effects of inflation over the long term in countries where property rights are secure. But it is illiquid, so it is best suited for relatively long term investments as opposed to trading, and the only caveat I would add is that where the risk of political expropriation is high we wouldn't recommend it.

The fourth category is cash. It is usually less than 20% of the allocation representing just enough liquidity to take advantage of unexpected opportunities when they arise, since they often arise when it is not convenient to sell something else. Today it is 20%. I raised it from 15% on February 25th going into the COVAIDS market meltdown because this allocation doubles as a "trading" account for more sophisticated investors who try to maximize their returns by hedging, swing trading, or trading options. And we were increasing our short bets at the time. Concurrently, we decreased the allocation to the TDV stock portfolio (above) from 35% to 30%.

Today our allocation thus looks something like this:




It is very tempting to reduce the gold stock allocation but we've decided to stick with the 30% weighting and risk suffering a correction given the events we see on the horizon. More on that in our regular newsletter.

If the opportunity doesn't vanish, we will issue a trade alert over the next day or so to help you figure out how to hedge (insure) your gold stock positions rather than trying to time or trade them. For those of you just now setting up your portfolio and following our guidance, we are probably in the second or third inning of a nine inning bull market that started with the 2015 bottom. The bull technically only triggered last year, but these stocks are well off their worst levels. Relative to gold, the gold stock index below peaked in 2003 at a ratio of 0.6. Meaning that the value of this index divided by the gold price peaked at 0.6 in 2003 even though the bull market continued until 2011. Guess who predicted that by the way. Yours truly! Toot. Just a memory that I'm fond of still. That ratio sank to 0.10 in 2015. Since then it has ranged between there and 0.20. Basically, what this means is that the gold (and silver) stocks are likely to continue to outperform gold (and silver) prices.


If gold prices are going to $2500 in the next few months, the HUI could easily return to its 2011 peak at 650, so don't fool around too much with trying to outsmart the market here. Sure they can drop 20 or 30 percent, and they might do that, or they might drop 10-15 percent, or they might do either from much higher prices.

If the HUI were to return to its 2003 peak, i.e., at 0.6, and our $3-5k gold price target is achieved in the next couple of years, that would put the HUI at 2-3k, i.e., 7-10 times higher than the current level.

Although the tape is looking a bit bearish this morning with a dead cat bounce in the USD likely, tempting me to take profits the miners, sitting tight right now is actually the emotionally harder trade, and very well might be the smart one. But, if you've been listening to us for years and you're loaded up on gold and silver investments (and the miners), consider taking some off the table -just not below our suggested allocations.

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**Premier Gold Mines - August 10th**

**Premier Gold (PG.TO, MCap $654.93M)** has been on a roll lately. It has lagged its peers over the year but has risen to the top 20 percentile of those performance rankings in the past 3 and 6 months, particularly after the COVID collapse. In its latest effort to maximize shareholder value, management is proposing to spin out its Nevada properties and possibly evaluate additional investment opportunities in the US. This morning it found one to add to its two other gold assets (South Arturo and McCoy) in Nevada: the old Getchell mine, which operated in the eighties and nineties but has been on care and maintenance since 2015. The acquisition is worth about $50 million. On closing, Premier is paying $23 million in cash, 13.8 million common shares, as well as rights, warrants and other contingencies. The deal is subject to a bunch of conditions, and the more so if they proceed with a corporate reorganization and spin out the US assets. That in itself may be a tell.

In a related theme but on a different asset, as you know, one of the factors weighing on Premier's shares has been **Centerra (CG.TO, MCap $5.3B)** dragging its feet on a production decision at the Hardrock mine, now called Greenstone, a mine owned 50/50 in a JV with Centerra (GGM) on which they finished a feasibility study in 2016 that valued the proposed 300kozpa open pit operation at an after tax NPV5 of US$545 million at $1250 gold. Based on sensitivities, assuming a linear relationship, every 10 percent change in gold prices tends to produce a 30-40 percent change in the valuation of the project. At a gold price of around $1450, the NPV5 grows to US$855 million, for example. If we extrapolate that to a $2000 and $2500 gold price, we get an NPV5 after tax valuation of anywhere from $2 to $3 billion. The market is not even thinking at that level.

