



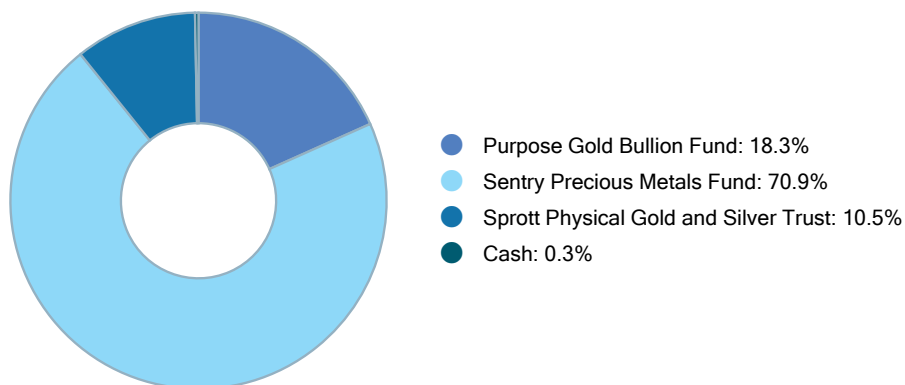
**OBJECTIVE**

The Nicola Precious Metals Fund's objective is to provide clients of Nicola Wealth with long-term capital appreciation through mutual funds, common shares, ETFs, and closed-end funds specializing in precious metals or the production of precious metals, as well as funds representing investments in gold or silver.

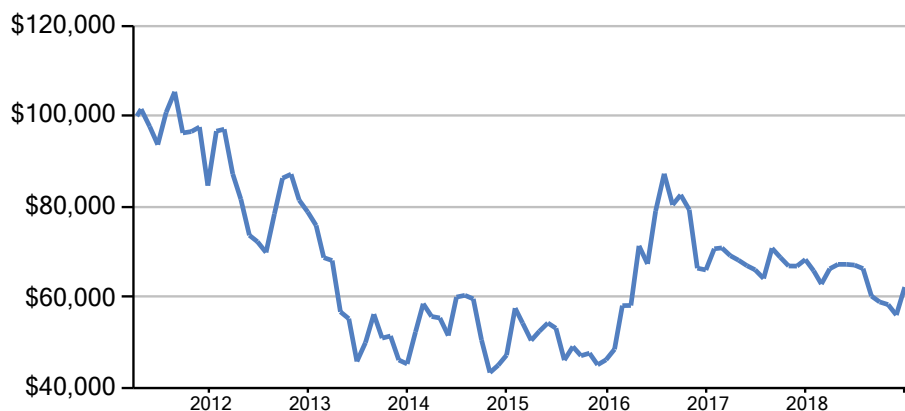
**STRATEGY**

The fund's strategy involves the ability to buy gold bullion as well as invest in equities with precious metals exposure. The fund primarily allocates its capital to a third party precious metals manager focused on smaller mining companies.

**Asset Mix as of December 31, 2018**



**\$100,000 Invested Since Inception**



**Stated in Canadian dollars**

**Key Statistics**

Inception Date	April, 2011
Net Asset Value	\$58.8 Million
NAV Per Unit (Class O)	\$6.23
Number of Assets	3
Trailing 12 Month Distribution	0%

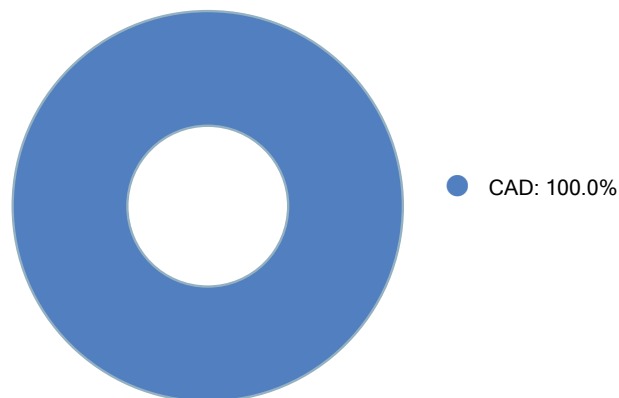
**Calendar Year Returns**

2018	-8.9%
2017	3.5%
2016	42.9%
2015	-2.2%
2014	4.3%

**Returns for the period ending December 31, 2018**

Year-to-Date	-8.9%
1 Year	-8.9%
3 Year	10.4%
5 Year	6.6%
10 Year	N/A
Since Inception	-6.0%

### Currency Exposure



### Commentary

Gold was under pressure for most of the year. One of the main reasons we favour gold is the fact that real interest rate levels are currently very low (or negative). As long as real interest rates are low, we feel that investors are not getting compensated for holding cash and therefore, gold is the better way to preserve capital. In the earlier part of 2018, gold prices were hurt by interest rates rising in the absence of inflation. In other words, real interest rates were rising which was a major headwind for gold. Gold is also seen as a safe haven asset. With consumer confidence at multi-year highs, U.S. dollar strength, and gold price volatility near historic lows, it seems like investors were reluctant to appreciate growing China-U.S. trade friction and were dismissing the potential for macroeconomic shocks. Gold peaked in 2018 at \$1354/oz in April but ended September at \$1190/oz.

Q4 2018 was more favourable to gold. While oil and base metals suffered, gold prices were +7.6% higher. Heightened market volatility owing to the U.S./China trade war, fears of a hard Brexit, and comments from Fed Chair Powell that struck a decidedly dovish tone, has caused sentiment to gradually shift more positively for gold. An escalation in the U.S./China trade war or a disruption from a hard Brexit are two potential events that could benefit gold prices. Similarly, a deterioration in the U.S. economy would also be supportive. Fund performance lagged for the quarter but with further sustained higher gold prices, we would expect better performance from the small and mid-cap gold producer names, thus pushing up stock prices. Given seemingly growing macro headwinds and the continued low real interest rate environment, we think having an exposure to gold is prudent.

For more information on this fund's monthly performance, click [here](#).

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Past performance is not indicative of future results. All investments contain risk and may gain or lose value. The YTD and 1 year return is a historical simple return. The 3, 5, 10 year and since inception returns are annualized compounded total returns. All returns are net of fund-level fees and expenses, including management fees and performance fees (if applicable). Please refer to the disclosure documents for important disclosure information including terms of redemption and limited liquidity. Nicola Wealth is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required provincial securities' commissions. Please speak with a Nicola Wealth advisor to discuss if this investment is right for you. Effective Jan. 1, 2019, the fund changed its name from the NWM Precious Metals Fund.