

Sprott ETFs – Monthly Miners Insights

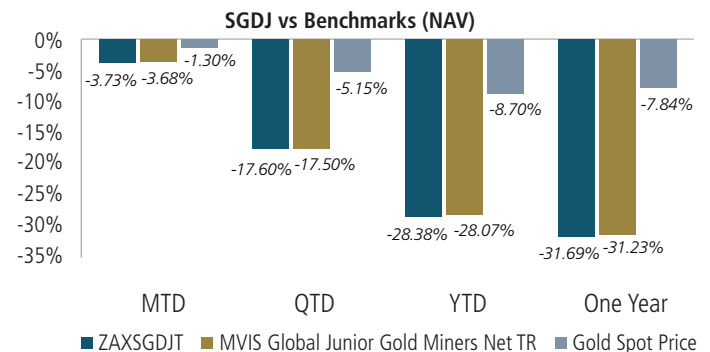
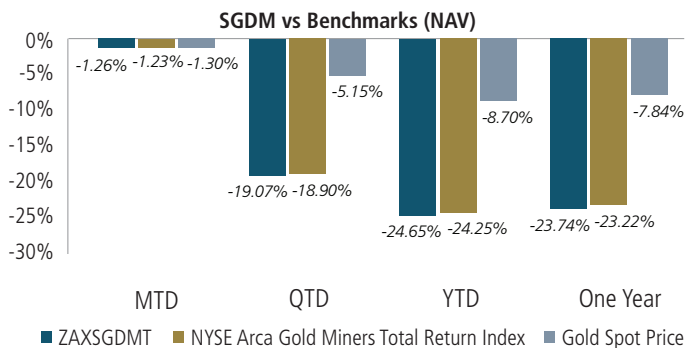
Factors *that* Matter™

Key Takeaways

- Gold dropped 5% in the third quarter, capping one of the worst quarters in 20 years for gold miners. On the bright side, Barron's published a bullish report in September noting inflation and dollar weakness as potential catalysts for gold.
- Big news on the mergers and acquisitions front: Barrick Gold Corp. (**ABX, 5.13% weight in SGDM**) is acquiring rival Randgold Resources Ltd. (**GOLD, 5.05% weight in SGDM**), a move that could spark further consolidation among the gold miners.

Performance Notes

- The Sprott Gold Miners ETF (SGDM) fell 1.26% in September, dragged lower by its largest holding, Goldcorp Inc. (GG), which lost over 5% on the month.
- The Sprott Junior Gold Miners ETF (SGDJ) fell 3.73% during the month, led lower by Tahoe Resources Inc (TAHO), falling 18.90% for the month.
- Gold slumped in September, dragging the miners lower. Amid lingering negative sentiment, the third quarter was unkind to bullion and miners. That said, Sprott released a report in September highlighting the major shift in commercial participant positioning in the gold futures market. For the first time in 17 years, commercial players went net long. This is a monumental shift in sentiment, as commercial participants are those who use the play as a hedge for jewelry inventories, central bank dealings etc.¹
- In addition to that bullish commentary on gold, Barron's highlighted the potential for inflation to rise and compelling valuations on gold, traits making the metal worth looking at for an allocation to most portfolios. The gold miners act as a leveraged play on the precious metal and will benefit with a rise in spot.²



Source: Bloomberg, L.P., as of 9/30/2018

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.

M&A Watch

- Last month, Canadian miner Barrick Gold said it will acquire rival Randgold for \$6 billion in a deal expected cement Barrick's status as the largest gold miner.
- Randgold is widely considered one of the industry's most successful companies, delivering a shareholder return of 96% over the past decade, according to Mining.com.³
- The deal bolsters Barrick's Africa footprint, a region in which the company has had some struggles.
- Industry consolidation could increase as miners look to replenish production at a time when it is widely believed the easiest gold deposits have already been tapped.

¹ <http://www.sprott.com/insights/sprott-gold-report-physical-matters/>

² <https://www.barrons.com/articles/gold-looks-like-its-close-to-a-bottom-1538680119>

³ Mining.com Oct. 8, 2018 <http://www.mining.com/barrick-randgold-deal-breathes-new-life-gold/>

Return Attribution

SGDM

- Performance was split for the senior mining fund last month with 12 of 25 holdings generating positive returns. Goldcorp Inc. (GG) was the biggest detractor, sliding nearly 6%. Last month, Citigroup downgraded Goldcorp to Neutral from Buy.

SGDJ

- Losing 18.90% on the month, Tahoe Resources Inc. (TAHO) was the biggest detractor to SGDJ's September performance. Early in the month, the stock slipped after a court upheld the suspension of mining activity at the company's Escobal silver mine. Last year, Guatemala's highest court suspended the license after an anti-mining group alleged a lower court did not consult with the indigenous Xinca people prior to giving Tahoe a mining license. The license could be reinstated following consultation with the Xincas, but there is no timeline for that.

