SPROTT
ASSET MANAGEMENT

SPROTT SILVER EQUITIES CLASS

February 2017 Commentary

February began well for silver stocks as January's momentum continued to benefit the equities. However, a combination of strong economic data and hawkish messaging from the Fed weighed on silver and gold equities in the latter half of the month. One of the most noteworthy events for the month occurred on February 27 as the odds for a March rate hike rose from a rather benign 35% to 80% in a single day. This sudden move caught yields off guard, causing them to move rapidly higher and as a result silver equities sold off heavily. Despite this sudden move, silver bullion closed the month at $18.31, up 7% for the month. The MSCI Silver Select Miners (CAD) Index fell -3.74% for the month of February and the Sprott Silver Equities Class fell -3.46%.

The short and medium term outlook for silver remains somewhat cloudy as a result of the uncertainty that remains in the U.S., both from a monetary and a fiscal perspective. As of the end of February, the market is anticipating three hikes from the Fed this year, however, this has the potential to change rather quickly depending on the language the Fed uses. It is becoming increasingly likely that the tax reform that the broader markets have been anticipating will be a 2018 event rather than a 2017 event. The longer term outlook remains good for silver as increased spending, increasing government debt and increasing inflation all point towards a continuation of negative real yields, which have benefited silver and silver equities.

In terms of fund positioning, the Fund began the year with minimal cash and as the rally progressed, we took profits. Subsequent to month end, we began to deploy the cash in order to take advantage of the correction.

The top contributors to the Fund were Torex Gold Resources, Silvercrest Metals and Silvercorp Metals. Torex reported impressive exploration results from a new zone at their flagship El Limon mine. This mineralization can provide high grade ore feed in the future. Silvercrest also reported high grade sampling results from its flagship project in Mexico. Silvercorp reported strong financial results with low operating costs and ended the year with a strong cash position.

The top detractors from the Fund were Coeur Mining, Silver Wheaton and Compania De Minas Buenaventura. Coeur reacted negatively to Q4 financial results missing expectations due to timing of sales and higher than expected all-in sustaining cost guidance for 2017. Silver Wheaton was affected by Primero's announcement that activities at its Mexican mine were halted due to an employee strike. The mine represents a significant portion of Silver Wheaton's net asset value. Buenaventura revised down its 2017 production guidance.

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Sprott Silver Equities Class

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COMPOUNDED RETURNS (%)[1]

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	ANNUALIZED INCEPTION (01/03/12)
FUND	-3.5	9.5	7.2	-13.5	75.0	6.7	-6.2	-6.4
MSCI ACWI SELECT SILVER MINERS IMI (CAD)	-3.7	10.4	7.7	-10.7	62.4	4.2	-7.6	-8.3

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[1] 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 February 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.*

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: capital gains risk; class risk; commodity risk; concentration risk; currency risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; liquidity risk; market risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; substantial shareholder risk; tax risk; uninsured losses risk.

Sprott Asset Management LP is the investment manager to the Sprott Funds (collectively, the "Funds"). Commissions, trailing commissions, management fees, other charges and expenses all may be associated with mutual fund investments. Please read the prospectus carefully before investing. The indicated rate of return for series A shares of the Fund for the period ended February 28, 2017 is based on the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Fund may be lawfully sold in their jurisdiction.

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