

During March the Sprott Resource Class returned 0.46%, modestly underperforming the benchmark which returned 1.44%. Year to date, the Sprott Resource Class has outperformed the benchmark by 6.64%. Of the 24 resource fund peers we track, the Sprott Resource Class is the top performing resource fund YTD and over the 1-year and 3-year periods ending March 31, 2017.

AS OF MARCH 31, 2017	ANNUALIZED RETURNS (%)			
	YTD	1Year	3 Year	5 Year
Sprott Resource Class, Series A	5.14	58.36	10.99	1.96
Front Street Special Opportunities CI A	-7.36	36.40	-13.83	-8.40
DMP Resource Class	4.16	35.79	6.07	-14.46
CI Signature Glb Resource A	-4.90	31.44	-4.84	-0.94
Investors Canadian Natural Resource A	-6.82	27.15	-10.32	-14.44
Mackenzie Global Resource CI A	-5.18	26.51	-3.36	2.03
First Asset Resource Fund Inc	-6.37	25.91	-5.48	-6.24
Scotia Resource	2.82	25.80	4.45	1.84
Front Street Growth Series A	-15.46	24.96	-17.99	-13.64
BMO Resource A	-2.72	24.19	-1.53	3.58
Mackenzie Canadian Resource A	-5.93	23.98	-11.65	-8.07
RBC Global Resources Sr A	-0.82	23.88	-0.27	0.52
Trimark Resources	-12.66	23.74	-9.87	-5.28
Dynamic Strategic Resource Class A	-3.81	22.99	3.30	3.57
Front Street Resource Grwth and Inc CI A	-7.65	20.66	-13.18	-14.35
National Bank Resource Fund	0.17	19.36	0.87	-1.41
Brompton Resource	-4.79	18.97	-21.74	-27.56
Dynamic Resource	3.63	17.49	0.21	-7.54
Stone & Co Resource Plus Class A	-2.79	16.68	-10.76	-6.29
Investors Global Natural Resources CL A	-2.34	14.89	-3.36	-7.38
Renaissance Global Resource	-4.50	14.44	-10.22	-12.29
CIBC Canadian Resources	-5.20	13.07	-9.90	-11.70
AGF Global Resources Class	-8.31	10.78	-11.39	-6.58
Fidelity Global Natural Resources Sr A	-3.57	8.48	0.34	5.21
Sentry Canadian Resource Class A	-6.10	5.89	-6.27	-8.84
Average	-4.20	23.47	-5.65	-5.19

Source: Morningstar, Sprott Asset Management LP.

Continued on next page >

# SPROTT RESOURCE CLASS

March 2017 Commentary

Note that on a 1-year basis, the Resource Class downside capture was -11.75%, which compares favorably to the peer group's ~27.90% downside capture. On the upside, the Resource Class captured approximately 164.41% of the index returns while our peers captured 76.50%. The Fund is clearly outperforming on both up-legs and down-legs during these volatile times in the resource markets.

	One Year (As at March 31, 2017)			Since March 2014		
	Sprott Resource Class	Peer Group <sup>1</sup>	Index <sup>2</sup>	Sprott Resource Class	Peer Group <sup>1</sup>	Index <sup>2</sup>
Cumulative Return	58.40%	23.50%	23.30%	38.70%	-15.80%	-8.60%
Annualized Std Dev	20.90%	13.70%	16.00%	24.10%	17.90%	20.00%
Up Capture %	164.40%	76.50%	100.00%	146.60%	74.80%	100.00%
Down Capture %	-11.75%	27.90%	100.00%	85.20%	95.20%	100.00%
Sharpe Ratio <sup>3</sup>	2.76	1.67	1.41	0.44	-0.34	-0.17
Sortino Ratio (0% MAR)	13.08	7.11	4.66	0.74	-0.41	-0.20
Beta <sup>4</sup>	1.11	0.77	1.00	1.10	0.84	1.00

Based on Series A monthly returns

1 Peer Group: Morningstar Natural Resource Equity Category

2 Index: The blended index is 50% S&P/TSX Capped Materials Total Return Index and 50% S&P/TSX Capped Energy Total Return Index and is computed by Sprott Asset Management LP based on publicly available index information.

3 Risk Free Rate = Rolling 3 year average Canada 3-Month Treasury Bill

4 Based on Index

March was a quiet month for the portfolio companies so we thought it would be worthwhile to review how the Sprott Resource Class is managed. The Fund is uniquely managed with up to 80% of the portfolio invested in 'core' names, which are typically small to mid-cap resource companies that are expected to outperform the benchmark over a cycle. This part of the portfolio is expected to generate alpha. The other portfolio component is 'tactical', which attempts to opportunistically provide beta to the respective sectors when the outlook is positive, while mitigating fund drawdowns when the outlook is poor. There are three primary reasons to manage the fund this way. First, trying to populate an entire portfolio with exceptional stock picks is very difficult because usually I don't have that many exceptional ideas at one time. Second, the core has a tendency to become somewhat concentrated in a particular commodity which is at odds with our objective to diversify commodity concentration risk. Finally, the tactical component is used to dampen volatility which is important considering core names typically exhibit above average volatility and clients do not like volatility.

It is also important to note that the core portion of the portfolio is managed differently than most stock picking funds. Unlike many portfolio managers who select securities based on a single criteria (EV/EBITDA, NAV, P/CF, etc.), the core component of the Sprott Resource Class does not limit security selection to any single metric or an inflexible, regimented process. The rationale behind this flexibility is simple – stocks go up for different reasons, so why limit selection to a single methodology? Companies may be selected for inclusion in the portfolio if they offer value on a NAV basis, are inexpensive based on an operating metric (EV/EBITDA, P/CF, FCF yield, etc.), possess a world class asset, operationally are at an inflection point and/or are catalyst rich. With performance being the ultimate evaluator, this approach appears to be effective.

# SPROTT RESOURCE CLASS

March 2017 Commentary

## COMPOUNDED RETURNS (%) AS AT MARCH 31, 2017<sup>1</sup>

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	ANNUALIZED INCEPTION (10/17/11)
SPROTT RESOURCE CLASS, SERIES A	0.5	5.1	5.1	2.9	58.4	11.0	2.0	- 0.9
BLENDED INDEX <sup>†</sup>	1.4	-1.5	-1.5	0.9	23.3	-2.9)	-2.7	-2.9

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

<sup>1</sup> 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 March 31, 2017; 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.**

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