

All eyes were on the French election for the month of April, and specifically on the first round of the French elections. Following the first round of French elections, which saw the heavily favored Macron square off against Marine Le Pen, the market breathed a sigh of relief. The wave of populism which has been sweeping large parts of the Western world appeared to have abated. The outcome of the first round of French elections resulted in what can be characterized as a minor risk-on shift in the markets. Silver came under selling pressure, while yields moved higher. For the month of April silver lost 5.75%, closing at \$17.22. The MSCI ACWI Select Silver Miners IMI (CAD) Index declined 0.8% and the Sprott Silver Equities Class lost 2.2%.

Silver, being more sensitive to economic and political news, underperformed gold in the month and the gold to silver ratio climbed to 74:1 from 68:1. We expect this to reverse going forward as it is deeply oversold and the fundamentals are positive. Silver ETFs have reversed a redemption trend and have been seeing inflows since the end of April. GFMS Thomson Reuters released their 2017 World Silver Survey and it showed that in 2016, mine production declined for the first time in 14 years and scrap supply remained at multi-year lows. Importantly, the silver market registered a deficit of 147.5 million ounces, the largest in 3 years. Therefore, we are not put off by temporary weakness in silver prices stemming from trading in the paper market. We know that the market fundamentals are strong and will benefit from any uptick in investment demand.

The Fund underperformed its Index as it had exposure to some junior companies that are held in the GDXJ ETF. The GDXJ was originally designed to invest in junior gold companies, which were previously defined as those which fell in the bottom 20% of the gold/silver universe as measured by their market capitalization. The GDXJ grew too big for its investable universe and as result changed its methodology in April and expanded to include all precious metals companies in the bottom 40% of the universe. Once these changes come into effect, the GDXJ ETF will become a mid-cap focused ETF. Investors did not react positively to these changes as the ETF was hit with wave upon wave of redemptions. The resulting outflows played havoc on their holdings as a result of liquidity and a volatile tape.

The top contributors to the Fund were Coeur Mining, Hecla Mining and First Majestic Silver. All three names are expected to be added to GDXJ in the June rebalancing.

The top detractors from the Fund were Silvercrest Metals, Continental Gold and Fortuna Silver Mines. Silvercrest drifted with the silver prices on no news and as investors took profits after a stellar 2016 performance. Continental and Fortuna suffered from expectations that GDXJ would reduce their holdings.

Looking ahead, we are beginning to see signs of concerns on the economic horizon. The ISM Manufacturing Index has put in a decisive peak and is heading lower. Credit growth in China is slowing. Developed markets remain growth challenged while wage inflation continues to trend higher. These are the type of conditions which tend to be beneficial for gold and silver. With interest remaining strong in bullion and equities temporarily on sale, our outlook for silver, heading into summer is very positive.

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Sprott Silver Equities Class

# SPROTT SILVER EQUITIES CLASS

April 2017 Commentary

## COMPOUNDED RETURNS (%)<sup>1</sup>

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	ANNUALIZED INCEPTION (01/03/12)
FUND	-2.2	1.9	-10.2	-14.5	3.7	7.4	-3.0	-7.5
MSCI ACWI SELECT SILVER MINERS IMI (CAD)	-0.8	7.9	-5.9	-10.5	6.5	7.7	-5.0	-8.4



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<sup>1</sup> All returns and fund details are a) based on Series A shares; b) net of fees; c) annualized if period is greater than one year; d) as at April 28, 2017; e) 2012 annual returns are from 02/28/12 to 12/31/12. The index is 100% MSCI ACWI Select Silver Miners IMI (CAD) Index and is computed by Sprott Asset Management LP based on publicly available index information.

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