

# Sprott ETFs – Monthly Miners Insights

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All data as of March 31, 2018

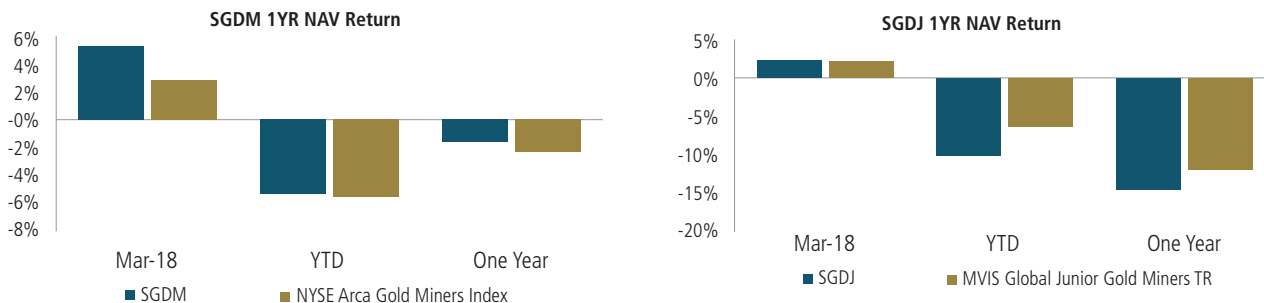
## Key Takeaways

- With the major stock indices flailing again in March, it was a good month for gold and an even better month for gold miners. Senior miners led the group higher with Canadian based companies driving returns for the Sprott Gold Miners ETF (SGDM) and the Sprott Junior Gold Miners ETF (SGDJ).
- Gold miners reasserted themselves as a levered play on bullion as large-, mid- and small-cap miners outperformed spot gold in March.
- While gold miners endured some rough months prior to March, the group is trading at attractive valuations relative to historical norms, potentially boding for a near-term rebound.

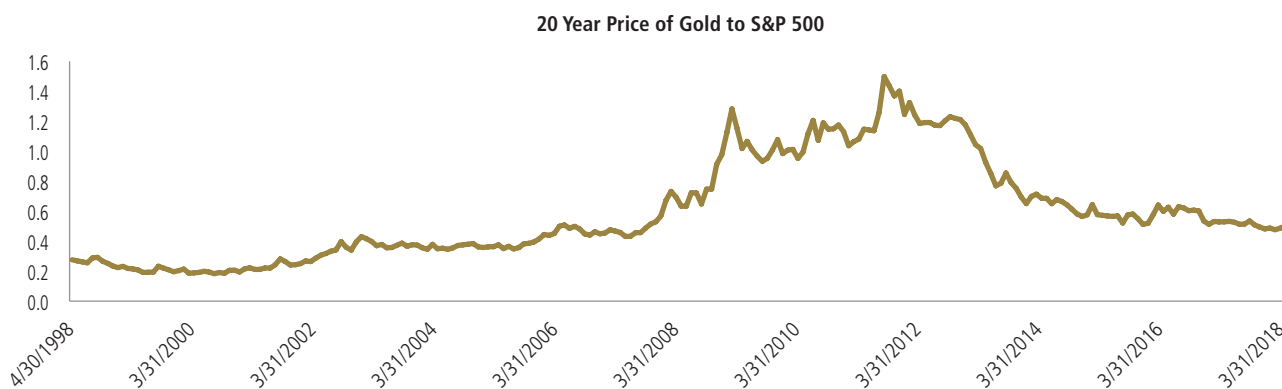
## Monthly & Year-To-Date Overview

Gold prices were higher in March, rising 0.63%, helped in part by a weaker U.S. dollar which declined 0.70%. Data from the World Gold Council (WGC)<sup>1</sup> indicate global investors added money to gold exchange traded funds (ETFs) in March, providing a lift to prices along the way. However, it was the gold miners that really shined with SGDM jumping 5.26%, outpacing the NYSE Arca Gold Miners Index by nearly 240 basis points (bps).

Small-cap miners propelled SGDJ to a March gain of 2.28%. While the small-cap holdings contributed the most to return (90+% weighting), the mid-cap names actually saw the higher total return led by Alamos Gold Inc-Class A (AGI).



Source: ALPS, as of 3/31/2018. Past performance is not indicative of future results. Please see standardized performance on page 3.



## Gold Miners: Attractive Valuations

The ratio of gold miners against the S&P 500 index resided at a 10-year low at the end of the first quarter. Much of the recent coverage of the gold mining space has been devoted to some or all of the following factors: compelling valuations, finding large deposits have become difficult to discover and mining costs.

