

For the month of July, the Sprott Resource Class returned 9.6%, bringing the fund's YTD and 1-year returns to 79.5% and 64.0%, respectively, outperforming the benchmark (50/50 S&P TSX Capped Materials TR and S&P TSX Capped TR) by 39.2% and 37.2% respectively.

The Fund is managed on a Core/Tactical basis, identifying the 'Core' small to mid-cap resource companies that are expected to outperform through a cycle, while using the 'Tactical' portfolio to provide sector beta and downside protection, depending on the macro outlook.

Towards the end of June/beginning of July, we observed a cautious shift in the global energy markets as supply disruptions normalized and refined products began to build. At the same time, US drilling activity continued to recover, with the Baker Hughes oil rig count now up approximately 18% from the May 27th lows and US crude production increasing for 4 weeks in a row according to the DOE. This culminated in a sharp 20% pullback in crude oil, causing some to question the durability and sustainability of the rally off February lows. While we remain cognizant of the H2/2016 recovery case for energy, we nonetheless have reduced our exposure to oil beta and instead focused our energy exposures on natural gas, where we expect a normalization of gas demand and storage levels will lead to higher prices for the commodity in the coming months.

On the materials side, we observed a consolidation in the price of gold and related precious metals as the initial spike off Brexit fears abated. However, we still believe the long-term investment case for gold remains solid, as policymakers around the world continue to tinker with their fiscal and monetary policies in order to revive moribund economic growth. The Fund also tactically invested in several base metals and steel companies as we anticipate global stimulus measures will lead to higher demand for those commodities in the near to medium term.

Looking forward, we believe the Sprott Resource Class remains an ideal investment vehicle for clients who are bullish on the long-term outlook for resources but are unsure of the sector allocation between mining and energy. Our keen focus on the macro risks, combined with our ability to uncover hidden gems in the small to mid-cap space ensure we are constantly delivering the best risk-adjusted returns to our clients.

COMPOUNDED RETURNS (%) AS AT JULY 29, 2016¹

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	ANNUALIZED INCEPTION (10/17/11)
SPROTT RESOURCE CLASS, SERIES A	9.6	79.5	20.9	71.5	64.0	11.9	-3.0
BLENDED INDEX [†]	3.3	40.3	7.4	42.4	26.8	1.8	-3.4

SPROTT RESOURCE CLASS

July 2016 Commentary



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[†] Blended Index (50/50 S&P/TSX Capped Materials Total Return Index and S&P/TSX Capped Energy Total Return Index) is computed by Sprott Asset Management LP based on available index information.

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 July 29, 2016; e) 2011 annual returns are from 10/17/11 to 12/31/11.

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; regulatory risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; small company 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, performance fees (if any), 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 units of the Fund for the period ended July 29, 2016 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.

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