

2016 was an excellent year for the Sprott Resource Class. Of the 24 resource fund peers we track, the Sprott Resource Class was the top performing resource fund in 2016 and continues to be the top performing resource fund over the 3-year period ending December 30, 2016.² During December the Resource Class outperformed, returning 3.3% vs. 0.0% for the benchmark. For 2016, the Resource Class returned 88.4% vs. 43.0% returned by the benchmark. This degree of outperformance highlights the merits of active management.

Following the OPEC agreement and into December, the fund established an overweight position in energy services. Energy services have underperformed the broader energy sector for the past 2+ years. As long as OPEC members adhere to their agreed upon production cuts, energy services should dramatically outperform as margins expand with increased service activity. Within the core portion of the portfolio, the fund's largest gold position announced the receipt of permits, essentially clearing the way for project construction. This news was positively received by the market as the stock continues to make fresh 52-week highs into the New Year.

December was a fairly quiet month for resources. Volumes became muted as the holiday season approached and there was little macro news following a catalyst rich November. Most commodities traded in a relatively tight band. Many gold equities drifted slightly lower into month end driven by tax loss selling, energy equities were essentially flat while base metal equities corrected following a period of outperformance. Early on in 2017, the market's exuberance associated with President Elect Trump may be waning. This is something we will closely monitor as the biggest beneficiary of a reversal in sentiment would be gold bullion and gold equities.

SPROTT RESOURCE CLASS

December 2016 Commentary

COMPOUNDED RETURNS (%) AS AT DECEMBER 30, 2016¹

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	ANNUALIZED INCEPTION (10/17/11)
SPROTT RESOURCE CLASS, SERIES A	3.3	88.4	-2.1	15.1	88.4	13.0	-0.8	-1.9
BLENDED INDEX ¹	0.0	43.0	2.5	5.3	43.0	0.7	-2.5	-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 December 30, 2016; e) 2011 annual returns are from 10/17/11 to 12/31/11.

² Source: Morningstar.

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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