

Q1 2019

Sprott Hathaway offers investors a unique precious metals investment strategy by combining the strengths of two industry leaders.

Portfolio Management Team

John Hathaway is one of the most respected investors in the precious metals investment sector, with US\$1.4B in AUM¹ and strong track record over 25 years.



John Hathaway, CFA
Portfolio Manager,
Sprott Hathaway Special
Situations Strategy and
Senior Portfolio Manager,
Tocqueville Asset
Management



Doug Groh
Portfolio Manager,
Sprott Hathaway Special
Situations Strategy
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Management



Ryan McIntyre, CFA
Portfolio Manager,
Sprott Hathaway Special
Situations Strategy
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Management

Sprott

Sprott Inc. (TSX: SII) is a global asset manager with US\$7.8B in AUM¹ specializing in precious metals and real assets strategies with expertise dating back to 1981.



Whitney George
President, Sprott Inc.;
Chief Investment Officer,
Sprott Asset Management
& Chairman, Sprott U.S.
Holdings



Peter Grosskopf
Chief Executive
Officer, Sprott Inc.;
Managing Director,
Sprott Resource Lending

Strategy Objective

Long-term capital appreciation by investing in a concentrated portfolio of mining companies located throughout the world, in both developed and emerging markets, that explore for metals, develop precious metal resources, build mines, and operate mines with special emphasis on likely takeover candidates.

Investment Thesis

- **Mining Stocks are “Episodically” Undervalued**
 - Since the cycle peak in April 2011, gold mining companies have declined more than 78%²
 - In similar periods, mining stocks rebounded and significantly outperformed the broad market and other sectors
- **Favorable Supply/Demand Factors for Gold Companies**
 - Gold sector running out of global reserves
 - Cheaper to buy than develop reserves
 - M&A boom accelerating over next several years
 - Sprott and Hathaway partnership offers unique investment platform

Portfolio Construction

- 12-18 public stocks, low turnover
- Mostly small- and mid-cap names (\$300MM-\$1B market caps)
- Mining companies where the manager can help bridge the gap in access to financing, value realization and market perception
- Target net long of 70%-100% (no single stock shorting; hedging through cash, options)
- Liquidity parameters for each investment and for the overall strategy

Catalysts for Value Realization

- **M&A Activity** – Dwindling gold reserves and record-low new gold discoveries have ignited a wave of consolidations
- **Optionality** – High-quality deposits will provide the strongest upside leverage to a higher gold price
- **Exploration Upside** – Existing economic deposits with robust exploration upside

Gold Equities Dislocation from S&P 500 (GDM Index versus S&P 500 Index³ 9/17/1993-3/31/19)



Source: Bloomberg.

History demonstrates that gold mining equities have the ability to generate portfolio alpha during significant corrections in U.S. equities. As shown above, since 1996, there have been only two periods of extended inverse performance between the GDM Index³ and the S&P 500: 1996-through-2002 and 2012-through-the-present. In the first instance, gold shares slumped as the internet bubble hit full frenzy through March 2000. Then, as the S&P 500 fell 52%, gold stocks tripled.

Sprott Hathaway Special Situations Strategy

Investment Process

Sprott and Hathaway are offering investors a strategy that capitalizes on the combined strengths of two gold-investing industry leaders.



Hathaway

Hathaway is responsible for portfolio management.



Sprott

Sprott will provide technical, financial and administrative support.



Sprott

Please contact the Sprott Team at **888.622.1813** for more information. You can also email us at invest@sprott.com.

¹ AUM figures as of 12/31/18. Hathaway assets represent Tocqueville clients for which Mr. Hathaway is a Portfolio Manager.

² As measured by the 78.79% decline in the VanEck Vectors Junior Gold Miners ETF (GDXJ) for the period from 4/8/2011 through 12/31/18; VanEck Vectors Gold Miners ETF (GDX) declined 65.21% during the same period.

³ The NYSE® Arca Gold Miners™ Index (GDM) is a rules-based index designed to measure the performance of highly capitalized companies in the Gold Mining industry; the inception of the Index is 9/17/93. The Standard and Poor's 500 Index (SPX) is a capitalization-weighted index of 500 stocks.

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