



Uranium's September Setback

Authored by Jacob White – Senior Analyst; Jacob joined Sprott Asset Management in July 2020 and holds a Bachelor of Business Administration (Finance Major) from Wilfrid Laurier University and a Bachelor of Mathematics from the University of Waterloo.

Month of September 2022

Indicator	1 MO*	3 MO*	YTD*	1 YR
U ₃ O ₈ Uranium Spot Price ¹	-8.66%	-4.27%	14.59%	12.14%
Uranium Mining Equities (Northshore Global Uranium Mining Index) ²	-16.17%	14.67%	-9.21%	-7.96%

Source: Bloomberg and Sprott Asset Management LP. Data as of September 30, 2022. **Past performance is no guarantee of future results. You cannot invest directly in an index.** For standardized performance of Sprott Uranium Miners ETF please see page 4.

*Performance for periods under one year not annualized.

September: A Harsh Run of Losses for Most Asset Classes

Most asset classes experienced substantial drawdowns in September and the uranium markets were no exception. U.S. equity markets suffered their largest monthly decline since March 2020 (the S&P 500 fell 9.21%). Broad commodity markets faced their second-largest monthly drawdown since March 2020 (the Bloomberg Commodity Index [BCOM] dropped 8.35%). The U.S. bond market posted its biggest monthly drop since February 1980. For uranium, the U₃O₈ spot price fell 8.66% in September, physical uranium's largest monthly decline since March 2019. Uranium miners followed suit, losing 16.17%, posting their worst monthly performance since the inception of the North Shore Global Uranium Mining Index in June 2017.³

U.S. dollar (USD) strength was the primary factor for September's negative performance results. Higher-than-expected inflation data forced bond yields to rise (especially real yields) and pushed the USD higher. On September 21, the Federal Reserve ("Fed") raised interest rates by 75 basis points (bps) for the third time in a row this year, bringing its total hikes to 300 basis points year-to-date. The Fed continues to restate its commitment to monetary tightening to fight rising inflation until it is on a sustainable path lower toward the Fed's 2% long-term target. The Fed's ramped-up tightening activity, combined with low market depth and liquidity, strongly contributed to September's poor market results.

"September's weak performance belies the strong fundamentals of uranium markets."

¹ The U₃O₈ uranium spot price is measured by a proprietary composite of U₃O₈ spot prices from UxC, S&P Platts and Numerco.

² The North Shore Global Uranium Mining Index (URNMX) was created by North Shore Indices, Inc. (the "Index Provider"). The Index Provider developed the methodology for determining the securities to be included in the Index and is responsible for the ongoing maintenance of the Index. The Index is calculated by Indxx, LLC, which is not affiliated with the North Shore Global Uranium Miners Fund ("Existing Fund"), ALPS Advisors, Inc. (the "Sub-Adviser") or Sprott Asset Management LP (the "Adviser").

³ Equity markets are measured by the S&P 500 TR Index, broad commodity markets are measured by the Bloomberg Commodity Index, and the bond market is measured by the Bloomberg US Aggregate Total Return Value Unhedged USD. U₃O₈ spot price data source is TradeTech LLC. The indices data source is Bloomberg.



Uranium Report

October 12, 2022

Figure 1. The Fed Hikes Rates 300 BPS in 2022

Federal Open Market Committee (FOMC) Meeting Date	Rate Change (BPS - Basis Points)	Federal Funds Rate
September 21, 2022	+75	3.00% to 3.25%
July 27, 2022	+75	2.25% to 2.50%
June 16, 2022	+75	1.50% to 1.75%
May 5, 2022	+50	0.75% to 1.00%
March 16, 2022	+25	0.25% to 0.50%

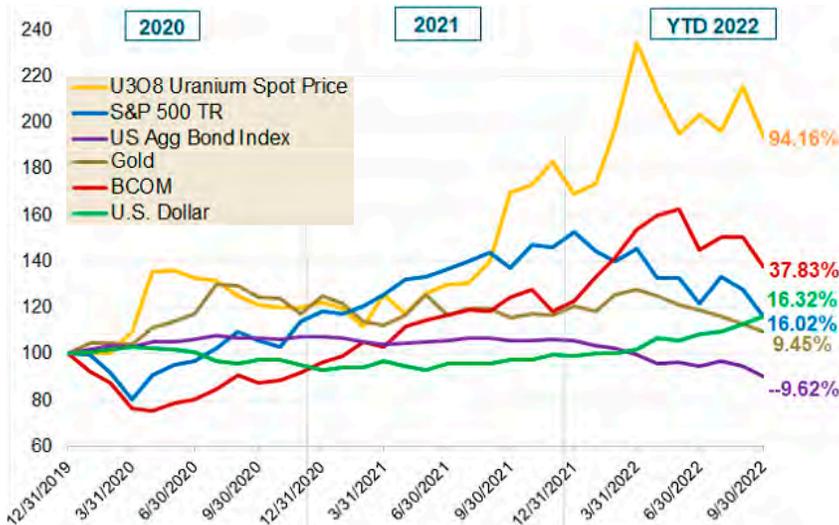
Source: Bloomberg and <https://fred.stlouisfed.org/>.

