



SPROTT DIVERSIFIED BOND FUND

January 2017 Commentary

The BofA Merrill Lynch U.S. High Yield Index had a solid start to the year, with a total return of 1.3% in January. This is in line with other risk assets; as the S&P 500 and Dow went on to make new highs this past month.

The Diversified Bond Fund began 2017 with a steady 0.4% return. As discussed in our previous commentaries, we expect economic growth to continue improving and for the Fed to continue rate hikes in 2017. While we expect the Fed to hike rates, we did deploy some of our cash at the beginning of the year in the government bond market as yields at the beginning of the year reflected the consensus for higher rates in 2017.

Our emerging market exposure remained steady, while we increased our exposure to preferred equities to 8% as we see better opportunities in this sector on a reward-risk basis.

Overall, January was a fairly uneventful month for the financial markets. The market participants have reacted positively to the expectation of lower taxes and regulatory reform under the new U.S. government. So far, the political chaos caused by President Trump's executive orders has not had any spill-over effects into the financial markets, but that is something to look out for.

Scott, Chris, and Aly

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COMPOUNDED RETURNS (%) AS AT JANUARY 31, 2017¹

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	ANNUALIZED INCEPTION (08/05/10)
SPROTT DIVERSIFIED BOND FUND, SERIES A	0.4	0.4	0.9	2.3	5.6	3.1	4.2	4.1
BLENDED INDEX*	1.0	1.0	1.5	3.8	15.8	4.7	6.1	6.7

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* Blended Index is 75% of the BofA Merrill Lynch US High Yield Index and 25% FTSE TMX Canada Universe Bond Index™ and is computed by Sprott Asset Management LP based on available index information.

¹ All returns and fund details are a) based on Series A units; b) net of fees; c) annualized if period is greater than one year; d) as at January 31, 2017; e) 2010 annual returns are from 08/05/10 to 12/31/10.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: capital depletion risk (Series T, Series FT, Series PT, Series PFT, Series QT, and Series QFT units only); concentration risk; credit risk; currency risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; interest rate risk; regulatory risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; substantial unitholder risk; tax risk; liquidity risk.

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