

Sprott Growth Fund

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

Performance Summary

Returns for the period ending January 31, 2008

	1 Month	3 Month	YTD	1 Year	Since Inception*
Sprott Growth Fund (Series A)	-12.68%	-15.07%	-12.68%	17.47%	18.97%
S&P TSX Composite Total Return Index	-4.72%	-9.45%	-4.72%	3.46%	8.45%
S&P 500 Index	-6.12%	-11.03%	-6.12%	-4.15%	3.40%

* Annualized

We are pleased to report that not only did the Sprott Growth Fund have the highest return (35.11%) in its Canadian Focused Small/Mid Cap Equity category in 2007, it was in fact the best performing Canadian equity fund in the country with assets of more than \$50 million.

Comment

January was a very difficult month for the Sprott Growth Fund, as markets worldwide fell due to continuing concerns over credit and housing problems. Usually we react to market panics (and it was indeed a panic) by buying aggressively. However, anticipating strong fund flows, we didn't have as much cash as we would have liked to take advantage of great opportunities. As a result, during the month we could only watch as others sold. We were not concerned about the portfolio, as most of our companies are debt-free, growing fast and reasonably priced. Also, having had some big winners last year, we knew the winners would be sold first. While it seems irrational to us, the good companies get sold first in a panic market because those are the only names that still have buyers. The lousy companies, on the other hand, don't trade much. Case in point, we watched Absolute Software Corp. get cut in half, even though its quarterly cash flow grew by 111%.

At times like these, we focus on growth even more. In a slow growth environment, growing companies become scarce and are relatively more valuable, as many investors flee for safety and end up paying far too much for stability. As such, we note that the S&P 500 Value Index is now more expensive on a valuation basis than the S&P 500 Growth Index. We cannot ever recall a situation in the past in which growth could be bought at cheaper prices than value. We also note that corporate balance sheets are in excellent shape, pessimism is high, insider buying is extremely high, and valuations are at 15-year lows. The market is being priced as if the world is coming to an end, so any scenario other than that will be a positive surprise. We also expect long-term corporate buyers to become more active if valuations fail to rise. For example, Microsoft Corp. recently saw no problem with throwing \$44 billion cash at Yahoo Inc. at a 62% premium to try and take that company over.

Due to our view on the current market environment, we have not made any significant changes to the portfolio. We are being presented with opportunities to buy high-quality, fast-growing, debt-free companies at cheaper valuations than value companies. This is nirvana for us. Even Warren

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

Buffett says he can't find anything to buy. Exactly! Value companies are too expensive, while growth companies are not. We are staying the course.

Peter Hodson, CFA
Senior Portfolio Manager

Sprott Asset Management Inc. is the investment manager to the Sprott Funds.

Important information about these Funds, including their investment objectives and strategies, purchase options, and applicable management fees and expenses, is contained in their prospectus or offering memorandum. Please read these documents carefully before investing. Commissions, trailing commissions, management fees, other charges and expenses all may be associated with investing in the Funds. The indicated rates of return for [series A] securities of the Funds for the period ended December 31, 2007 are based on the historical annual compounded total returns including changes in unit/share value and reinvestment of all distributions or dividends and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. This communication does not constitute an offer to sell or solicitation to purchase securities of the Funds.

The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Funds may be lawfully sold in their jurisdiction.