SPROTT RESOURCE CLASS

August 2016 Commentary

Out of the 24 resource funds we consider peers, the Sprott Resource Class is the number one fund YTD, 1-year and 3-year.

The Resource Class continued to mark modest gains in August, returning 0.7% in the month and outperforming the blended benchmark by 3.8%. This takes the Resource Class YTD returns to 80.7% vs. 35.9% for the benchmark. The Fund's August return is notable because it was achieved in a month where gold equities declined 17% (as measured by the S&P/TSX Global Gold Index) while the Fund maintained its 40% weight in the sector. In fact, with the sharp pullback in gold equities, the Sprott Resource Class has now outperformed the gold ETF (XGD) on a YTD basis to the end of August despite only allocating 40-45% to the sector (see Chart 1).

This also raises an important topic we wish to highlight in this month's commentary. We want to dispel the potential misconception that the strong performance of the Sprott Resource Class over the past year has been solely the result of a gross overweight in gold equities. This misconception could not be further from the truth. Looking at the fund's YTD sector weightings (Chart 2), one can clearly see the fund's weightings have been steady at around 40% for both gold and energy equities throughout the year. So the strong performance of the Sprott Resource Class is more a result of stock selection and tactical asset allocation rather being overweight or underweight a particular sector.

In terms of positioning, we remain cautious on industrial metals, with many diversified miners still sitting on significant YTD gains despite the recent 20-30% pullback driven by copper prices falling into negative territory for the year. The pullback in gold equities is a much needed / anticipated breather that sets up the group for a year-end rally, provided macro forces continue to be favourable. Energy equities continue to be favoured as the supply surplus continues to erode with lower US production. Finally, agriculture and fertilizers may be showing early signs of life as potential consolidation in the industry could act as a catalyst to reduce excess supply.

As always, the Sprott Resource Class team remains diligent in uncovering the hidden gems while offering superior downside protection for investors interested in the resource space.

Chart 1: YTD Performance to August 31, 2016

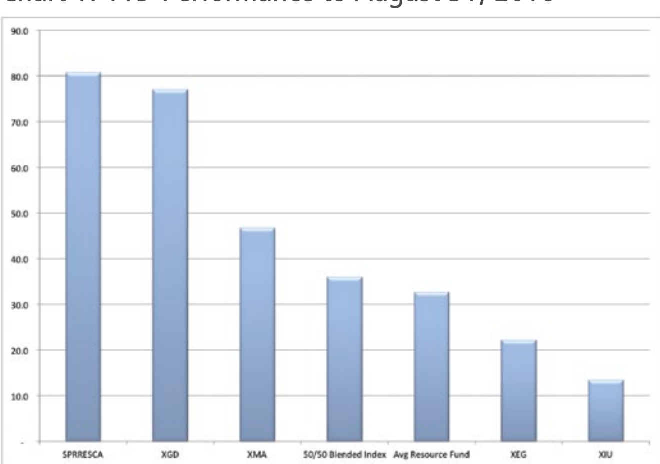
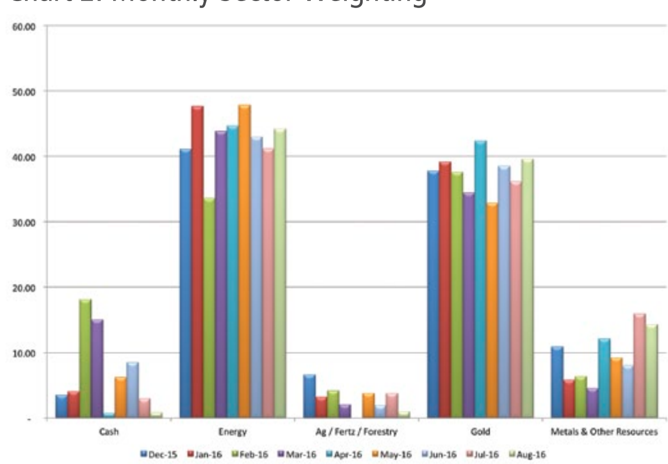


Chart 2: Monthly Sector Weighting



SPROTT RESOURCE CLASS

August 2016 Commentary

COMPOUNDED RETURNS (%) AS AT AUGUST 31, 2016[1]

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	ANNUALIZED INCEPTION (10/17/11)
SPROTT RESOURCE CLASS, SERIES A	0.7	80.7	21.4	57.4	67.3	12.0	-2.8
BLENDED INDEX†	-3.1	35.9	6.7	28.8	25.3	-1.0	-3.9

www.sprott.com

† Blended Index (50/50 S&P/TSX Capped Materials Total Return Index and S&P/TSX Capped Energy Total Return Index) is computed by Sprott Asset Management LP based on available index information.

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 August 31, 2016; e) 2011 annual returns are from 10/17/11 to 12/31/11.

Sprott Asset Management LP: Toll Free: 1.866.299.9906. DEALER SERVICES: RBC Investor & Treasury Services: Tel: 416.955.5885; Toll Free: 1.877.874.0899.