

# Sprott ETFs – Monthly Miners Insights

## Factors *that* Matter™

### Key Takeaways

- Both the Sprott Gold Miners ETF (SGDM) and the Sprott Junior Gold Miners ETF (SGDJ) pulled back for the month of March 2019, while still managing to post the best first quarter results since Q1 of 2016, when both funds increased almost 50%.
- The senior miner fund struggled relative to peers, as the largest weighting in the fund fell almost 17% on the month.
- South African miners struggle, as investment in mining gold in the continent becomes less lucrative.

### Performance

- The Sprott gold mining ETFs both fell in March, underperforming gold and industry peers. Despite falling for the last month, both mining products closed out the first quarter of 2019 ahead of the pack. While spot gold was up marginally through the first three months, goldminers surged forward, establishing themselves as a levered play on the metal.
- The team over at Sprott Asset Management put out a report in March 2019 discussing the relationship of Gold and the companies that pull it out of the ground. Simply put, gold is an investment option for those looking to remove capital from the global financial system at a “moment’s notice”. Gold miners, or gold equities, as they are often referred to, represent two important plays on the gold investment:
  - High-quality miners provide, as Senior Portfolio Manager Trey Reik from Sprott Asset Management states, “well documented torque to cyclical advances in spot gold”
  - Gold miners provide a tactical allocation that could provide excess returns to a portfolio during a period of recalibration of U.S. financial assets<sup>1</sup>

Total Return - March	1M	YTD	1YR
Sprott Gold Miners ETF (SGDM)	-2.52%	8.10%	-2.93%
Sprott Junior Gold Miners ETF (SGDJ)	-2.75%	10.89%	-8.37%
NYSE Arca Gold Miners Index	0.81%	6.31%	2.52%
Philadelphia Stock Exchange Gold and Silver	0.78%	8.26%	-5.11%
Nyse Arca Gold BUGS Index	1.13%	6.00%	-2.38%
GOLD (spot)	-1.60%	0.63%	-3.01%

Source: Bloomberg as of 3/31/2019

Performance data quoted represent past performance. Past performance is no guarantee of future results so that shares, when redeemed may be worth more or less than their original cost. The investment return and principal value will fluctuate. Current performance may be higher or lower than the performance quoted. For the most current month-end performance data please call 844.234.5852. Performance includes reinvested distributions and capital gains.

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.

<sup>1</sup> <http://www.sprottusa.com/insights/gold-shares-as-rising-phoenix/>

## Attribution Notes

### SGDM:

- Kirkland Lake Gold LTD (KL; 16.01% weight\*) was the main detractor for the fund, pulling 3.16% from return. While the holding was down 16.95% last month, it had increased 40% through the end of February, after announcing fourth quarter production results “significantly” above target. While the holding retraced its steps in March, it remains one of the faster growing gold miners in the world with targeted production of between 920,000 to 1,000,000 ounces of gold in 2019. (Source: Kirkland Lake Gold)

Sprott Gold Miners ETF (SGDM)			
Country of Risk	Average Weight for March (%)	Contribution to Return (%)	Total Return (%)
Canada	78.84	-1.77	-2.23
South Africa	7.62	-0.61	-7.74
United States	7.13	-0.33	-4.58
Peru	4.54	0.17	3.85
Brazil	1.87	0.02	1.36

Source: Bloomberg as of 3/31/2019

Past performance is not indicative of future results.

### SGDJ:

- South African miners struggled during the month of May, after Sibanye Gold Ltd (SBGL; 8.86% weight\*) announced they would not extend the life of Driefontein, one of their mines on the continent. The mine is the fourth deepest in the world, however, it now looks to be mined to the point where the cost to continue mining would outweigh the return.<sup>2</sup> In addition to getting harder to mine, wage strikes have deterred output over the last couple months. According to the article in yahoo finance, South Africa’s gold economy employs over 100,000 people and with operations becoming less profitable, as mines become deeper and costs rise, more job cuts will be on the horizon.

Sprott Junior Gold Miners ETF (SGDJ)			
Country of Risk	Average Weight for March (%)	Contribution to Return (%)	Total Return (%)
Canada	64.32	-1.08	-1.67
South Africa	12.95	-0.88	-6.48
United States	8.11	-0.26	-3.02
Australia	7.01	-0.18	-2.01
Ivory Coast	6.11	-0.10	-1.16
China	1.50	-0.25	-14.31

Source: Bloomberg as of 3/31/2019

Past performance is not indicative of future results.

