

# Pathfinder Investment Outlook

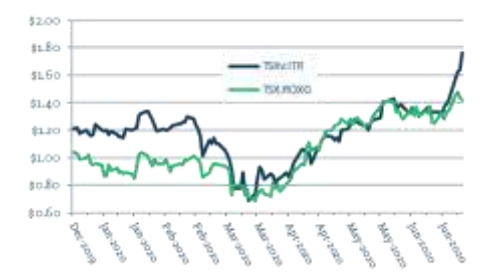
For the week ending June 26<sup>th</sup>, 2020

## Pathfinder Resource Fund – Gold Equities

This week, we continue our focus on companies in our mandates that we believe offer an edge in the current macro environment. Since the end of February, we have been writing about “macro”. Macro refers to broad themes, theses or data points that describe something in aggregate. For example, this week, European countries released Purchasing Manager Indices that point to potential economic recovery overseas, while the US released COVID infection statistics that have caused concern about economic recovery down south. Macro is stubbornly difficult to predict on a consistent basis; however, focusing on a specific micro situation (i.e. a company that we can invest in) can provide an opportunity for us to get an “edge”. The edge comes from better information than the market or an investment thesis that other investors do not value in the same way. In some cases, macro events can create value in the product that a company produces, which can impact our micro thesis. For example, the unprecedented stimulus measures put in place by governments to combat the economic downturn caused by COVID-19 has dramatically improved the investment outlook for gold. Despite this positive fundamental backdrop, gold stocks plummeted along with the market in March. In this case, this was our edge.

- **Integra Resources’ (TSX:ITR)** DeLamar project is a development stage gold project in Idaho that has shown very **robust economics** at much lower gold prices than current levels. Underpinned by a serially successful **management team** and an attractive deposit, ITR has **outperformed** its peers under the current gold environment.
- Similarly, **Roxgold Inc (TSX:ROXG)**, a West African gold producer offers **low operating costs** and expanding margins leveraged to an increasing gold price. ROXG is also advancing a second project that will **grow** the overall **production** and further increase the attractiveness of the Company.

Figure 1: Integra Resources and Roxgold June 26, 2020



Source: Bloomberg Markets LP, Pathfinder Asset Management Limited

“**This means that**” an active investment approach has allowed us to take advantage of dislocations in the market that don’t match up with our assessments. Even as our intrinsic value estimate for these companies rose on the backdrop of improved gold fundamentals, their stock prices declined, presenting an excellent buying opportunity for an active manager with a view on the valuation of each individual investment. We took the opportunity to add to ITR and initiate a new core position in ROXG after stock prices declined below our estimate of intrinsic value per share.

Please review our Resource Fund fact sheet [here](#). While the fund is relatively new, we are proud of how we have managed it through the recent market volatility and have had good results.

Michael Rudd, CFA | President, CEO & Portfolio Manager

Gary Sidhu, MBA | Analyst



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Sources: Bloomberg, Pathfinder Asset Management Limited

**Disclosure**

National Instrument 31-103 requires registered firms to disclose information that a reasonable investor would expect to know, including any material conflicts with the firm or its representatives. Doug Johnson and/or Pathfinder Asset Management Limited are an insider of companies periodically mentioned in this report. Please visit [www.paml.ca](http://www.paml.ca) for full disclosures.

\*All returns are time weighted and net of investment management fees. Returns from the Pathfinder Partners' Fund and Pathfinder Real Fund are presented based on the masters series of each fund. The Pathfinder North American Equity Portfolio and The Pathfinder North American Income Portfolio are live accounts. These are actual accounts owned by the Pathfinder Chairman (Equity) and client (High Income) which contain no legacy positions, cash flows or other Pathfinder investment mandates or products. Monthly inception dates for each fund and portfolio are as follows: Pathfinder North American Equity Portfolio (January 2011), Pathfinder North American High-Income Portfolio (October 2012) Pathfinder Partners' Fund (April 2011), Pathfinder Real Fund (April, 2013), and Pathfinder International Fund (November 2014).

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