But in July, Premier announced a major permitting approval for dealing with the waste at the Greenstone (Hardrock) mine. The company was able to fast track the approval, noting that it "*was eligible for the streamlined process as a result of the federal government's assessment of the quality and depth of [it's] regulatory and indigenous engagement throughout the work and level of support from stakeholders*."

That was hugely important because it proved what management was saying about the project all along despite the market giving it such a deep discount, and Centerra's claim that the feasibility was insufficient to enable a financing and construction decision. The permit affirmed the level of work put into the feasibility.

It also affirmed the rabbit that the company pulled out of its hat back in March by arranging a financing to acquire the other half of the project for $205 million in order to force Centerra's hand in moving it ahead. Even though Centerra rejected the offer (April 8th), it was still effective.

The move raised the market's awareness that someone else thought it was worth $400 million, which was practically twice the market capitalization of the entire company at the time. Premier's shares thus embarked on a reversal of their long slide from $2.50 last summer to below $1 in March. They are back up to almost $3 per share now. These are Canadian dollar magnitudes but the $205 million offer was in US dollars.

The current market cap of the company is US$500 million as of Friday's close. The shares imply a project value of $1 billion at Greenstone, assuming we ignore the other assets, which is what we might value that project at with gold prices down at $1600. Effectively, the market isn't giving any value to its other assets.

So management is now playing poker with the market by threatening to spin off its US assets if it doesn't get the value for them that it deserves. It could be real or it could be a bluff and ploy to promote those assets. Either way, from an IR perspective, it is a good move. And if the market doesn't give them the value, it might be a good move to go through with the spin outs. It shows to me though that management is working for shareholders, trying to get them full value. I like this company. But it is going to be a rocky road.

The fight on Greenstone is far from won. There are still several months before the trial date, which could still get postponed further since it is Covid related. Who knows. That risk will continue to overhang the market until it doesn't. And if and when it doesn't, gold could be higher, and their resource statements, when finally updated, are likely to show growth in the resource or even in the reserves of all their mines as well.

Continue to add to these shares. It is probably vain to hope for Centerra to put up much of a fight in putting the Greenstone mine into production given its value under the current gold price and given Premier's case.

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## Oil Tankers - August 6th


The first of the tanker stocks reported earnings today before the market open. **Euronav (EURN, MCap $2.05B)** made $485.2 million in net income in first half 2020 ($2.26 per share) and their Q3 guidance looks good too, with 48% of their VLCC fleet spot booked at $60,250 per day, and 48% of their Suezmax fleet at $36,500 per day. For context, current spot rates are $36.5k for VLCC and $23k for Suezmax. While the share price suffered as the "tanker-as-storage" trade cooled off, the company's earnings did not. At $1.21 per share, Q2 earnings were 15% higher than Q1, which in itself was a record quarter. This was as expected, since management was smart enough to lock in the high rates caused by the oil contango (see original report for more details). Even using a conservative estimate of spot rates, the company should earn $3.6 per share in 2020. The fair value of their assets, based on actual fleet NAV, is $14 per share, again on a conservative basis.

The management is addressing the value disconnect, following the Newmont model and implementing massive share buybacks and paying dividends out of their windfall gains - i.e., $196 million of $259.6 million in Q2 earnings will be spent on buybacks and dividends. The company has committed to paying 80% of its quarterly net income to shareholders. I see no reason this stock cannot double within a few quarters just based on the status quo. The company is paying 47 cents per share in dividends for this quarter.

The stock will go ex-dividend on 18th and the dividend will be paid on the 28th of this month. If you are dividend hunting, keep in mind that your trade must settle by the 18th in order to be eligible for the dividend.

Euronav is a buy at current levels.

