



SPROTT RESOURCE CLASS

January 2017 Commentary

The Sprott Resource Class got off to a strong start in 2017. In January the Resource Class returned 4.62% which compared favorably to the benchmark return of 0.12%, representing outperformance of 4.50%. Of the 24 resource fund peers we track, the Sprott Resource Class continues to be the top performing resource fund over the 1-year and 3-year period ending January 31, 2017.

The fund's January performance was buoyed by its largest core energy position. The company reported oil well results that were materially better than what they had historically reported. This improvement in well results was driven by a new drilling and completion technique. The market welcomed these results by driving the stock up 24% in January which was in stark contrast to the energy index return of -9%. This is another example that highlights the merits of active management. In this instance we garnered a solid understanding of a company that was trading at a discount to the peer group with a catalyst that ultimately addressed the discount. Generally, we have been consistently able to identify overlooked small to mid-cap resource companies that undergo a rerating. Hopefully we continue to deliver through 2017.

Gold bullion and gold equities were the strongest performers in January within the resource space. This followed a sizable correction in the latter part of 2016 driven by the market focusing almost entirely on Trump the good. Post the election, the vast majority of market commentators highlighted how great Trump was going to be for stimulating economic growth. The discussion consistently highlighted how beneficial Trump's position on tax reform, regulatory reform and fiscal spending was going to be for GDP growth. Yet most commentators completely ignored what Trump the bad would mean for economic growth. Trump rhetoric surrounding protectionist trade policies, immigration reform and his antagonistic geopolitical posturing would create significant headwinds to GDP growth. Now that Trump is in office, the market is starting to pay heed to what Trump the bad could mean for GDP growth and by extension, gold bullion and precious metal equities.

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COMPOUNDED RETURNS (%) AS AT JANUARY 31, 2017¹

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	ANNUALIZED INCEPTION (10/17/11)
SPROTT RESOURCE CLASS, SERIES A	4.6	4.6	7.1	9.8	88.3	13.5	-1.3	-1.0
BLENDED INDEX [†]	0.1	0.1	1.9	2.0	45.3	-0.6	-3.9	-2.7

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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 January 31, 2017; e) 2011 annual returns are from 10/17/11 to 12/31/11.

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