

Sprott ETFs – Monthly Miners Insights

Factors *that* Matter™

Key Takeaways

- As the broad market sold off in the last month of the year, gold saw its largest increase of 2018. Gold mining stocks acted as a leveraged play on the yellow metal, more than doubling its return during December.
- The Sprott Gold Miners ETF (SGDM) slightly outperformed its junior peer, the Sprott Junior Gold Miners ETF (SGDJ), as names in Canada contributed the most to return.
- Heavy weight Wheaton Precious Metals Corp (WPM; 9.81% weight in the fund) returned 24.87% last month, after reaching a settlement with the Canada Revenue Agency regarding income generated by the company's foreign subsidiaries.

Performance

- Goldminers surged in December, as the S&P 500 fell over 4%, on fears of a global economic slowdown. The sector needed the push, after falling 23% through the end of November, as represented by the Philadelphia Stock Exchange Gold and Silver Index.

Total Return – December	1M	QTD	1YR
Sprott Gold Miners ETF (SGDM)	15.45%	12.79%	-15.01%
Sprott Junior Gold Miners ETF (SGDJ)	15.03%	3.80%	-25.66%
NYSE Arca Gold Miners Index	10.81%	14.36%	-8.39%
Philadelphia Stock Exchange Gold and Silver	9.75%	8.69%	-16.41%
Nyse Arca Gold BUGS Index	10.92%	14.13%	-15.76%
GOLD (spot)	5.23%	7.84%	-1.54%

Source: Bloomberg as of 12/31/2018

Past performance is not indicative of future results.
For Standard performance, please see page 3.

Strategy

- SGDM and SGDJ are factor-based or smart beta avenues to investing in gold miners. SGDM selects components with high betas relative to gold, weighting those names based on revenue growth and long-term debt-to-equity. SGDJ, the junior fund, only holds miners with market values of \$250 million to \$2 billion and weights member firms based on revenue growth and price momentum.

Attribution Notes

SGDM:

- Wheaton Precious Metals Corp (WPM; 9.81% in the fund) rocked 24.87%, adding 2.25% to the fund, after receiving a favorable ruling from the Canadian Revenue Agency, detailing their ability to not have international income taxed in state. Wheaton, according to an article in seeking alpha, had underperformed its peers over the last couple months due to the Canadian revenue agency claiming that the company was subject to a tax on foreign on income earned outside of the state. The stock spiked after Wheaton came to terms with the regulator.
- Canadian miners bounced back, contributing the most to return in December, led by previously mentioned WPM, and top weighting Agnico Eagle Mines LTD (AEM; 11.74% weight). Miners in South Africa had the highest total return for the month, led by Anglogold Ashanti-SPON ADR (AU; 3.71% weight). AU announced an increase in gold production for 2018 at the beginning of the month, pushing its yearly number to the highest figure in the mine's history of 250k oz. The company stated its 2019 goal of 270k oz.

	AVG Weight During Dec. (%)	Contribution to Return (%)	Total Return (%)
Sprott Gold Miners ETF (SGDM) (%)	100.00	15.45	15.45
Canada	68.76	10.36	15.04
United States	14.96	2.26	15.01
South Africa	8.44	1.80	22.02
Peru	4.53	0.67	14.71
Brazil	3.31	0.36	13.71

Source: Bloomberg as of 12/31/2018

Past performance is not indicative of future results.