<sup>1</sup> Source: World Gold Council March Inflows data <https://www.gold.org/data/gold-etf-holdings>

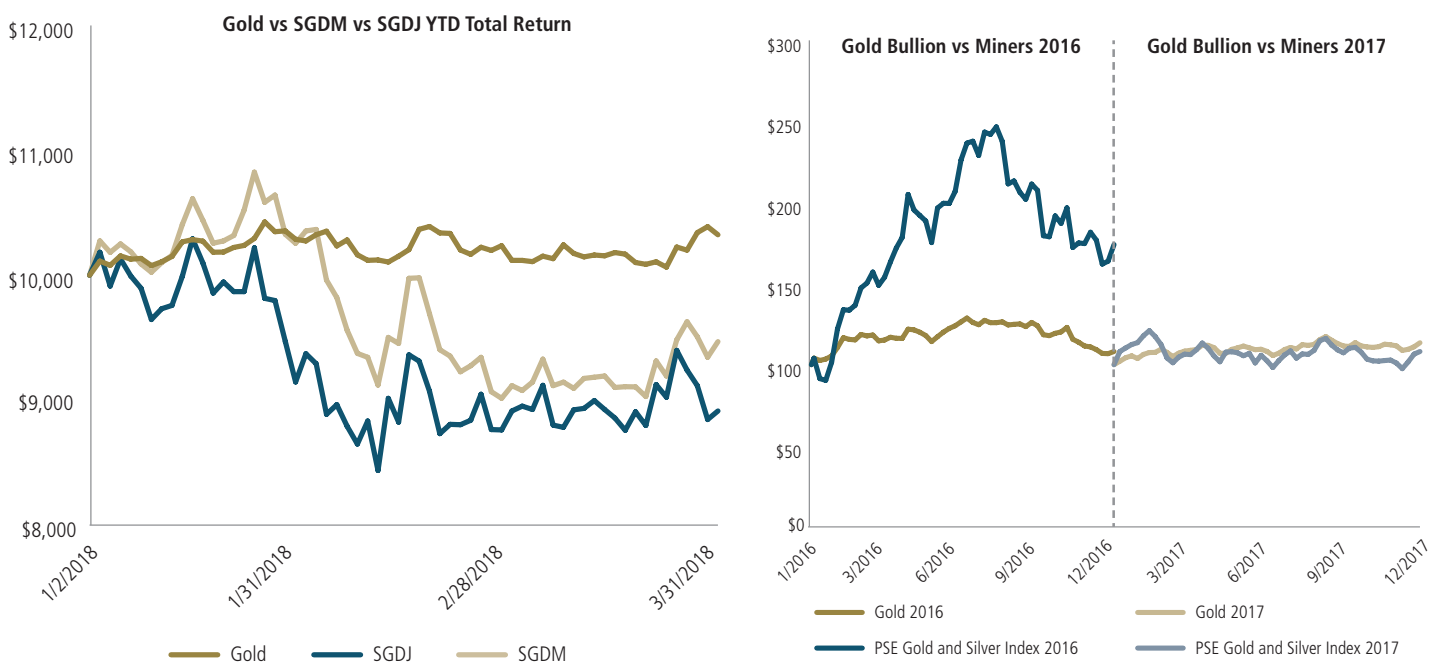
Indeed, all-in sustaining costs (AISCs) are rising, indicating that the environment going forward will be one of harder-to-extract and more costly -to-extract gold.

“While sustaining costs have risen sharply from the first quarter of 2016, they are still around half their peak value. Cash costs meanwhile did decline from their peak in the second quarter of 2013, but that decline was not nearly as dramatic as that of sustaining costs,” according to CPM Group.<sup>2</sup>

Rising AISCs could spur industry consolidation with large-cap miners looking to replenish dwindling reserves via acquisitions of their junior counterparts. Some market observers believe junior miners are trading at valuations that imply their ability to survive is questionable (in most cases, it is not). Add to that, some large-cap miners are sporting sturdy cash positions<sup>3</sup> and the climate could be ripe for industry consolidation.

## 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 3/31/2018. Past performance is not indicative of future results. Please see standardized performance on page 3.

## SGDM: Gold, Silver and Canada

Mid-caps, 55% of SGDM's current portfolio, contributed the most to the ETF's March performance. Among the best-performing members of the portfolio were miners with significant silver operations. SSR Mining Inc (SSRM), Fortuna Silver Mines Inc (FSM), First Magestic Silver Corp (AG) all posted 15+% returns for the month.

Another strong performer was Harmony Gold (HMY) which returned 14.90%, while contributing 36 bps to the overall portfolio return.

Underscoring SGDM's March strength, 21 of 25 holdings, or 84%, finished higher last month.

## Inklings of M&A For SGDJ

Last month, there were signs merger and acquisition (M&A) activity could be making its way back to the junior mining sector with Hecla Mining Company (HL) announcing a bid for Klondex Mines Ltd (KL CN). Klondex was the leader, surging 70.70% on the takeover news. With low company valuations for many junior miners, it can be more financially attractive for the senior miners to acquire new deposits and operating mines via acquisitions.

