



Why Sprott Resource Shares Got Crushed

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of natural resource private equity firm **Sprott Resource** (TSX: SCP) plummeted 18% today after its quarterly results disappointed Bay Street.

So what: The stock has slumped in 2013 on depressed precious metals prices, and today's Q2 results — net loss of \$43.4 million with a fair value decrease of \$27.3 million in its physical gold bullion holdings — suggest that the headwinds aren't letting up anytime soon. In fact, the Board of Directors elected to cancel its dividend policy and cease paying monthly dividends in order to preserve capital, forcing its dividend-oriented investors to head for the exits.

Now what: Expect the stock to remain pressured in the short run. "We are bullish on gold over the long term, but recognize that if the resource markets continue to decline in the short term, SRC may elect to sell the gold bullion as a source of liquidity," [said](#) CEO Kevin Bambrough. "SRC remains committed to the practice of enhancing shareholder value when management believes that the market price does not reflect the underlying asset value of the business." So while conservative income seekers will likely keep their distance from Sprott for quite a while, resource-savvy contrarians might want to look into today's plunge as a possible buy-in opportunity.

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Fool contributor Brian Pacampara does not own shares in any of the companies mentioned at this time. The Motley Fool does not own shares in any of the companies mentioned at this time.

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