

A FOCUSED APPROACH TO EQUITY INVESTING
Sprott Focused Business Investing



Dennis Mitchell

takes a focused approach
to equity investing

Dennis Mitchell joined Spratt in September 2015 as Senior Vice-President, Senior Portfolio Manager. He has more than a decade of experience in the financial industry. Prior to joining Spratt he was Executive Vice-President and Chief Investment Officer at Sentry Investments, where he oversaw more than \$18 billion in AUM. He is a three-time winner of a Brendan Wood International Canadian TopGun Award (2009, 2010 and 2011), given by the sell-side community to those with the best grasp of the industries in which they invest and the most influence in the Canadian market. Dennis is also a winner of the Brendan Wood International 2012 Canadian TopGun Team Leader. He received an Honours BBA degree from Wilfrid Laurier University and an MBA from the Schulich School of Business at York University and holds the Chartered Financial Analyst (CFA) designation.



"I believe strongly in building concentrated portfolios of high-quality businesses that offer superior risk-adjusted return potential. Businesses that generate high return on invested capital, run by management teams that are true stewards of investors' capital."

Sprott Focused Business Investing

In today's volatile markets, it is becoming increasingly difficult to stay focused on your investment goals. Sprott Focused Business Investing Strategy offers a solution. In the simplest terms, it means investing in a focused manner, in high quality businesses.

FOCUS

Of thousands of global companies, Dennis and his team focus their attention on businesses with a franchise value advantage as shown by their pricing power, differentiated service or product, and superior long-term returns on capital. Approximately 35 to 45 of those companies make up the portfolio at any one time. The result is a focused portfolio of high-quality companies that have been well-researched and thoroughly understood.

BUSINESS

High-quality business is at the core of the strategy. It is defined as a business that generates strong returns on invested capital, strong recurring free cash flow from a collection of irreplaceable assets, capitalized with low amounts of debt. Let's break it down:

Returns on invested capital (ROIC) – simply put, it is the return a business has generated on all of the capital it has raised. ROIC is considered the best long-term measure of the quality of a business and the skill of the management team operating the business.

Free cash flow – this is what gives business life. The strategy only invests in businesses with strong, recurring positive free cash flow. Any business that does not generate positive free cash flow over the long term is generally a collection of liquidating assets that will eventually lose their value.



INVESTING

When constructing a portfolio, the strategy only invests in a company once the margin of safety is large enough to compensate for the risk. Companies that make up the portfolio are continuously monitored to make sure they continue to offer the required return potential.



Irreplaceable assets can be tangible or intangible, and are easily spotted in many franchise businesses.

Union Pacific, for example, is one of the six large, Class 1 railroads in North America and its tracks and rights of way are a tangible, irreplaceable asset. The **Coke** brand is an intangible asset, but no less irreplaceable.



Debt is very carefully considered by the team, as it represents a claim to the company's cash flow. The debt servicing cost must be paid before free cash flow can be distributed to shareholders, leaving the shareholders more vulnerable to cyclical downturns. Generally, the less debt the company has, the better.

In summary, Sprott Focused Business Investing is designed to build a concentrated portfolio of high-quality businesses that will generate superior risk-adjusted returns over the long term. The portfolio consists of companies with high returns on invested capital, run by management teams that behave like true stewards of investor capital, and are added to the portfolio only when they are priced to deliver sufficient return for the risk incurred.

Funds at a Glance

Sprott Focused U.S. Dividend Class

The Fund's investment objective is to provide consistent income and capital appreciation by investing primarily in a diversified portfolio of dividend yielding U.S. equities.

	FUND DETAILS
Fund Type	U.S. Dividend
Inception Date	November 25, 2015
Min. Initial Investment	\$500
Management Fee	Series A1: 1.95%* Series A: 2.00%
Min. Investment Term	30 Days (2% Penalty)
Risk Tolerance	Medium
Distributions	3.5% per annum paid monthly

Sprott Focused U.S. Balanced Class

The Fund's investment objective is to provide consistent income and capital appreciation by investing primarily in a diversified portfolio of U.S. equities and fixed-income securities.

	FUND DETAILS
Fund Type	U.S. Balanced
Inception Date	November 25, 2015
Min. Initial Investment	\$500
Management Fee	Series A1: 1.80%* Series A: 1.85%
Min. Investment Term	30 Days (2% Penalty)
Risk Tolerance	Low – Medium
Distributions	3.5% per annum paid monthly

Sprott Focused Global Dividend Class

The Fund's investment objective is to provide consistent income and capital appreciation by investing primarily in a diversified portfolio of dividend yielding global equities.

	FUND DETAILS
Fund Type	Global Dividend
Inception Date	November 25, 2015
Min. Initial Investment	\$500
Management Fee	Series A1: 1.95%* Series A: 2.00%
Min. Investment Term	30 Days (2% Penalty)
Risk Tolerance	Medium
Distributions	3.5% per annum paid monthly

Sprott Focused Global Balanced Class

The Fund's investment objective is to provide consistent income and capital appreciation by investing primarily in a diversified portfolio of global equities and fixed-income securities.

	FUND DETAILS
Fund Type	Global Balanced
Inception Date	November 25, 2015
Min. Initial Investment	\$500
Management Fee	Series A1: 1.80%* Series A: 1.85%
Min. Investment Term	30 Days (2% Penalty)
Risk Tolerance	Low – Medium
Distributions	3.5% per annum paid monthly

*First \$100 million for each Fund.

Fund Codes

FUND	A1	A		F1	F	P	PF	Q	QF
	FE	FE	LL	NL	NL	FE	NL	FE	NL
Sprott Focused U.S. Dividend Class	SPR 171	SPR 170	SPR 169	SPR 680	SPR 172	SPR 174	SPR 175	SPR 176	SPR 177
Sprott Focused U.S. Balanced Class	SPR 181	SPR 180	SPR 178	SPR 780	SPR 182	SPR 184	SPR 185	SPR 186	SPR 187
Sprott Focused Global Dividend Class	SPR 136	SPR 135	SPR 129	SPR 380	SPR 137	SPR 139	SPR 141	SPR 140	SPR 142
Sprott Focused Global Balanced Class	SPR 144	SPR 143	SPR 128	SPR 280	SPR 145	SPR 147	SPR 148	SPR 149	SPR 150

Royal Bank Plaza, South Tower
 200 Bay Street, Suite 2700
 Toronto, Ontario M5J 2J1
 Toll Free: 1.866.299.9906
 Facsimile: 416.943.6497

www.sprott.com
invest@sprott.com



The risks associated with investing in a Fund depend on the securities and assets in which the Fund invests, based upon the Fund's particular objectives. There is no assurance that any Fund will achieve its investment objective, and its net asset value, yield and investment return will fluctuate from time to time with market conditions. There is no guarantee that the full amount of your original investment in a Fund will be returned to you. The Funds are not insured by the Canada Deposit Insurance Corporation or any other government deposit insurer. Please read a Fund's prospectus before investing. Sprott Asset Management LP is the investment manager to the Sprott Funds (collectively, the "Funds"). Important information about these Funds, including their investment objectives and strategies, purchase options, and applicable management fees, performance fees (if any), and expenses, is contained in their prospectus. Please read these documents carefully before investing. Commissions, trailing commissions, management fees, performance fees, other charges and expenses all may be associated with investing in the Funds. This communication does not constitute an offer to sell or a solicitation to purchase securities of the Funds. 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. The information provided is general in nature and is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering of tax, legal, accounting or professional advice. Readers should consult with their own accountants and/or lawyers for advice on the specific circumstances before taking any action.