

Sprott ETFs – Monthly Miners Insights

FACTORS *that* MATTER™

All data as of February 28, 2018

Key Takeaways

- February was a rough month for gold miners as bullion offered little protection from the declines in broader equity markets. While spot gold prices fell 2.08% last month, the Sprott Gold Miners ETF (SGDM) slipped 12.94% and the Sprott Junior Gold Miners ETF (SGDJ) shed 6.30%.
- Large- and mid-cap miners significantly under-performed small-cap equivalents in February.
- From a geographic perspective, Canadian miners were the biggest detractors for both SGDM and SGDJ last month. Agnico Eagle Mines LTD (AEM) lost the most detracting 2.35% from SGDM. Bright spots among juniors included China's China Gold International Resources (CGG CN) as well as South Africa's Harmony Gold Mining Co. Ltd.-SPON ADR (HMY).

Monthly & Year-To-Date Overview

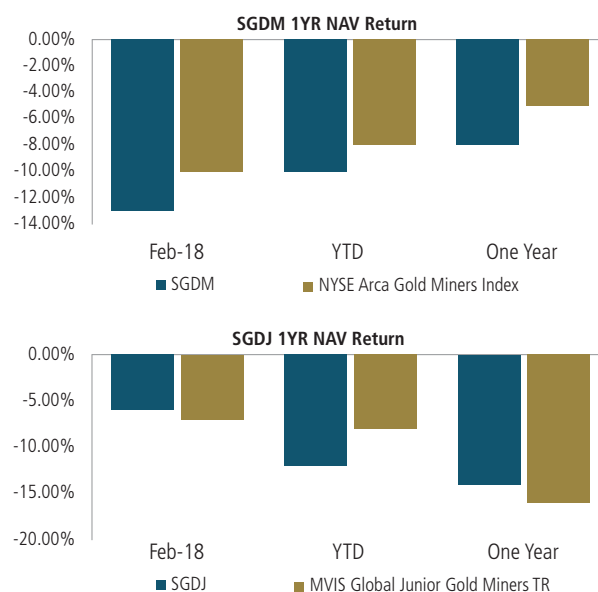
In February, gold betrayed its reputation as a “shelter from the storm” play, falling alongside equity markets. Amid heightened equity market volatility, market participants favored the U.S. dollar, sending dollar-denominated gold down 2.08% for the month. That is about 160 basis points (bps) better than the S&P 500's February decline.

Despite its February struggles, gold remains a compelling asset in the current environment. The dollar is expected to remain weak and inflation is forecast to be tame for the rest of this year, factors that could benefit bullion.

“We see gold as a smart and defensive way to diversify a portfolio in the later innings of a bull market and ahead of what has historically been a volatile year as mid-term elections approach,” said CFRA Research in a note out last month. “Geopolitical tensions with North Korea remain, and while gridlock in Washington has abated for now, we view immigration and infrastructure spending as topics that could quickly drive its return.”¹

An issue pertaining directly to the miners is that these companies are not mining as quickly or in the high amounts seen in previous years. Global gold production hit 105 million troy ounces last year and has risen just 17 million troy ounces since the start of the current decade, according to the World Gold Council (WGC).

We expect gold miners will continue taking steps to shore up their balance sheets and improve operational efficiencies to take advantage of higher prices.