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## Gold - August 6th

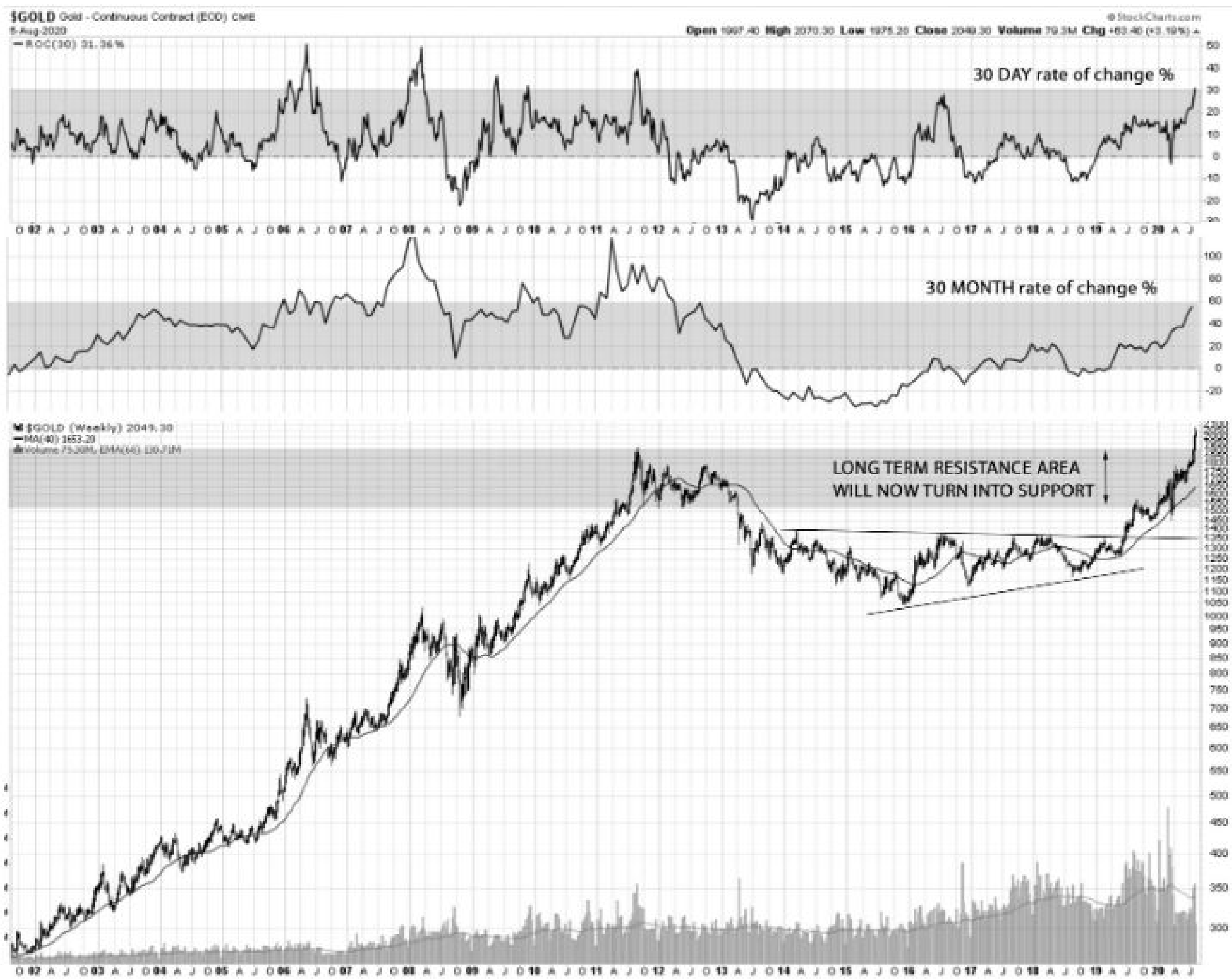
| GOLD/USD | SHORT TERM 0-3 MO | INTERMEDIATE 3-18 MO | PRIMARY 18 MO + |
|---|---|---|---|
| TA TRENDS | BULLISH | BULLISH | BULLISH |
| MY OUTLOOK | NEUTRAL | NEUTRAL-BULLISH | BULLISH |

The precious metals markets are on fire because the forex dollar is in trouble and the folks who usually come to its rescue, have been *conspicuously* absent while the exchange rate keeps falling through key support levels - with the trade weighted dollar now struggling to hold onto the 92.5 level. If it doesn't hold, that would put in a distinct bearish bias in the long term chart, and is going to confirm the long term technical (chart) breakout in gold, silver, and bitcoin. For those not technically inclined, this just means the long term price trends are coming around to our point of view. I'm struggling with gold and silver here because $2050 is the high end of my gold target this year, and $30 is the high end of my silver target. And they are both just about there now; in fact, spot gold printed a $2,056 high today (silver hit a $27.15 high on the OANDA forex trading platform).

