

## Sprott Growth Fund

### Performance Summary

#### Annualized Returns for the period ending June 30, 2007

	1 Month	3 Month	YTD	1 Year	Since Inception
Sprott Growth Fund	-0.96%	4.36%	12.98%	30.91%	23.89%
S&P TSX Composite Total Return Index	-0.82%	6.28%	9.05%	22.73%	15.30%
S&P 500 Index	-1.78%	5.81%	6.00%	18.36%	11.26%

### Comment

The Sprott Growth Fund (the "Fund"), for the most part, executed its investment strategy well in the second quarter of 2007. Having taken a view late last year that market sentiment was too negative in the face of continued strong profitability, excess liquidity and reasonable valuations, the Fund has benefited from those same factors so far this year. We notched several takeovers in the second quarter, including a bid for Energy Metals Corp. While not quite yet the target of a specific takeover, Score Media Inc. rose 18% in the quarter and more than doubled in the first half of the year on takeover speculation. Other names, such as FNX Mining Company Inc., did extremely well (up 28% in the second quarter), as the resource sector enjoyed considerable takeover activity and speculation.

The Fund's sector allocation also contributed to performance in the second quarter of 2007. We added to our technology and biotech weightings late last year, and those high-beta sectors subsequently benefited as market sentiment improved. We also added to our oil & gas weighting, which benefited as oil recovered to prices well above US \$60 per barrel. The majority of our oil names are international, although Petrobank Energy & Resources Ltd. rose 51% in the first half of 2007 (12% in the second quarter) on its Canadian heavy oil success. Selective participation in several IPOs, such as offerings from Fortress Investment Group LLC and Sterlite Industries Ltd., also made a small contribution to performance. On the negative side, the gold sector continued to be a drag on performance, as investors sold the sector in light of fears of higher interest rates and their impact on the strength of the US dollar. Our US dollar holdings were also negatively impacted by strength in the Canadian dollar.

Going forward, we continue to target high-growth companies that have the potential to benefit from merger activity. A new name to highlight is Timminco Ltd., a rapidly-emerging solar play that appears to have solved the dilemma related to silicon supply, one of the industry's main issues in the past. Timminco Ltd. signed two customers and the stock returned 792% in the quarter. We participated in a financing for the company and are holding our position despite those large gains. In the US, Priceline.com Inc., the internet-based travel company that was added to the Fund in March has raised guidance for each of the past two quarters as a result of a very strong recent history of superior execution. The stock is up 29% in the second quarter and 58% so far this year. With regard to sector weightings, current levels will be maintained in the short term. We still hold the view that an earnings multiple expansion is possible. We do not believe that the US will raise interest rates dramatically, and we consider investors' recent fears of a rate hike to be excessive. Moreover, we believe that any downside resulting from an error in our view should be somewhat muted by reasonable valuations, strong growth, and high corporate cash levels.

**Peter Hodson, CFA**  
**Senior Portfolio Manager**

Royal Bank Plaza, South Tower  
 200 Bay Street  
 Suite 2700, P.O. Box 27  
 Toronto, Ontario  
 M5J 2J1

T: 416 943 6707  
 F: 416 362 4928  
 Toll Free: 866 299 9906

[www.sprott.com](http://www.sprott.com)

# June Market Comment

## Sprott Growth Fund

The information contained herein may not be reproduced, quoted, published, displayed or transmitted without the prior written consent of Sprott Asset Management Inc. ("SAM"). The opinions expressed are solely those of the author. They are based on information obtained from sources believed to be reliable, but it is not guaranteed as being accurate. The report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this report are subject to change without any notice and SAM is not under any obligation to update or keep current the information contained herein. SAM accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report. SAM is the investment manager to the Sprott Funds. Important information about these funds, including management fees, other charges and expenses is contained in its simplified prospectus and/or offering memorandum. Please read them carefully before investing. Mutual funds are not guaranteed; their unit values and investment returns will fluctuate. Performance data represents past performance and is not indicative of future performance. Performance comparisons are drawn from sources believed to be accurate. This is not a solicitation. Sprott Funds hold or may hold any of the above mentioned securities.