<sup>2</sup> Source: Mining.com April 4, 2018 <http://www.mining.com/gold-miners-sustaining-costs-22-since-gold-price-bottomed/>

<sup>3</sup> Source: Mining.com March 29, 2018 <http://www.mining.com/web/unloved-gold-juniors-ripe-picking/>

In March, 33 of SGDJ's 35 components were small-caps and seven of those stocks delivered double-digit returns for the month.

Last year, there was just \$8.95 billion in precious metals mining M&A, the lowest in a dozen years, according to Bloomberg.<sup>4</sup> As senior miners continue working through some ill-timed deals made in 2010-2011 while shoring up their balance sheets, M&A activity could pick-up at a gradual pace, particularly if gold prices move beyond \$1,400 per ounce.

<sup>4</sup> Source: Bloomberg Jan. 16, 2018 <https://www.bloomberg.com/news/articles/2018-01-17/gold-losses-in-years-past-keep-producers-from-buying-more-mines>

## Top 10 Equity Holdings (% of Total Portfolio)

### SGDM

1. RANDGOLD RESOURCES LTD	12.44%
2. GOLDCORP INC	11.43%
3. NEWMONT MINING CORP	11.07%
4. AGNICO EAGLE MINES LTD	10.76%
5. ROYAL GOLD INC	4.66%
6. CIA DE MINAS BUENAVENTU	4.54%
7. BARRICK GOLD CORP	4.23%
8. ALAMOS GOLD INC-CLASS A	3.87%
9. KINROSS GOLD CORP	3.47%
10. IAMGOLD CORP	3.21%

Source: Bloomberg as of 3/31/18

Holdings are subject to change. Only long positions are listed.

### SGDJ

1. ENDEAVOUR MINING CORP	8.32%
2. CENTERRA GOLD INC	7.61%
3. OSISKO GOLD ROYALTIES L	6.73%
4. DETOUR GOLD CORP	6.11%
5. PRETIUM RESOURCES INC	6.10%
6. TAHOE RESOURCES INC	4.30%
7. COEUR MINING INC	4.30%
8. NEW GOLD INC	3.95%
9. FORTUNA SILVER MINES IN	3.64%
10. SANDSTORM GOLD LTD	3.62%

## ETF Stats (Bloomberg Data as of 3/31/18)

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

\*Dividend paid on 12/21/17.

\*\*As of 3/31/18.

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

\*Dividend paid on 12/21/17.

\*\*As of 3/31/18.

## Performance (as of 3/31/18)

	3 Month	6 Month	YTD	1 Year	3 Year	Cumulative Since Inception	Annualized Since Inception
Sprott Gold Miners ETF (Net Asset Value)	-5.35%	-4.21%	-5.35%	-1.58%	6.01%	-19.68%	-5.73%
Sprott Gold Miners ETF (Market Price) <sup>†</sup>	-5.26%	-4.21%	-5.26%	-1.73%	6.07%	-19.68%	-5.73%
S&P 500 Total Return Index	-0.76%	5.84%	-0.76%	13.99%	10.78%	44.29%	10.38%
Sprott Zacks Gold Miners TR	-5.16%	-3.87%	-5.16%	-0.91%	6.79%	-17.49%	-5.05%
Sprott Junior Gold Miners ETF (Net Asset Value)	-10.04%	-14.19%	-10.04%	-12.80%	8.92%	27.87%	8.53%
Sprott Junior Gold Miners ETF (Market Price) <sup>†</sup>	-10.36%	-14.35%	-10.36%	-13.04%	8.88%	27.53%	8.44%
S&P 500 Total Return Index	-0.76%	5.84%	-0.76%	13.99%	10.78%	34.77%	10.45%
Sprott Zacks Junior Gold Miners Index TR	-9.95%	-13.91%	-9.95%	-12.21%	9.87%	31.27%	9.49%

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](http://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.

<sup>†</sup>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 the prospectuses, which contain this and other information please contact your financial professional or call 1.855.215.1425. Read the prospectuses 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.

Sprott Junior Gold Miners ETF shares are not individually redeemable. Investors buy and sell shares of the Sprott Junior 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 Funds are not suitable for all investors. There are risks involved with investing in ETFs including the loss of money. The Funds are 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 Funds will be concentrated in the gold and silver mining industry. As a result, the Funds 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.

Sprott Zacks Junior Gold Miners Total Return Index is comprised of between 30 to 40 stocks selected, based on investment and other criteria, from a universe of gold and silver mining companies whose stocks are listed on a major U.S. or Canadian exchange. The stocks are selected using a proprietary, quantitative rules-based methodology developed by Zacks Index Services.

S&P 500<sup>®</sup> 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 and The Sprott Junior Gold Miners ETF.

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

<sup>1</sup> Bloomberg June 30, 2016.

<sup>2</sup> Gold price is a key factor driving the overall profitability of gold mining companies, and their stock price. Assuming that in the short term mining company's expenses are constant, an increase in the price of gold contributes directly to the profitability of the company.