

The Resource Class had a strong September, returning 6.5% versus 2.6% for the blended benchmark. YTD, the Resource Class has returned 92.4%, beating the blended benchmark by 53.0%. The Resource Class was able to successfully navigate the increased volatility in resource markets in September and deliver solid outperformance against each of the individual sectors: Energy (XEG returned 2.2%), Materials (XMA returned 2.8%) and Gold Miners (XGD returned 4.0%). This performance brings up the main topic of this month’s commentary - how does the Resource Class perform relative to the individual resource sectors?

While we are very satisfied with the overall performance of the Resource Class, we are even more pleased with the Resource Class on a sector level. Figure 1 shows the Resource Class returns attribution by sector while Figure 2 compares the two biggest Resource Class sector weights (gold and energy) to their respective sector-focused peers and index. While we acknowledge that this analysis is overly simplistic (ignoring fees and cash drag), it does give a sense of how well the Resource Class performed against sector-focused peers and indices as well as the benefits of being able to tactically allocate between sectors.

In general, one of the biggest challenges in resource investing has been to choose the right sector to be invested in. Between energy and materials (and to a lesser extent, gold equities), investors have a plethora of options to express their resource views. In the past, sector-focused funds were popular with investors as the Corporate Class structure allowed investors to time their investments and switch between individual sector funds on a tax-deferred basis. However, with the new federal budget which comes into effect on December 31st, investors will no longer be able to switch on a tax deferred basis. So investors may want to consider a diversified resource fund so they do not trigger tax events when rotating between resource sectors.

Considering our strong track record of outperformance in both energy and materials versus the sector-focused peers and benchmarks, we strongly believe the Spratt Resource Class is an ideal investment vehicle for this new regime. An allocation to the Spratt Resource Class gives investors access to best-in-class performance and risk management without the hassle of trying to time energy vs. materials.

YTD RETURNS	PORT. AVERAGE WEIGHT	TOTAL RETURN	CONTRIBUTION TO RETURN
Energy	40.9	57.6	24.7
Materials	47.1	167.2	65.1
Gold	40.2	202.6	63.8
Mining	2.6	37.7	-0.1
Other Materials	4.3	173.4	1.3
Information Technology	2.8	6.2	0.6
Consumer Staples	0.1	2.9	0.1
Health Care	1.5	1,461.0	1.1
Utilities	1.2	194.9	5.0
Cash & Fees	6.5	—	-3.5
Total	100.0	93.1*	93.1*

Figure 1: Resource Class attribution by sector. * Note, attribution total returns may vary from reported Class A returns.

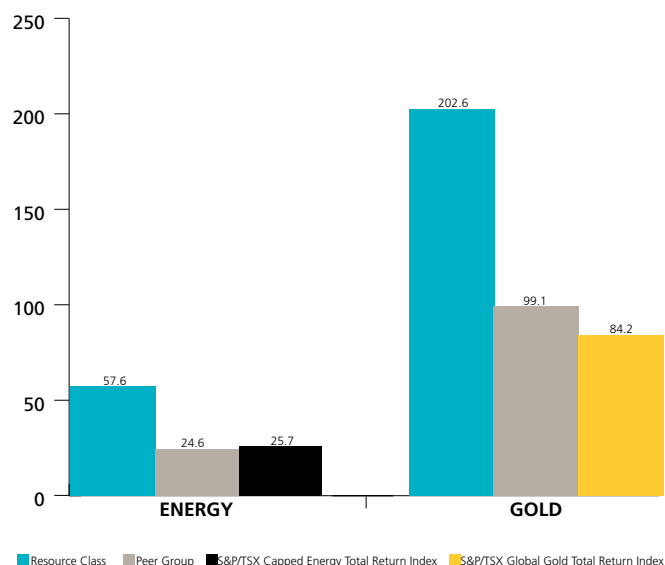


Figure 2: Resource Class Energy and Gold returns YTD relative to peers and index.

SPROTT RESOURCE CLASS

September 2016 Commentary

COMPOUNDED RETURNS (%) AS AT SEPTEMBER 30, 2016¹

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	ANNUALIZED INCEPTION (10/17/11)
SPROTT RESOURCE CLASS, SERIES A	6.5	92.4	17.5	53.8	95.0	15.0	-1.5
BLENDED INDEX [†]	2.6	39.5	2.7	22.1	41.3	0.3	-3.4

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[†] 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 September 30, 2016; e) 2011 annual returns are from 10/17/11 to 12/31/11.

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