SGDJ:

- Endeavour Mining Corp (EDV; 6.89% weight in the fund) was the top contributor to the fund last month, adding 2.04% on a 31.27% return. Endeavour completed its sales of its non-core interest Tabakoto mine. EDV announced its Q3 numbers in November, and projected its Q4 production results to increase over its Q3 numbers, resulting in a year end numbers to near the upper-end of the FY-2018 guidance.
- Holdings in Canada contributed the most to return, led by 5.78% weighting Pretium Resources Inc (PVG). Pretium had a great month, returning 18.85% after regulators in British Columbia gave the company the go ahead to increase production at its BruceJack mine.¹

	AVG Weight During Dec. (%)	Contribution to Return (%)	Total Return (%)
Sprott Junior Gold Miners ETF (SGDJ) (%)	100.00	-6.81	-6.81
Canada	62.73	8.61	13.65
South Africa	10.57	1.80	17.23
United States	9.92	0.86	8.40
Australia	8.19	2.02	25.22
Ivory Coast	6.89	2.04	31.27
China	1.70	-0.28	-14.59

Source: Bloomberg as of 12/31/2018

Past performance is not indicative of future results.

¹ https://www.proactiveinvestors.com/companies/market_reports/209859/small-cap-snapshot-pretium-resources-wins-green-light-from-regulators-to-double-down-on-gold-mining-209859.html

December 2018 Company Snapshot Company: Agnico Eagle Mines LTD (AEM) Weight: 11.74%

Agnico Eagle Mines LTD (AGNO) is a senior Canadian gold mining company, with 8 active mines in Canada, Finland, & Mexico. According to the Financial Times, referencing free cash flow as of the end of 2017, Agnico is the third largest gold miner in the world, behind the two recent mergers of Newmont Mining Corp (NEM, dropped in Q4 rebalance at a 15.22% weight)/Goldcorp Inc (GG; 10.78% weight) and Barrick Gold Corp (GOLD; 4.12% weight in SGDM)/Rangold Resources LTD (RRS; held in the fund prior to acquisition. Removed in Q4 rebalance 11/16/2018).

According to the company website, AEM has outperformed Gold and gold stocks on an annualized basis since 1998:

Agnico Superior Share Performance Since 1998 vs Gold and Gold Stocks



Source: Bloomberg as of 12/31/2018

Past performance is not indicative of future results.

Under "Why Invest", the company discusses its strategy for future growth:

"Our current project pipeline is expected to drive a new phase of growth for our company over the next five years. Our pipeline includes low risk organic (minesite) growth opportunities at all of our operating regions, and significant production growth in Nunavut at our Meliadine and Amaruq properties. We anticipate growing our payable gold production from approximately 1.53 million ounces in 2018 to approximately 2.0 million ounces in 2020."²

² <https://www.agnicoeagle.com/English/investor-relations/why-invest/default.aspx>

Valuations

- Both ZAXSGDM and ZAXSGDJ continue to trade at depressed valuations relative to their three-year averages.

	Sprott Zacks Gold Miners Index (ZAXSGDM)		NYSE Arca Gold Miners Index (GDM)	
	Current	3 Year Average	Current	3 Year Average
Price/Earnings Ratio (x)	34.89	40.53	28.34	32.46
Price/Book Ratio (x)	1.14	1.33	1.27	1.46
Price/Cash Flow Ratio (x)	8.45	8.95	8.22	8.78
Price/Sales Ratio (x)	2.47	2.67	2.31	2.65
Trailing 12 Month Yield (x)	0.75	0.80	1.10	0.79

BB Data as of 12/31/18

	Sprott Zacks Junior Gold Miners (ZAXSGDJ)		MVIS Global Junior Gold Miners Index (MVISGDJ)	
	Current	3 Year Average	Current	3 Year Average
Price/Earnings Ratio (x)	20.22	27.14	22.12	21.84
Price/Book Ratio (x)	0.65	1.15	0.95	1.23
Price/Cash Flow Ratio (x)	6.65	8.31	6.63	7.86
Price/Sales Ratio (x)	1.47	2.38	1.76	2.27
Trailing 12 Month Yield (x)	0.19	0.61	0.78	0.72

BB Data as of 12/31/18

Source: Bloomberg as of 12/31/2018

Past performance is not indicative of future results.

