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### Performance Summary

#### Returns for the period ending June 30, 2008

	1 Month	3 Month	YTD	1 Year	Since Inception*
Sprott Growth Fund (Series A)	-1.95%	3.85%	-2.95%	16.06%	20.61%
S&P/TSX Composite Total Return Index	-1.41%	9.09%	5.99%	6.75%	11.72%
S&P 500 Index	-8.60%	-3.23%	-12.83%	-14.85%	-0.24%

\* Annualized

Inception Date: January 16, 2006

### Comment

The Sprott Growth Fund (the "Fund") faced turbulent markets in the second quarter. While the S&P/TSX Composite TRI reported a gain for the quarter, small and mid capitalization companies did not participate as strongly in the rally. As a result, we made some changes to the portfolio, eliminating several names to reduce risk going forward. Despite these changes, the Fund remains a high-beta portfolio concentrated in growth stocks.

We eliminated several of our Chinese holdings after strong gains. While we are not concerned about China's growth rate, we are concerned about investor sentiment towards the country and the potential for the stock market to experience a sharp correction as the Olympics approaches. We have deployed cash primarily into the gold sector, as we believe that this is the best call we can make right now. Despite rhetoric, the US Federal Reserve simply cannot raise interest rates at this time. However, if the US does choose to raise interest rates in the near future, we are prepared to change the portfolio's composition. Thus, we prefer assets with superior liquidity.

We also added to our coal names in the quarter, as we expect the supply-demand fundamentals in this sector to remain strong for much longer than previously thought.

During the second quarter, we reduced our weighting in technology and biotech. The US is clearly not out of its economic troubles, and we prefer to be buyers of strength. We will stay on the sidelines in the aforementioned sectors until we have a clearer economic picture.

As a final note, we are finding these markets tricky. Investors are sector rotating, panicking and in our view – acting irrationally. We are aware of a great number of companies performing well in this environment. Still, strong fundamental performance is not translating into strong stock prices, hence our frustration. We ask that our investors consider how well these companies might do in a better economy. We have seen recessions before, and believe they create opportunity.

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

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