

Update on Sandstorm Gold

This article by Jim Roumell is excerpted from a letter of [Roumell Asset Management](#).

Sandstorm (SAND) reported a solid quarter of execution. The company continues to build a portfolio of high-quality royalties and commodity streams with strong counter parties. The company now has 70% of its revenues coming from mid-tier and large miners.

As we have articulated many times, we purchase SAND when it goes on sale on a free cash flow basis, buying when the yield exceeds 10% and selling when the price yields something closer to 6%. Our investment in SAND is never predicated on estimating future gold prices. Rather, it rests wholly on “what is” today in terms of free cash flow and what we’re paying for that free cash flow.

In what was our third outing in SAND, we successfully sold our shares at a yield approximating a 7% free cash yield (after backing out value we ascribe to non-income producing assets). Our caution lies in the company’s significant investment in Turkey, that country’s growing unrest, and possible “Cold War” with the United States. Long-time observers of Turkey are describing a political situation that gives us pause, particularly with the absence of a large margin of safety given SAND’s dramatic share price appreciation over the past few months. RAM exited all of its SAND shares. We will continue to monitor the company and the risk/reward relationship as it exists at particular price points.