While my 3, 5 and 10 year targets for these metals are much higher, and while my valuation (i.e., my shadow gold price indicator) suggests that gold's fair value lies at around $2500 today, this leg is getting a little overbought given the stage of the cycle we are in at the moment. Note in the chart below how we've exceeded the 2016 peak 30 day rate of change. We haven't arrived at the overbought levels of 2006, 2008, or 2011 yet, but we are at levels where a normal 10-20 percent correction could be expected now. That's not to say it won't keep going, but it is unlikely to, given the stage of the bull and how far ahead the gold price is of a break down in the forex dollar, but also, in the Treasury market, which for most people will be counterintuitive, but which is why it will happen. We are in the blow off stage coming out of the first couple innings. It is going to be a long game though. So prepare for the volatility. At this point the measurable risk in my model is that gold could fall by anywhere from $200-400. That's not me saying it will. I'm saying that's would be a normal correction at this point. If we went straight up to $3k that magnitude would grow, and so would the likelihood of the correction. Note that during the last cycle (2001-11), the higher the ROC went on the upswing, the bigger the corrections. That's all I'm saying here.

The tape and valuation is still in our corner so I'm a buyer on any corrections and would advise others to be as well. But if you are just coming in now, you may want to be modest in your accumulation strategy at this level, and wait out some corrections, like the one we saw on the covid outbreak in March. That would do. As a rule, you want to buy any correction in gold and silver where the gold price is down 10% from its highs. The only time this changes is near the end of a long bull market. But I anticipate that we are nowhere near that point. This is the beginning. But don't be discouraged if in a year's time the price is still here at this level. I don't know where it will be. My forecast, which is speculative, is for a potential $3k high next year, but for an average of $2250 in the full year.

But that doesn't mean we can't still fall back to $1700 in the next week or month or two first. It could also go sideways in a $400 to $500 trading range most of the  year. The main thing is that this momentum phase traditionally doesn't last. My hesitation in screaming sell is just that we are really approaching the end game for the dollar, and the bigger risk is being out of the precious metals and in the banking system today.




## Agnico Eagle Mines - August 4th

Last week, **Agnico Eagle Mines (AEM, MCap $20.02B, 241.6M SO)** reported that it made US$105.3 million (43 cents per share) in earnings during the second quarter (ending June 2020) and $162.65 million in operating GAAP cash flow on revenues of $557.2 million. That compared to a $22 million loss in the first quarter and a slim $27.8 million net profit in the second quarter a year ago on revenues of $526.6 million. The net figure includes a $62 million (unrealized gain) it made on commodity and currency derivatives in the quarter. It was also impacted by $24.4 million in covid costs. Management anticipates a $1 million per month increase in expenses as a result of ongoing covid compliance costs, but no material impact on general productivity otherwise.

The company's response to the scamdemic resulted in a decline in year over year gold production. They sold 315,014 ounces in the quarter (at an AISC of $1142/oz) compared to 401,770 in the same quarter last year.

The bottom line is a bit anomalous at face value but suffice it to say that operating cash flows have continued to grow. But the company is optimistic about the year, guiding investors at an expected 1.68 to 1.73 million ounces of gold sold at all in sustaining costs of no more than $1,075, with that ramping up to expected 2021 and 2022 production magnitudes of 2.05 and 2.1 million gold ounces, respectively. In terms of operating cash flow the company has generated US$933 million ($3.92 per share) over the trailing 12 months, and we are forecasting that to come in at $1.2 billion ($5.09 per share) in 2020, and somewhere between $1.5 ($6.30 per share) and $2.0 billion ($8.40 per share) in 2021. Management forecast about $690 million in capex in 2020 to support its growth program but on an operating basis we are paying a 16x multiple on this year's cash flow, and roughly a 10x cash flow multiple on its expected 2021 (forward) cash flow, although my assumption on gold prices for forecasting miners' profits tends to be a lot more conservative than the ones I will make in a macro price trend analysis. I could see gold going to $3k by the end of 2021 or 2022 but for the forecasts here on Agnico Eagle I used an average gold price assumption of $1750 for this year and just $2000 for next year.

The company carries Proven and Probable inventory of over 21 million ounces and a global inventory of close to 60 million ounces of gold (plus some silver and copper but mainly gold) and has been adding ounces at some of its mines, successfully extending mine life and keeping costs fairly reasonably contained so far.

I have been recommending Agnico Eagle as a core holding since it was a $5 stock 20 years ago, but am not close to management. I have followed them from a distance. But I know their assets better than most analysts. This will be a $200 stock when this cycle is said and done. I don't recommend trading it. It is a buy and hold position. But I would not discourage you from taking some very minor profit just to buy a pullback.