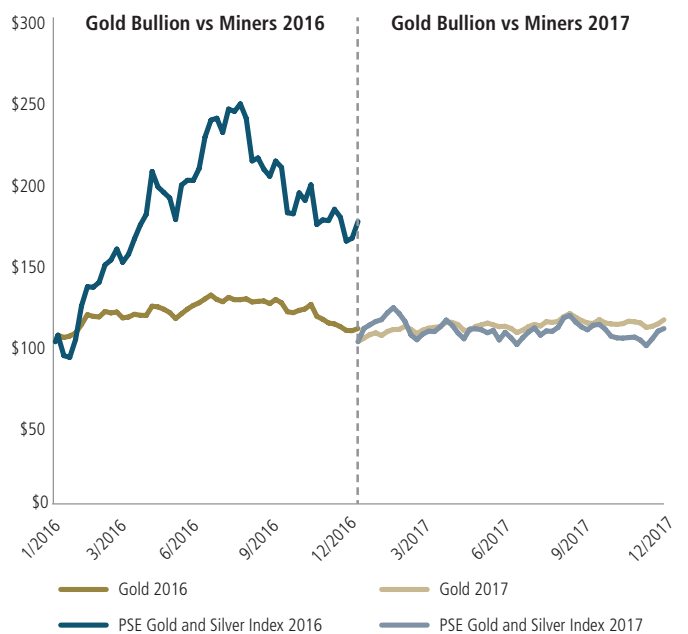
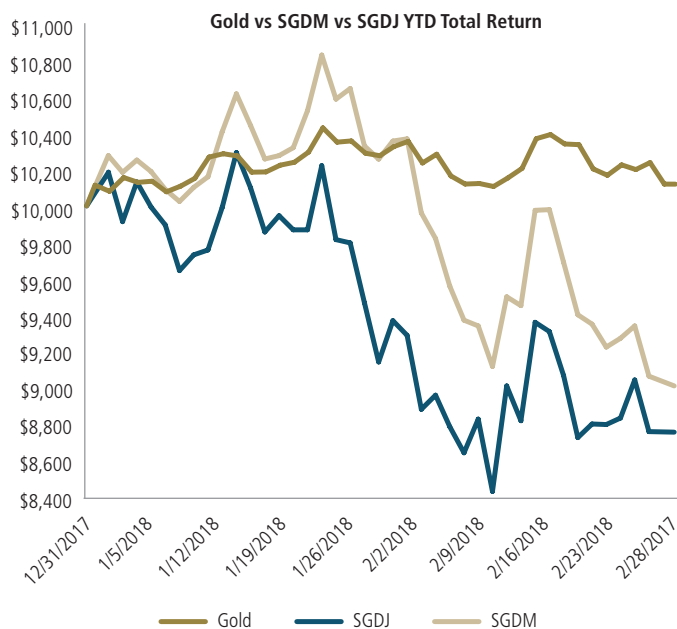


Source: ALPS, as of 2/28/2018.

Past performance is not indicative of future results. Please see standardized performance on page 3.

Refresher

SGDM and SGDJ are factor based models. SGDM selects mining companies with the highest beta to gold and weights constituents based on revenue growth and long-term debt to equity. SGDJ selects mining companies with market capitalization between \$250 million to \$2 billion and weights constituents based on revenue growth and price momentum.



Source: Bloomberg as of 2/28/2018. Past performance is not indicative of future results.

SGDM & SGDJ Portfolios

Agnico Eagle was a major detractor from SGDM's portfolio in February following disappointing fourth-quarter results. While the company's quarterly profit beat estimates, Agnico Eagle said output costs increased and provided a slack production forecast. On Feb. 28th, TD Securities upgraded the stock to Buy from Hold. In late February, Bloomberg reported that Agnico Eagle is reviewing some of its Canadian cobalt assets for a possible sale.²

A consistent detractor from the SGDM portfolio has been Randgold Resources Ltd. (GOLD). The stock tumbled almost 20% last month after the head of the Democratic Republic of Congo's state mining company has said he will renegotiate all contracts with foreign countries within the next year. That follows the Congo revising a mining code aimed at raising taxes and royalties while imposing a "super-profit tax defined as income realized when commodity prices rise to 25% more than noted in a mining project's bank feasibility study, characteristic of second-phase mining,"^{3,4}

Numis downgraded the stock to Add from Buy on Feb. 6th. In more positive news for Randgold, CEO Mark Bristow said in an interview with Reuters that the company has "\$900 million of ammunition to do anything that arises," indicating Randgold could go shopping in the Americas.⁵

Turning to the junior mines and the Sprott Junior Gold Miners ETF, Canadian miners were big detractors to SGDJ's lineup in February.

