

# Sprott ETFs – Monthly Miners Insights

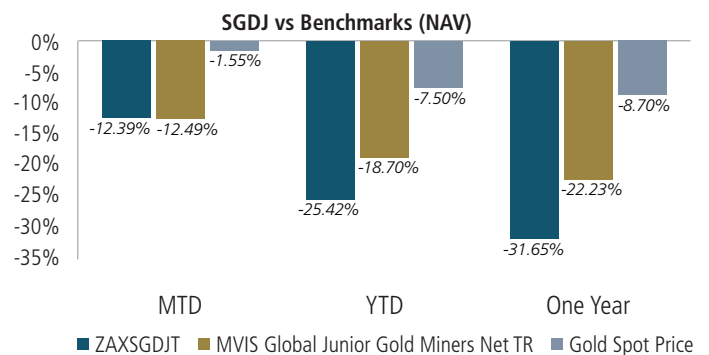
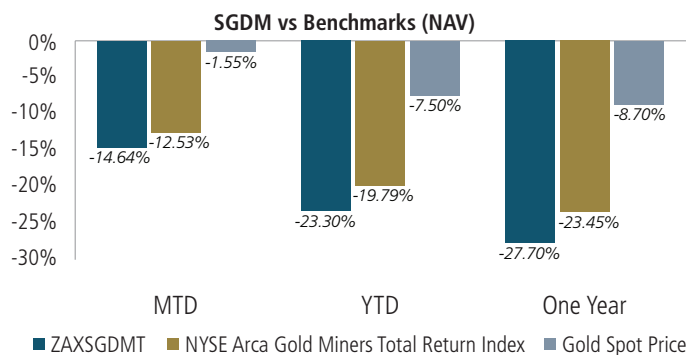
## Factors *that* Matter™

### Key Takeaways

- Precious metals struggled in August, dragging their miner counter parts down with them. Gold was down 1.55% for the month as the US Dollar strengthened.
- Size was not a factor in the months retreat. Large through small caps struggled as the sector had its worst month of the year.
- SGDM rebalanced during August, adding two names to the portfolio. The fund averaged one name replaced for the trailing twelve month period ending 8/31/2018
- Company Spotlight: Oceana Gold Corp (OGC CN)

### Performance Notes

- The Sprott Gold Miners ETF (SGDM) slipped 14.64% in August as 14% of the fund's holdings had monthly losses of at least 1%. SGDM's quarterly rebalance took place on Aug. 16, 2018, resulting in two names being replaced.
- The Sprott Junior Gold Miners ETF (SGDJ) didn't fare as poorly as SGDM last month, losing 12.30%. The small-cap SGDJ rebalances semi-annually.
- The strong dollar is widely viewed as the primary drag on precious metals. When discussion of the space moves to the level of short interest, depressed valuations, along with analyst upgrades, one wonders when we will start to see a turnaround.
- Early last month, the two largest detractors in both SGDM and SGDJ from a weighting perspective were described as "oversold" and upgraded to "Buy" ratings by sell-side analysts. While we cannot speculate on a turnaround, precious metals miners are among this year's most repudiated assets and at current valuations, it is accurate to call the space inexpensive.



Source: Bloomberg, L.P., as of 8/31/2018

Past performance does not guarantee future results.

For standardized performance, please see page 3

### Strategy Breakdown

- 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.

### Return Attribution

#### SGDM

- Mid-cap Canadian miners detracted the most from the fund in August as Agnico Eagle Mines Ltd. (AEM, 11.35% in SGDM as of Aug. 17) fell 15.09% last month despite boosting production numbers at the end of July. The strong dollar plagued gold miners last month.

#### SGDJ

- Coeur Mining Inc. (CDE, 5.60% weight in SGDJ), was the largest detractor to the fund last month. Noble Financial raised Coeur to a Buy rating on Aug. 1.

## Attribution

	AVG Weight During Aug. (%)	Contribution to Return (%)	Total Return (%)
SPROTT GOLD MINERS ETF (SGDM US)	100.00	-14.64	-14.64
Canada	56.21	-8.10	-15.30
United States	19.47	-2.61	-14.02
South Africa	6.80	-1.53	-16.89
Jersey	9.12	-1.53	-11.59
Brazil	4.01	-0.52	-12.85
Peru	4.38	-0.35	-8.37
Sprott Junior Gold Miners ETF (SGDJ US)	100.00	-12.36	-12.36
Canada	56.41	-6.67	-11.88
United States	17.77	-3.34	-18.05
Ivory Coast	5.88	-1.05	-17.08
China	3.27	-0.70	-19.69
South Africa	7.05	-0.33	-4.95
Australia	9.62	-0.27	-3.23

Source: Bloomberg L.P., as of 8/31/2018

## Valuation Notes

- Both SGDJ and SGDM continue trading at depressed valuations relative to three-year averages.

