# SPROTT RESOURCE CLASS

November 2016 Commentary

Of the 24 resource fund peers we track, the Sprott Resource Class continues to be the top performing fund YTD and over the one-year and 3-year periods ending November 30, 2016. The Resource Class mildly underperformed in November, returning -0.84% vs. 1.73% for the benchmark, bringing our YTD returns to 82.5% vs. 42.9%. Although we had properly positioned for the rally in base metals by going overweight the group, the Fund suffered from a mild overweight position in gold equities prior to the US election. Furthermore, a relatively large position in an Australian gold miner suffered from a negative development update which detracted considerably from overall fund performance. We have subsequently eliminated our position, preferring to take the short-term pain and recycle capital into other promising opportunities. On the positive side, subsequent to month end, another core gold name with a development project in Columbia received positive development news and rallied 30%+ over 2 days.

Several impactful catalysts hit the tape during the month. First, the Trump victory on November 8 caught everyone by surprise, especially gold markets. While most pundits were of the opinion that gold would benefit from a Trump victory, the exact opposite occurred as investors suddenly priced in more fed rate hikes and a rosier economic outlook. This drove real rates considerably higher and hurt gold and gold equities. At the same time, expectations for Trump's fiscal policies caused a rush into the "reflation" trade, benefiting non-gold miners and other commodity producers such as steel companies. Finally, the OPEC agreement on November 30th sparked a massive short-cover rally in the sector as many investors had been calling OPEC's bluff heading into the meeting and were caught off-guard by the magnitude of the cuts and participation from non-OPEC producers.

Looking forward, we believe the recent OPEC deal is a game changer. As long as OPEC members stick to their announced cuts and do not cheat on production quotas, the deal should lead to higher crude prices and energy equity outperformance over the balance of 2016 and into 2017. After a prolonged bear market, the base metal equities also look promising heading into 2017. Gold equities on the other hand remain challenged with major macro headwinds from a strong US dollar and increasing real interest rates. Absent a dramatic change in the macro environment, gold investing will have to be done on a selective basis.

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## COMPOUNDED RETURNS (%) AS AT NOVEMBER 30, 2016[1]

| | 1 MTH | YTD | 3 MTH | 6 MTH | 1 YR | 3 YR | 5 YR | ANNUALIZED INCEPTION (10/17/11) |
|---|---|---|---|---|---|---|---|---|
| SPROTT RESOURCE CLASS, SERIES A | -0.8 | 82.5 | 1.0 | 22.6 | 80.9 | 12.9 | -3.1 | -2.5 |
| BLENDED INDEX† | 1.7 | 42.9 | 5.2 | 12.2 | 35.6 | 1.5 | -3.8 | -2.8 |

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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) and 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 November 30, 2016; e) 2011 annual returns are from 10/17/11 to 12/31/11.

**The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: capital gains risk; class risk; commodity risk; concentration risk; currency risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; liquidity risk; market risk; regulatory 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; uninsured losses risk.**



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