Osisko Gold Royalties LTD (OR CN) lost 13.70% for the month while New Gold Inc (NGD) was down 16.83%. New Gold was repudiated after delivering disappointing fourth-quarter results. Investors were irked even though New Gold's 2018 production guidance was toward the high end of estimates with costs forecast at the low end.⁶

New Gold finished 2017 with cash and cash equivalents of \$216 million. That is close to 20% of the company's current market value.

Top 10 Equity Holdings (% of Total Portfolio)

SGDM

1. RANDGOLD RESOURCES LTD-A	17.11%
2. AGNICO EAGLE MINES LTD	13.72%
3. GOLDCORP INC	12.21%
4. PAN AMERICAN SILVER CORP	4.54%
5. NEWMONT MINING CORP	4.47%
6. BARRICK GOLD CORP	4.47%
7. CIA DE MINAS BUENAVENTUR-	4.39%
8. IAMGOLD CORP	4.36%
9. KINROSS GOLD CORP	4.35%
10. ROYAL GOLD INC	4.13%

SGDJ

1. ALAMOS GOLD INC-CLASS A	7.51%
2. ENDEAVOUR MINING CORP	7.01%
3. IAMGOLD CORP	6.88%
4. OCEANAGOLD CORP	6.82%
5. OSISKO GOLD ROYALTIES LT	4.57%
6. TOREX GOLD RESOURCES INC	4.16%
7. COEUR MINING INC	4.13%
8. NEW GOLD INC	4.10%
9. FIRST MAJESTIC SILVER CO	3.94%
10. KLONDEX MINES LTD	3.68%

Source: Bloomberg as of 12/31/17
Holdings are subject to change. Only long positions are listed.

ETF Stats (Bloomberg Data as of 12/31/17)

Ticker:	SGDM
CUSIP:	00162Q643
Fund Inception:	7/15/14
Dividends Paid:	Yearly
Most Recent Dividend*:	\$0.1194
Gross Expense Ratio:	0.57%
NAV**:	\$20.73

*Dividend paid on 12/21/17.

**As of 12/31/17.

Ticker:	SGDJ
CUSIP:	00162Q585
Fund Inception:	3/31/15
Dividends Paid:	Yearly
Most Recent Dividend*:	\$0.0470
Gross Expense Ratio:	0.57%
NAV**:	\$33.47

*Dividend paid on 12/21/17.

**As of 12/31/17.

Performance (as of 12/31/17)

	3 Month	6 Month	YTD	1 Year	3 Year	Cumulative Since Inception	Annualized Since Inception
Sprott Gold Miners ETF (Net Asset Value)	1.21%	7.31%	11.02%	11.02%	6.45%	-15.14%	-4.63%
Sprott Gold Miners ETF (Market Price) [†]	1.12%	7.26%	10.62%	10.62%	6.42%	-15.22%	-4.65%
S&P 500 Total Return Index	6.64%	11.42%	21.83%	21.83%	11.41%	45.39%	11.40%
Sprott Zacks Gold Miners TR	1.36%	7.63%	11.73%	11.73%	7.24%	-13.00%	-3.94%
Sprott Junior Gold Miners ETF (Net Asset Value)	-4.62%	0.68%	5.53%	5.53%	—	42.14%	13.61%
Sprott Junior Gold Miners ETF (Market Price) [†]	-4.45%	0.80%	5.36%	5.36%	—	42.27%	13.64%
S&P 500 Total Return Index	6.64%	11.42%	21.83%	21.83%	—	35.80%	11.74%
Sprott Zacks Junior Gold Miners Index TR	-4.40%	1.05%	6.21%	6.21%	—	45.77%	14.65%

Performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be higher or lower than actual data quoted. Call 1.855.215.1425 or visit www.sprottets.com for current month end performance. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

[†]Market Price is based on the midpoint of the bid/ask spread at 4 p.m. ET and does not represent the returns an investor would receive if shares were traded at other times.

