

The Sprott Canadian Equity Fund (the "Fund"), Series A returned -2.4% in May and was down by -9.1% in 2017. The S&P/TSX Composite Total Return Index returned -1.3% for the month and 1.5% YTD in 2017.

There is a growing divergence between the U.S. and Canadian equity markets this year. The reflation trade, 'risk-on' environment that helped global equities including many dominant sectors in Canada in Q4 2016 has paused and the cyclical areas of the market have underperformed. These sectors include metals and mining, industrials, financials and energy. If you were to remove these sectors of the Canadian market there would be very little in the way of stocks to invest in as the combined group represents 76% of the S&P/TSX. It is not surprising that the Fund's weighting in energy and financials has negatively impacted returns May and year-to-date.

As we mentioned above, there is a widening gap in the year-to-date return between the U.S. and Canadian markets. When we looked closer as to why this was the case we found some interesting data points. The U.S. market as measured by the S&P 500 Index has outperformed many global markets however the return of the overall index has been skewed by the performance of a few very large stocks. If you were to remove just 5 stocks from the index altogether the return of the S&P 500 and the gap it has created with the TSX would be much narrower year-to-date and a better representation of the strength (or lack thereof) of North American markets overall.

Facebook (FB), Apple (AAPL), Amazon (AMZN), Microsoft (MSFT) and Alphabet (formerly called Google but trades as GOOG) are a collection of stocks awarded its very own acronym... FAAMG. And why shouldn't they? These five stocks represent a staggering 13% of the weighting in the S&P 500 and collectively account for 37% of the indexes gains in 2017! For a diversified, eclectic mix of stocks that make up the S&P 500 it is shocking that just five companies, all of which are very large technology organizations are so important to the overall weight and return of the S&P 500. I guess it's as shocking for those that invest predominantly outside of Canada to learn that 75% of our Canadian benchmark index is diversified across just three sectors of the market while five large banks make up almost 35% of the index on their own. What if these few very large and very important stocks to the overall health of the market fall out of favor?

Our portfolio for the most part is made up of 'off-market' special situations that all adhere to the characteristics that we have discussed time and time again in this letter. Unfortunately (for now), the market has favored 'mega-cap' growth companies like those that make up FAAMG. These names offer ample liquidity, and as I mentioned, are experiencing better than average earnings growth. However, like all market environments, the investing backdrop changes and these days the rate of change continues to accelerate, rightly (or wrongly), so we have stuck with our strategy and our strengths. Timing when investors will favor those types of investments that we appreciate is an unknown. What is known is that most if not all of the investments in the fund remain well run, are growing and remain very inexpensive.

Thank you for your continued support and confidence in the Fund.



Jon Wiesblatt,
Portfolio Manager



James Bowen,
Portfolio Manager

SPROTT CANADIAN EQUITY FUND

May 2017 Commentary

COMPOUNDED RETURNS (%) AS AT MAY 31, 2017¹

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	10 YR	15 YR	ANNUALIZED INCEPTION (09/26/97)
SPROTT CANADIAN EQUITY FUND, SERIES A	-2.4	-9.1	-7.3	-5.5	-14.0	-11.1	-13.8	-10.1	0.1	7.4
S&P/TSX COMPOSITE TRI	-1.3	1.5	0.4	3.2	12.3	4.7	9.1	3.9	7.5	6.6

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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 May 31, 2017; e) 1997 annual returns are from 09/26/97 to 12/31/97. The index is 100% S&P/TSX Composite TRI 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; credit risk; currency risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; interest rate risk; liquidity risk; market risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; small company risk; tax risk.

Sprott Asset Management LP is the investment manager to the Sprott Funds (collectively, the "Funds"). Commissions, trailing commissions, management fees, performance fees (if any), 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 units of the Fund for the period ended May 31, 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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