## 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)	43.53	40.30	38.32	33.24
Price/Book Ratio (x)	1.63	1.39	1.56	1.51
Price/Cash Flow Ratio (x)	10.96	9.34	10.05	9.08
Price/Sales Ratio (x)	3.04	2.76	2.69	2.75
Trailing 12 Month Yield (x)	0.66	0.75	1.07	0.79

BB Data as of 3/31/19

Source: Bloomberg as of 3/31/2019

Past performance is not indicative of future results.

\* weight as of 3/31/2019

<sup>2</sup> <https://www.fircroft.com/blogs/the-10-deepest-underground-mines-in-the-world-78324111411>

	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)	32.00	27.90	27.23	23.19
Price/Book Ratio (x)	1.01	1.17	1.21	1.27
Price/Cash Flow Ratio (x)	7.66	8.40	7.82	8.03
Price/Sales Ratio (x)	1.68	2.38	1.99	2.29
Trailing 12 Month Yield (x)	0.21	0.54	0.79	0.69

BB Data as of 3/31/19

## Performance (as of 3/31/19)

	Cumulative as of 03/31/2019				Annualized as of 03/31/2019		
	1 Month	3 Month	YTD	Since Inception	1 Year	3 Year	Since Inception
Sprott Gold Miners ETF (Net Asset Value)	-2.52%	8.10%	8.10%	-22.04%	-2.93%	0.99%	-5.15%
Sprott Gold Miners ETF (Market Price) <sup>†</sup>	-2.67%	8.40%	8.40%	-22.00%	-2.88%	0.99%	-5.13%
S&P 500 Total Return Index	1.94%	13.65%	13.65%	57.99%	9.50%	13.51%	10.19%
Sprott Zacks Gold Miners TR	-2.50%	8.28%	8.28%	-19.33%	-2.23%	1.71%	-4.46%
Sprott Junior Gold Miners ETF (Net Asset Value)	-2.75%	10.89%	10.89%	17.17%	-8.37%	-0.88%	4.04%
Sprott Junior Gold Miners ETF (Market Price)	-2.61%	10.92%	10.92%	17.30%	-8.03%	-0.82%	4.07%
S&P 500 Total Return Index	1.94%	13.65%	13.65%	47.56%	9.50%	13.51%	10.21%
Sprott Zacks Junior Gold Miners Index TR	-2.62%	11.09%	11.09%	21.13%	-7.73%	-0.06%	4.91%

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](http://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.

### SGDM Top 10 Holdings (%)<sup>^</sup>

1. KIRKLAND LAKE GOLD LTD	16.01
2. AGNICO EAGLE MINES LTD	14.40
3. WHEATONPRECIOUSMETALSC	13.46
4. ALAMOS GOLD INC-CLASS A	4.74
5. CIA DE MINAS BUENAVENTUR-A	4.73
6. ROYAL GOLD INC	4.61
7. BARRICKGOLDCORP	4.54
8. B2GOLDCORP	4.28
9. PRETIUMRESOURCESINC	3.97
10. ANGLOGOLD ASHANTI-SPON AD	3.59

### SGDJ Top 10 Holdings (%)<sup>^</sup>

1. SIBANYE GOLD LTD-SPON	8.86
2. OCEANAGOLD CORP	7.06
3. OSISKO GOLD ROYALTIES	6.60
4. DETOUR GOLD CORP	6.32
5. ENDEAVOUR MINING CORP	6.26
6. ALAMOS GOLD INC-CLASS	5.78
7. PRETIUM RESOURCES INC	5.68
8. SSR MINING INC	5.32
9. CENTERRA GOLD INC	4.45
10. TOREX GOLD RESOURCE	4.11

<sup>^</sup>Source: Bloomberg as of 3/31/19

Holdings are subject to change.

## 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.

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

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

The Fund employs a "passive management" - or indexing- investment approach and seeks to track the investment results of an index composed of small and mid-cap companies that must have at least one drug in phase 2 or 3 of the FDA clinical trials. Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Poliwogg Medical Breakthroughs Index. Similarly, the Fund does not buy a security because the security is deemed attractive unless that security is added to the Poliwogg Medical Breakthroughs Index.

The inclusion or exclusion of a company in the Poliwogg Medical Breakthroughs Index is not a recommendation to buy or to sell securities, and not an offer to buy or sell securities

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