

Sprott Growth Fund

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We are pleased with the performance of the Sprott Growth Fund (the "Fund" – Series A) in April, as it returned 2.91%, while the S&P TSX Composite Total Return Index and S&P 500 Index returned 2.07% and 4.33%, respectively. Overall, the year is proceeding quite well for the Fund, which has generated a year-to-date return of 11.42%, compared to year-to-date returns of 4.72% and 4.52% for the aforementioned indices. Since inception, the Fund has produced an annualized return of 25.94%, while its benchmark indices have returned 13.81% and 11.59%, respectively.

Sell-side analysts typically become more conservative as the economic cycle progresses, which sets the potential for positive earnings surprises. As a result, April performance benefited from Q1 corporate earnings, which came in higher than analysts had expected. April market performance was also boosted by takeovers, and although no specific Fund holdings received bids during the month, takeover activity in the metals and tech sectors helped boost the returns of the Fund's holdings. Specifically, there were two big takeovers in the nickel space that helped lift one of the Fund's holdings, FNX Mining Co. Inc., during the month. Blue Pearl Mining Ltd., a large holding for some time, rose nearly 50% in the month, as our own Sprott Molybdenum Corp. helped lift interest in the stock, and China Molybdenum Co., Ltd. went public in an IPO that was highly subscribed.

Our oil holdings also did well. In particular, Addax Petroleum Corp. and Oilexco Inc. enjoyed strong performance in April. There has been a resurgence of interest in international oil companies, and the Fund is very well positioned in this sector. Petrobank Energy and Resources Ltd. also performed well on the back of takeover news in the oilsands space.

This month we would like to highlight a couple of technology and biotech names in an effort to portray the diversity of sectors in the Growth Fund. We participated in a financing of Call Genie Inc., a company that provides interactive speech recognition for the directory assistance industry. The stock has more than doubled since the financing, and we are excited by its robust technology and growth prospects. In the U.S., Priceline.com Inc. continues to do well, as it benefits from strong international growth and increased customer awareness. In our view it remains cheap, with a fair degree of upside. In biotech, Dendreon Corp. is an example of the Fund's focus on names with less clinical trial risk. Its share price doubled on clinical trial news, but has still risen 50% since we purchased a small position after the news came out. An FDA decision on its cancer vaccine is expected very shortly. Theratechnologies Inc., a big winner late last year, is also doing well again this year, as M&A activity in the sector increases and new valuations on takeovers have been set by big pharmaceutical companies.

Going forward, we expect to make few changes to the portfolio in the short term. Our names are working well, and we are comfortable with our sector weightings. We expect continued interest in the metals space, continued takeover activity across all sectors, and decent (but not stellar) earnings. However, we believe a multiple expansion is currently underway in North America, which could result in strong equity gains despite a slower growth scenario.

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