Attribution

	AVG Weight During Sept. (%)	Contribution to Return (%)	Total Return (%)
SPROTT GOLD MINERS ETF (SGDM US)	100.00	-1.26	-1.26
Canada	60.27	-1.34	-2.22
United States	21.13	-0.33	-1.63
South Africa	5.49	0.20	3.68
Peru	4.75	0.30	6.51
Jersey	4.62	0.36	8.06
Brazil	3.74	-0.42	-10.25
Sprott Junior Gold Miners ETF (SGDJ US)	100.00	-3.73	-3.73
Canada	55.95	-2.59	-4.53
United States	16.81	-1.85	-9.63
Australia	9.97	0.26	2.68
South Africa	8.03	0.20	3.53
Ivory Coast	5.97	0.20	3.42
China	3.27	0.05	3.29

Source: Bloomberg L.P., as of 9/30/2018

Valuation Notes

- Valuations continue to drop for the mining funds. Both SGDJ and SGDM continue to trade 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	21.96x	41.91x	22.11x	31.93x
Price/Book Ratio	1.07x	1.35x	1.15x	1.42x
Price/Cash Flow Ratio	7.01x	8.95x	7.20x	8.55x
Price/Sales Ratio	2.15x	2.68x	2.07x	2.61x

	SGDJ		MVIS Global Junior Gold Miners Index	
	Current	3 Year Average	Current	3 Year Average
Price/Earnings Ratio	15.62x	26.91x	17.79x	21.46x
Price/Book Ratio	0.84x	1.14x	1.01x	1.22x
Price/Cash Flow Ratio	5.77x	8.23x	5.86x	7.72x
Price/Sales Ratio	1.45x	2.37x	1.66x	2.23x

Source: Bloomberg, L.P., as of 9/30/2018

September 2018 Company Snapshot

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

Company: Newmont Mining Corp. (NEM)

Weight: 13.87%

Newmont Mining Corp. (NEM), one of the largest holdings in the senior miner fund SGDM, followed other miners lower last month and is in the throws of a bear market. The company announced a deal to acquire 29.21 million shares of Orosur Mining Inc. for \$2 million, but for now appears reluctant to engage in Barrick/Randgold type of deals.

Newmont CEO Gary Goldberg said at the Denver Gold Forum that his company "looked in the past and haven't seen anything, and I don't see anything changing," regarding acquisitions.⁴

Goldberg added he is comfortable with Newmont's forecast of annual gold output 5 million ounces through 2024.

⁴ Source: Bloomberg Sept. 25, 2018 https://www.bloomberg.com/news/articles/2018-09-25/newmont-ceo-squashes-speculation-over-bids-for-barrick-randgold?utm_source=yahoo&utm_medium=bd&utm_campaign=headline&cmpld=yahoo.headline&ypr=yahoo

Last month, JPMorgan reiterated an Overweight rating on Newmont while putting a \$40 price target on the stock, implying significant upside from current levels. Of the 18 analysts tracking Newmont, 11 have Buy or equivalent ratings on the stock and none have Sell ratings.

Performance (as of 9/30/18)

	1 Month	3 Month	6 Month	YTD	1 Year	3 Year	Cumulative Since Inception	Annualized Since Inception
Sprott Gold Miners ETF (Net Asset Value)	-1.26%	-19.07%	-20.39%	-24.65%	-23.74%	8.08%	-36.06%	-10.07%
Sprott Gold Miners ETF (Market Price) [†]	-1.07%	-18.86%	-20.18%	-24.38%	-23.54%	8.20%	-35.89%	-10.01%
S&P 500 Total Return Index	0.57%	7.71%	11.41%	10.56%	17.91%	17.31%	60.75%	11.92%
Sprott Zacks Gold Miners TR	-1.23%	-18.90%	-20.13%	-24.25%	-23.22%	8.86%	-34.10%	-9.42%
Sprott Junior Gold Miners ETF (Net Asset Value)	-3.73%	-17.60%	-20.39%	-28.38%	-31.69%	7.06%	1.80%	0.51%
Sprott Junior Gold Miners ETF (Market Price) [†]	-2.91%	-17.36%	-20.08%	-28.36%	-31.55%	7.14%	1.92%	0.55%
S&P 500 Total Return Index	0.57%	7.71%	11.41%	10.56%	17.91%	17.31%	50.14%	12.30%
Sprott Zacks Junior Gold Miners Index TR	-3.68%	-17.50%	-20.12%	-28.07%	-31.23%	8.06%	4.86%	1.36%

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.

SGDM and SGDJ Gross Expense Ratios: 0.57%

SGDM Fund inception date of 7/5/2014

SGDJ Fund inception date of 3/31/2015

[†] 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 (%)[^]

1. KIRKLAND LAKE GOLD LTD	14.81
2. GOLDCORP INC	13.96
3. NEWMONT MINING CORP	13.82
4. BARRICK GOLD CORP	5.12
5. RANDGOLD RESOURCES L	5.04
6. CIA DE MINAS BUENAVEN	4.92
7. ROYAL GOLD INC	4.55
8. ALAMOS GOLD INC-CLASS	4.48
9. PAN AMERICAN SILVER CO	4.28
10. IAMGOLD CORP	3.86

[^]as of 9/30/18

Daily holdings are available on the alpsfunds.com website

Holdings subject to change.

SGDJ Top 10 Holdings (%)[^]

1. OCEANAGOLD CORP	10.55
2. PRETIUM RESOURCES INC	7.73
3. CENTERRA GOLD INC	6.32
4. ENDEAVOUR MINING CORP	6.27
5. COEUR MINING INC	5.28
6. SIBANYE GOLD LTD-SPON	5.16
7. OSISKO GOLD ROYALTIES	4.40
8. SSR MINING INC	3.90
9. FIRST MAJESTIC SILVER C	3.73
10. FORTUNA SILVER MINES IN	3.64

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[®] 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.