

January saw a reversal of trends experienced at the end of 2016. Gold and silver began their recovery post U.S. election and Fed rate hike sell-off: silver bullion appreciated 10.2% in the month, closing at \$17.56/ounce. The MSCI Silver Select Miners (CAD) Index gained 14.72%, while the Sprott Silver Equities Class appreciated 13.41% for the month. The rally was driven by positive seasonality and renewed physical buying.

The month of January was characterized by mean-reversion across various asset classes. The parabolic spike in global yields normalized somewhat. Broad equity markets in the developed markets consolidated their gains following strong moves higher in November and December. Similarly, currencies normalized somewhat as the U.S. Dollar gave back some of its gains. These moves towards relative normalcy benefitted silver and gold.

Post Trump's inauguration the President made a number of policy announcements, but none were economic in nature. The move lower in gold following the U.S. election was driven by the market discounting stimulative economic policies by President Trump. The 2016 annual letter from Seth Klarman's Baupost LPs noted that the market was discounting all the positives out of the Trump presidency and none of the negatives. It is beginning to appear now that the markets are slowly beginning to dial back their expectations. Nowhere is this more apparent than in the bond market. Real rates, which had moved markedly higher towards the end of 2016, are beginning to drift lower. This has helped gold and silver. We are also seeing winds of protectionism pick up. It is difficult for us to imagine a scenario where a wide-scale trade-war is not inflationary.

In terms of fund positioning, the Fund began the year with minimal cash and as the rally progressed, we took profits. The silver equities space has relatively high volatility, which presents opportunities. We are using this to our advantage by adding various derivative strategies to the portfolio to reduce portfolio volatility and generate income.

The top contributors to the Fund in January were Fresnillo PLC, Pan American Silver and First Majestic Silver. Fresnillo was the second largest top holding at the beginning of the month and we took profits as the stocks rallied from oversold levels. The company reported strong fourth quarter gold production, however had disappointing 2017 guidance at its flagship Fresnillo mine. Pan American finished the year with strong operating results and improved upon its three-year outlook. 2017-2019 production forecasts were better than estimates, while cost guidance was in line. The company is expected to have a strong second half of 2017 as two key Mexican mines ramp up. First Majestic also recovered from low levels.

The top detractors from the Fund were Tahoe Resources, Alamos Gold and Kootenay Silver. Tahoe announced a good 2016 production result, but disappointed with 2017 guidance. Importantly, capital expenditure guidance for the year came in much higher than expected. Alamos was a small position and the company announced a large equity financing that was not well-received by the market due to use of proceeds being cited as debt retirement. Kootenay stayed flat on no news.

Maria Smirnova*Portfolio Manager*

Sprott Silver Equities Class

SPROTT SILVER EQUITIES CLASS

January 2017 Commentary

COMPOUNDED RETURNS (%)¹

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	ANNUALIZED INCEPTION (01/03/12)
FUND	13.4	13.4	-4.8	-19.3	122.5	12.0	-5.8
MSCI ACWI SELECT SILVER MINERS IMI (CAD)	14.7	14.7	-4.8	-18.9	121.7	10.5	-7.7



www.sprott.com

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) 2012 annual returns are from 02/28/12 to 12/31/12. The index is 100% MSCI ACWI Select Silver Miners IMI (CAD) Index and is computed by Sprott Asset Management LP based on publicly available index information.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: capital gains risk; class risk; commodity risk; concentration risk; currency risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; liquidity risk; market risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; substantial shareholder risk; tax risk; uninsured losses risk.

Sprott Asset Management LP is the investment manager to the Sprott Funds (collectively, the "Funds"). Commissions, trailing commissions, management fees, other charges and expenses all may be associated with mutual fund investments. Please read the prospectus carefully before investing. The indicated rate of return for series A shares of the Fund for the period ended January 31, 2017 is based on the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. 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 Fund may be lawfully sold in their jurisdiction.

The opinions, estimates and projections ("information") contained within this report are solely those of Sprott Asset Management LP ("SAM") and are subject to change without notice. SAM makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, SAM assumes no responsibility for any losses or damages, whether direct or indirect, which arise out of the use of this information. SAM is not under any obligation to update or keep current the information contained herein. The information should not be regarded by recipients as a substitute for the exercise of their own judgment. Please contact your own personal advisor on your particular circumstances. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any investment funds managed by Sprott Asset Management LP. Any reference to a particular company is for illustrative purposes only and should not be considered as investment advice or a recommendation to buy or sell nor should it be considered as an indication of how the portfolio of any investment fund managed by Sprott Asset Management LP is or will be invested. SAM LP and/or its affiliates may collectively beneficially own/control 1% or more of any class of the equity securities of the issuers mentioned in this report. SAM LP and/or its affiliates may hold short position in any class of the equity securities of the issuers mentioned in this report. During the preceding 12 months, SAM LP and/or its affiliates may have received remuneration other than normal course investment advisory or trade execution services from the issuers mentioned in this report.

Sprott Asset Management LP: Toll Free: 1.866.299.9906. DEALER SERVICES: RBC Investor & Treasury Services: Tel: 416.955.5885; Toll Free: 1.877.874.0899.