SPROTT GOLD & PRECIOUS MINERALS FUND

June 2017 Commentary

The trends we saw in June can be characterized as a continuation of what has been transpiring year-to-date. Real yields continued to climb higher, the U.S. dollar continued to lose ground against major currencies and volatility in broad equity markets remained muted. Gold finished the month of June down 2.15% settling in at $1,241. Gold equities performed less favourably as our benchmark, the TSX Global Gold Total Return Index finished the month down 6.73%. The Sprott Gold and Precious Minerals fund finished the month down 2.03%. On a relative basis, the fund performed well, having outperformed our index by 4.70% for the month.

In our May commentary, we noted the sizeable impact of large flows both in and out of the gold equity ETFs and in particular the GDXJ and the GDX. From peak to trough these ETFs lost over 30% of their assets which is approximately $6B. Most precious metals equities, with the exception of senior companies such as Barrick and Goldcorp, do not have the trading liquidity to absorb such a large outflow in an orderly manner. As a result, the share prices of many small and mid-cap gold companies were negatively impacted. The outflows from the GDXJ were particularly painful to us considering the portfolio is weighted heavily towards small and mid-cap equities, which is the part of market where we can add significant alpha. The month of June was quite encouraging to us. The change in the GDXJ index methodology now means that the large price swings resulting from large index flows in and out of gold stocks will not impact the juniors as much as they have historically. Looking ahead, we are hopeful for a continuation of normalcy that appears to have come over the precious metals equities sector. The names in our portfolios are attractively valued, especially when considering the fact that while gold is up +7.7% (USD) on a year to date basis, our benchmark is only up 0.7%.

The top contributors to the Fund were Kirkland Lake Gold, Continental Gold and B2Gold. Kirkland Lake has been an outperformer since the beginning of the year, as the company has had great exploration and production success at its flagship Fosterville mine in Australia. The company is generating free cash flow and re-investing it in exploration to facilitate future growth. Continental continued to re-rate after announcing a US$109 million strategic equity investment by Newmont Mining at a 46% premium to the previous day’s close. The Company hosted a site visit at their Buritica project in Colombia, which showcased progress towards first production in 2020. B2Gold continued to progress its Fekola project and announced an initial resource estimate at six satellite zones demonstrating growth potential there.

The top detractors from the Fund were Osisko Mining, Agnico-Eagle Mines and Detour Gold. Osisko drifted due to profit-taking, after appreciating >160% from December to April. The Company continued to deliver exciting exploration results from its Windfall project in Quebec, specifically from the high grade Lynx zone. Agnico-Eagle drifted on no news. Detour underperformed due to investor concerns regarding the Company’s ability to refinance its existing notes without having to issue equity (the refinancing was announced on July 10th).

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COMPOUNDED RETURNS (%) AS AT JUNE 30, 2017[1]

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	10 YR	15 YR	ANNUALIZED INCEPTION (11/15/01)
SPROTT GOLD & PRECIOUS MINERALS FUND	-2.0	-0.4	-6.6	-0.4	-21.4	1.8	-4.8	-4.2	4.0	8.4
S&P/TSX GLOBAL GOLD TOTAL RETURN INDEX	-6.7	0.7	-6.0	0.7	-22.3	0.6	-7.4	-2.2	1.1	3.2

SPROTT ASSET MANAGEMENT

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[1] All returns and fund details are a) based on Series A units; b) net of fees; c) annualized if period is greater than one year; d) as at June 30, 2017; e) 2001 annual returns are from 11/15/01 to 12/31/01. The index is 100% S&P/TSX Global Gold Total Return 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: 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 unitholder risk; tax risk.

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