	SGDM		NYSE Arca Gold Miners Index	
	Current	3 Year Average	Current	3 Year Average
Price/Earnings Ratio	22.18x	43.34x	22.11x	31.87x
Price/Book Ratio	1.09x	1.37x	1.15x	1.41x
Price/Cash Flow Ratio	7.12x	9.09x	7.20x	8.49x
Price/Sales Ratio	2.18x	2.71x	2.07x	2.61x

	SGDJ		MVIS Global Junior Gold Miners Index	
	Current	3 Year Average	Current	3 Year Average
Price/Earnings Ratio	15.20x	26.88x	21.85x	21.25x
Price/Book Ratio	0.80x	1.14x	1.18x	1.20x
Price/Cash Flow Ratio	5.57x	8.21x	7.03x	7.68x
Price/Sales Ratio	1.41x	2.37x	1.97x	2.22x

Source: Bloomberg, L.P., as of 8/31/2018

### August 2018 Company Snapshot

#### Company: Oceana Gold Corp (OGC CN; 9.93% in SGDJ)

- Oceana Gold Corp. (OGC CN), a 9.93% weight in the small-cap SGDJ, has been a bright spot among gold miners in 2018, delivering year-to-date returns of 15% as of August 31, 2018. The Australian miner has dual listings in Sydney and Toronto.
- While other miners struggled to deliver positive news last month, Oceana provided a pair of encouraging updates on some of its marquee projects, including the Wahi gold mine in New Zealand.
- Oceana increased its indicated resource at Wahi by 700% to 0.76Mt @ 5.8 g/t Au for 140,000 ounces of gold while boosting the inferred resource estimate by 250% to 2.49Mt @ 4.3 g/t Au for 339,000 ounces of gold.<sup>1</sup>
- The company also provided an encouraging update on the Haile gold mine in South Carolina, which was last updated in November 2017.
- "Since the last exploration update on November 8, 2017, the Company has drilled 100 drill holes for a combined 26,149 metres at Haile using four surface diamond drills. Resource infill and extension drilling has targeted low-cost reserve growth areas in and around the Ledbetter, Mustang, Mill Zone, Snake, Red Hill, and Haile deposits," according to Oceana.<sup>2</sup>

<sup>1</sup> Source: Oceana corporate statement Aug. 9, 2018 <https://www.oceanagold.com/wp-content/uploads/2018/08/180809-Martha-Resource-Update-News-Release-ASX.pdf>

<sup>2</sup> Source: Oceana corporate statement Aug. 16, 2016 <https://www.oceanagold.com/wp-content/uploads/2018/08/180816-Haile-Exploration-News-Release.pdf>

## Performance (as of 6/30/18)

	3 Month	6 Month	YTD	1 Year	3 Year	Cumulative Since Inception	Annualized Since Inception
Sprott Gold Miners ETF (Net Asset Value)	-1.63%	-6.90%	-6.90%	-0.09%	7.32%	-20.99%	-5.77%
Sprott Gold Miners ETF (Market Price) <sup>†</sup>	-1.63%	-6.81%	-6.81%	-0.04%	7.32%	-20.99%	-5.77%
S&P 500 Total Return Index	3.43%	2.65%	2.65%	14.37%	11.93%	49.24%	10.64%
Sprott Zacks Gold Miners TR	-1.51%	-6.59%	-6.59%	0.54%	8.07%	-18.74%	-5.10%
Sprott Junior Gold Miners ETF (Net Asset Value)	-3.39%	-13.09%	-13.09%	-12.49%	5.72%	23.54%	6.72%
Sprott Junior Gold Miners ETF (Market Price) <sup>†</sup>	-3.30%	-13.31%	-13.31%	-12.62%	5.59%	23.33%	6.66%
S&P 500 Total Return Index	3.43%	2.65%	2.65%	14.37%	11.93%	39.39%	10.75%
Sprott Zacks Junior Gold Miners Index TR	-3.18%	-12.81%	-12.81%	-11.89%	6.65%	27.10%	7.65%

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.

SGDM and SGDJ Gross Expense Ratios: 0.57%

SGDM Fund inception date of 7/5/2014

SGDJ Fund inception date of 3/31/2015

<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.

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

1. GOLDCORP INC	14.64
2. KIRKLAND LAKE GOLD LTD	14.36
3. NEWMONT MINING CORP	14.02
4. BARRICK GOLD CORP	4.76
5. RANDGOLD RESOURCES	4.60
6. CIA DE MINAS BUENAVENT	4.56
7. PAN AMERICAN SILVER CO	4.47
8. ROYAL GOLD INC	4.45
9. IAMGOLD CORP	4.22
10. ALAMOS GOLD INC-CLASS	4.21

<sup>^</sup> as of 8/31/18

Daily holdings are available on the [alpsfunds.com](http://alpsfunds.com) website  
Holdings subject to change.

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

1. OCEANAGOLD CORP	9.93
2. PRETIUM RESOURCES INC	8.14
3. CENTERRA GOLD INC	6.51
4. ENDEAVOUR MINING CORP	5.86
5. COEUR MINING INC	5.44
6. SIBANYE GOLD LTD-SPON	4.72
7. OSISKO GOLD ROYALTIES	4.42
8. SSR MINING INC	3.76
9. TAHOE RESOURCES INC	3.74
10. FORTUNA SILVER MINES IN	3.68

## 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.

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 (TR NET) (Ticker: MVGDJTR) is the total return index that covers the most liquid small-cap companies which are active in the gold/silver mining sector.

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.

Beta is a measure of the volatility, or systematic risk, of a security in comparison to the market as a whole.

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.