

## Beyond surprising selloff, gold's prospects shine

Ignore short term changes, says Dynamic Precious Metals fund portfolio manager Robert Cohen

By Adam Mayers

As government spending balloons and near-zero interest rates create inflationary bubbles for assets like real estate, investors looking to gold for safety have not been rewarded.

With the first quarter of 2021 in the history books, gold which shines in times of uncertainty, is down 8.5 per cent year-to-date, as measured by the [TSX Global Gold Index](#). Few would have expected that.



Dynamic portfolio manager Robert Cohen says gold has a place in your portfolio as a long term anchor.

There are plenty of pundits speculating on where gold will go next. But Robert Cohen, vice president and portfolio manager at 1832 Asset Management LP in Toronto, says a better question is how much gold do you want as a long-term portfolio anchor?

“We're going through a period of massive monetary easing to get through the pandemic,” says Mr. Cohen who manages the [Dynamic Precious Metals Fund](#). “Investors are nervous, so they’re buying anything to protect their purchasing power - real estate, sports collectibles, art. You name it, everything except gold.

“Why? I don’t know. But if you look at gold's ability to maintain purchasing power through time, it's always alive and well.”

Mr. Cohen has a 20-plus year history managing precious metal and resource funds and has managed the Dynamic Precious Metals Fund for 11½ years. He studied mining process engineering at the University of British Columbia and worked in Latin America and Australia before making the switch to the investment side. His flagship precious metals fund won the best for 3 and 5-year performance in the Lipper Fund Awards’ Precious Metals Equity category in 2020. The [Scotia Resource Fund](#), which he co-manages with Jennifer Stevenson, won 3, 5 and 10-year categories in the Natural Resources Equity category.

In an interview with Globe Advisor, Mr. Cohen talked about his investing philosophy, some favourite companies and why investors should take a longer term view with gold.

### **Q: Why has gold been a surprising underperformer this year?**

**A:** I can tell you a few of us are scratching our heads. People may be seeing an end to the pandemic and thinking the world is going to move on to stronger and stronger highs. So, there will be a need to raise rates. But I'm not sure if we are through the pandemic.

### **What’s the difference in your investment philosophy?**

When you're buying our [precious metal] fund, you're not buying mainstream names. We have four or five stocks that might overlap with the TSX global gold index, but otherwise we're buying things that are

a little smaller market cap or in the development phase, but where we see a number of catalysts. Over 40 per cent is invested in Australia.

### **What's your inflation view?**

It doesn't matter at the end of the day whether inflation is generated from the economy running at full steam or the devaluation of paper money.

People are bidding up real estate and buying things like Bitcoin because they are worried about the purchasing power of money. They're trying to figure out ways to protect themselves.

### **You see gold as a hedge against that fear?**

Yes. People jump in and chase performance and they invariably mistime it. So, I own it at all times.

### **How big a weighting is reasonable?**

For the average investor between 5 to 15 per cent. Less than 5 per cent and you're not going to get much diversification.

### **What are some of your favorite stocks?**

K92 Mining Inc. (TSX: [KNT](#)) in Papua, New Guinea is in its early stages. We see production going from about 125,000 ounces a year to 350,000 ounces a year over the next five years. Only 25 per cent of the target area has been drilled, so you've got high grade ore and long life. It's one of those names that is probably off the radar and the type of thing we like to tag on to.

Great Bear Resources Inc. (TSX: [GBR](#)) looks like one of the best discoveries in recent years in this part of the world. It's driving distance from Red Lake, Ont., which made Gold Corp. famous with its Red Lake mine. It's going to be an open pit mine and an underground mine. Again, not a household name, but we are the cornerstone investor there.

### **Precious metal funds are a hard sell.**

A horrible sell. Gold has a stigma of being volatile. But let me ask you, what is the long term annual volatility of gold prices? It's around 16 per cent. What's the long term volatility of oil prices? It's double that, but investors look at oil as less volatile than gold.

### **Why do you think that is?**

Well, you see a \$10 move in the price of gold and people think well gold's up or down a lot. But \$10 divided by \$1,700 [an ounce] is miniscule. But when you talk about oil, people aren't fazed by a \$5 move on \$60 a barrel. That's a lot bigger percentage.

### **So what do you say to potential investors?**

The volatility is higher than things you find elsewhere, but don't panic. [Turn to] somebody like me who lives, eats and breathes it all day. That lets you relax. I'll do the worrying for you.

Thank you.

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