It has quadrupled since the 2015 bottom and this year has traded in a very wide range from $30 up to this level. In the first six months of this year it fell from $60 to $30 and rose back up to over US$80 per share.

If you are just now looking to get in, you don't not want to own this one, but you do want to wait for a dip.

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**Bitcoin - August 2nd**

| BTC/USD | SHORT TERM 0-3 MO | INTERMEDIATE 3-18 MO | PRIMARY 18 MO + |
|---|---|---|---|
| TA TRENDS | BULLISH | BULLISH | BULLISH |
| MY OUTLOOK | BULLISH | BULLISH | BULLISH |

A few important developments for legacy bitcoin BTC since my last update (July 23rd below). The obvious is that the trends have all turned bullish. My outlook is the same, with one caveat, that a liquidity crunch arising in financial markets could still kick this thing in the gut. But outside of that all signs are bullish, and really, my


20% allocation factors that in. If you are worried about it then chances are you have more than 20% of your wealth in cryptocurrencies, which is fine if you can stomach the risk, but you have to avoid leverage.

The short term trend turned increasingly bullish soon after the breakout from the triangle in the hourly chart that I pointed out in the last update. The intermediate and long term trends turned bullish when the bulls pushed through the upper bound of a 3 year triangle a few days ago (for a more up to date chart scroll up above the update), which coincided with a horizontal neckline at $10.5k that had stopped the bulls on 3 previous occasions over the past year. Importantly, the break outs occurred on volume and from the triangle, a classic pattern in bitcoin charts. It's traditionally a neutral pattern. But usually a break from it is dependable on the upside if the move comes with any volume.

Another thing that lends confidence is that US dollar gold prices broke out the same day and on Friday these markets all closed at their highs with the US dollar index (DXY) closing on its proverbial ass, technically speaking. Note that the short and intermediate trends for the dollar turned down last week. This has been fueling the gold, silver and bitcoin market rallies, although the latter is increasingly getting a lift from other more fundamental (and less macro) related drivers, like the adoption by credit card companies and the new wave of interest from top influencers. Nevertheless, the failing greenback is behind much of the current legs in those assets. Alas, my concern is it bounces. I'm bearish, but a bounce could still happen. It hasn't so far, and in fact, as I pointed out in a recent update, the absence of any sign of defense from the usual suspects in the PPT or on Wall Street is itself a potential sell signal, as was Goldman's focus on it last week during the Fed's meeting. That answered my question, that they don't care now. But I'm not totally convinced. I'm on guard. But I am not worried about a big defense of the dollar. I'm only worried that a small bounce might take a lot of us off guard. In some models it can be considered oversold in the short term. If it fails 92 and 88 then the lid will come off bitcoin, gold and silver, if it hasn't already. If the break outs were real in those three assets then the break down in the USD is inevitable and bitcoin is on its way higher with the next stop at 12.5k, and gold ready to tap the high end of my 2020 forecast at $2050. And that's where the markets left off on Friday. As Mr. X wrote in the Crypto Vigilante update a few hours ago, "*Over the weekend, Bitcoin (BTC) prices encountered some choppy volatility once again, as some margin traders on BitMEX were liquidated to the tune of $1 billion, and price quickly dropped from $12,100 down to $10,559 in less than an hour.*"

That is, the market started breaking higher first, and then it ran into a cap. Something caused a billion dollars worth of liquidations to occur on the Bitmex exchange. The market has since returned to the $11.1k area that it broke away from, as if it was put back in place. In my opinion it was capped by arbitrage programs linked to the precious metals trade, which is light on the weekends. But of course one always wonders if it was capped by other more nefarious forces. Or if the shorts wanted to get in ahead of a dollar bounce. So we leave off with this message. The technicals look good. The market looks poised to go higher. But sentiment is bullish so it is vulnerable to an unexpected bounce in the dollar if it were to happen this week. But even if it happens it could happen from lower levels, i.e., or from our perspective on gold, silver and bitcoin, from higher levels.

This may still just be a time to sit tight and wait for the market to give us a better tell. If the break outs on gold and bitcoin are real and not premature then this US dollar is about to fall apart faster than a bad lie.


Good trading!

*Ed & Kashyap*

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