IMPORTANT DISCLOSURES & DEFINITIONS

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information please contact your financial professional or call 1.855.215.1425. Read the prospectus carefully before investing.

Sprott Gold Miners ETF shares are not individually redeemable. Investors buy and sell shares of the Sprott Gold Miners ETF on a secondary market. Only market makers or "authorized participants" may trade directly with the Fund, typically in blocks of 50,000 shares.

The Fund is not suitable for all investors. There are risks involved with investing in ETFs including the loss of money. The Fund is considered non-diversified and can invest a greater portion of assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a diversified fund.

The Fund will be concentrated in the gold and silver mining industry. As a result, the Fund will be sensitive to changes in, and its performance will depend to a greater extent on, the overall condition of the gold and silver mining industry. Also, gold and silver mining companies are highly dependent on the price of gold and silver bullion. These prices may fluctuate substantially over short periods of time so the Fund's Share price may be more volatile than other types of investments.

Funds that emphasize investments in small/mid cap companies will generally experience greater price volatility. Funds investing in foreign and emerging markets will also generally experience greater price volatility.

There are risks involved with investing in ETFs including the loss of money.

Diversification does not eliminate the risk of experiencing investment losses.

ETFs are considered to have continuous liquidity because they allow for an individual to trade throughout the day.

Sprott Zacks Gold Miners Total Return Index is comprised of approximately 25 stocks selected, based on investment and other criteria, from a universe of gold

and silver mining companies whose stock is listed on a major U.S. exchange. The stocks are selected using a proprietary, quantitative rules based methodology developed by Zacks Index Services.

S&P 500[®] Total Return Index is an unmanaged index that tracks the performance of 500 widely held large-capitalization U.S. stocks. The indexes are reported on a total return basis, which assumes reinvestment of any dividends and distributions realized during a given time period.

The indexes are not actively managed and do not reflect any deductions for fees, expenses or taxes.

One cannot invest directly in an index. Index performance does not reflect fund performance.

ALPS Portfolio Solutions Distributor, Inc. is the Distributor for the Sprott Gold Miners ETF.

*Beta is defined as a sensitivity measure based on regression against the spot gold price movement during the trailing 36 months.

¹ [http://www.investmentnews.com/article/20180305/FREE/180309959/why-isnt-gold-soaring?utm_source=Morning-20180307&utm_medium=email&utm_campaign=investmentnews&utm_visit=571295&itx-%5bemail%5d=&itx\[email\]=cbd10c4897431e82bb83657e59627f481c-8ca3daff2d33aa161103387ca92db4%40investmentnews](http://www.investmentnews.com/article/20180305/FREE/180309959/why-isnt-gold-soaring?utm_source=Morning-20180307&utm_medium=email&utm_campaign=investmentnews&utm_visit=571295&itx-%5bemail%5d=&itx[email]=cbd10c4897431e82bb83657e59627f481c-8ca3daff2d33aa161103387ca92db4%40investmentnews)

² <https://seekingalpha.com/news/3331537-agnico-eagle-mines-edges-lower-q4-costs-high-side>

³ <https://www.reuters.com/article/us-congo-mining/congos-kabila-to-meet-companies-over-mining-code-revision-idUSKCN1GTF075>

⁴ <https://www.reuters.com/article/congo-mining/congos-kabila-yet-to-sign-new-mining-code-as-deadline-nears-idUSL8N1QA4ZM>

⁵ <https://doctorcobalt.com/2018/02/21/randgold-looks-to-the-americas-in-quest-to-diversify/>

⁶ <https://www.gurufocus.com/news/626517/new-gold-falls-sharply>