SGDM Top 10 Holdings (%)^

1. ROYAL GOLD INC	12.54
2. AGNICO EAGLE MINES LTD	11.74
3. GOLDCORP INC	10.78
4. WHEATON PRECIOUS META	9.81
5. KIRKLAND LAKE GOLD LTD	5.37
6. B2GOLD CORP	4.51
7. CIA DE MINAS BUENAVENTU	4.49
8. BARRICK GOLD CORP	4.12
9. IAMGOLD CORP	3.88
10. ANGLOGOLD ASHANTI-SPON	3.71

^as of 12/31/18 Holdings are subject to change.

SGDJ Top 10 Holdings (%)^

1. OCEANAGOLD CORP	8.46
2. ENDEAVOUR MINING COR	7.05
3. ELDORADO GOLD CORP	6.99
4. SIBANYE GOLD LTD-SPON	6.26
5. DETOUR GOLD CORP	5.87
6. PRETIUM RESOURCES IN	5.78
7. OSISKO GOLD ROYALTIE	5.32
8. SSR MINING INC	5.24
9. ALAMOS GOLD INC-CLAS	4.22
10. HARMONY GOLD MNG-SPO	3.80

Performance (as of 12/31/18)

	1 Month	3 Month	6 Month	YTD	1 Year	3 Year	Cumulative Since Inception	Annualized Since Inception
Sprott Gold Miners ETF (Net Asset Value)	15.45%	12.79%	-8.72%	-15.01%	-15.01%	11.69%	-27.88%	-7.06%
Sprott Gold Miners ETF (Market Price) [†]	15.49%	12.25%	-8.92%	-15.12%	-15.12%	11.64%	-28.04%	-7.10%
S&P 500 Total Return Index	-9.03%	-13.52%	-6.85%	-4.38%	-4.38%	9.26%	39.02%	7.66%
Sprott Zacks Gold Miners TR	15.55%	13.05%	-8.32%	-14.36%	-14.36%	12.50%	-25.50%	-6.38%
Sprott Junior Gold Miners ETF (Net Asset Value)	15.03%	3.80%	-14.47%	-25.66%	-25.66%	9.36%	5.66%	1.48%
Sprott Junior Gold Miners ETF (Market Price) [†]	15.38%	3.75%	-14.26%	-25.67%	-25.67%	9.41%	5.74%	1.50%
S&P 500 Total Return Index	-9.03%	-13.52%	-6.85%	-4.38%	-4.38%	9.26%	29.84%	7.20%
Sprott Zacks Junior Gold Miners Index TR	15.06%	3.98%	-14.21%	-25.20%	-25.20%	10.27%	9.04%	2.33%

Performance data quoted represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance quoted. You can obtain performance data current to the most recent month end by calling (866)759-5679 or www.alpsfunds.com. The investment return and principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost.

Gross Expense Ratio: 0.75%

Fund inception date of 4/18/16

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 contain 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 and Sprott Junior Gold Miners ETF shares are not individually redeemable. Investors buy and sell shares of the funds 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.

Smart Beta – Smart beta investing combines the benefits of passive investing and the advantages of active investing strategies.

Beta – is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the entire market or a benchmark.

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.

NYSE Arca Gold Miners Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the mining for gold and silver.

MVIS Global Junior Gold Miners Index is the total return index that covers the most liquid small-cap companies which are active in the gold/silver mining sector.

Philadelphia Stock Exchange Gold and Silver – The Philadelphia Stock Exchange Gold and Silver Index is a capitalization-weighted index which includes the leading companies involved in the mining of gold and silver. The index was developed with a base value of 100 as of January 1979.

NYSE Arca Exchange Gold BUGS Index – The NYSE Arca Gold BUGS Index is a modified equal-dollar weighted index of companies involved in major gold mining. The index was designed to give investors significant exposure to near term movements in gold prices by including companies that do not hedge their gold production beyond 1½ years. The index was developed with a base value of 200 as of March 15, 1996

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.

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.