Taking the Long View on Performance

September's poor showing for uranium mining equities is worth reviewing in the context of a longer period. For example, during the third quarter of 2022, the Northshore Global Uranium Mining Index managed to buck the general market downtrend with a 14.67% increase, which compares to the 4.88% drop in the S&P 500 Index. It is also worth noting that the fundamentals of the uranium market continue to strengthen, spurred by growing acceptance among global governments that nuclear power supports the world's energy transition from dependence on fossil fuels and helps ensure higher energy security.

As shown in Figure 2, the U_3O_8 uranium spot price has almost doubled in value since the beginning of 2020, posting a total gain of 94.16% from January 1, 2020, to September 30, 2022, surpassing the performance of many other asset classes.

Figure 2. Uranium Outperforms Other Asset Classes in the Short-Term (2020-2022)



Source: Bloomberg and Sprott Asset Management. Data as of 9/30/2022. Gold is measured by GOLDS Comdty Spot Price; S&P 500 TR is measured by the SPX; BCOM is the Bloomberg Commodity Index; US Agg Bond Index is measured by the Bloomberg Barclays US Agg Total Return Value Unhedged USD (LBSTRUU Index); the U.S. Dollar is measured by DXY Curncy and the U_3O_8 uranium spot price is measured by a proprietary composite of U_3O_8 spot prices from TradeTech LLC. Included for illustrative purposes only. **Past performance is no guarantee of future results.**

Global Sentiment Towards Nuclear Power Continues to Improve

Europe's current energy crisis continues to underscore the importance of nuclear energy and uranium, especially given the uncertainty of Russia as an ongoing energy provider. The European Union's (EU) sentiment toward nuclear power runs the gamut, from France's full embrace of nuclear power (providing 75% of the country's electricity and ranking as the world's largest producer) to Germany's rejection of nuclear power with its plan of a "nuclear exit", its phase-out response following



Uranium Report

October 12, 2022

the 2011 Fukushima accident in Japan.⁴ Both countries, however, were in the headlines in September. French President Emmanuel Macron confirmed that he intends to expand nuclear power with six to eight new power plants planned. Germany announced — while stressing that it would not reverse its phase-out decision — that it would extend the life of two of the remaining three reactors to create an “energy reserve”.^{5,6}

As the Russia-Ukraine war continues, Europe’s reliance on Russia as an energy provider grows increasingly problematic. On September 22, multiple leaks were found in two giant Nord Stream natural gas pipelines from Russia to Germany.⁷ Incidents like these are helping galvanize the political will and public support needed to expand the acceptance of nuclear energy. In addition, several international reports were released in September, reiterating the growing need for nuclear power in the global energy transition movement. The International Atomic Energy Agency issued a report ([Energy, Electricity and Nuclear Power Estimates for the Period up to 2050](#)) that noted, “total electrical generating capacity is expected to increase by about 23% by 2030 and then double by 2050”.⁴ The United Nations Economic Commission for Europe released its report, [Carbon Neutrality in the UNECE Region](#), which highlights a significant need for investment in nuclear energy, stating, “there are innovative ways to produce low- and zero-carbon energy, including renewable energy technologies, hydrogen, fossil fuels with carbon capture, carbon capture use and storage, and nuclear power.”⁸

Energy Shortages and Rocketing Prices Support Uranium’s Bullish Outlook

September’s weak performance belies the strong fundamentals of uranium markets. Year-to-date as of September 30, U₃O₈ conversion and enriched uranium prices have all significantly appreciated for both short- and long-term purchase contracts. We believe that the current demand for uranium conversion and enrichment, coupled with a shift away from Russian suppliers, supports higher U₃O₈ uranium spot prices, ultimately benefiting uranium miners.

Faced with the prospects of energy shortages and rocketing costs, many governments are turning to nuclear energy to provide reliable, affordable base-load energy. Positive news headlines about the growing acceptance of nuclear power have been abundant. Japan’s Prime Minister Fumio Kishida announced recently that Japan wants to restart seven nuclear reactors by next summer, will explore the development and construction of innovative next-generation reactors and will consider extending the life of existing nuclear reactors. The South Korean government noted on August 30 that it planned to increase its percentage of total energy creation from nuclear to near 33% from a previous mid-term plan of 25%. The U.S. extended the life of the Diablo Canyon nuclear power plant, passed the Inflation Reduction Act, which will subsidize nuclear power plants’ revenue if power prices were to fall and announced a plan to buy \$4.3 billion in enriched uranium from domestic producers. In the EU, nuclear energy was included in the EU taxonomy and Germany has reversed several plant closures. Finally, the G7 released a statement on reducing reliance on nuclear goods from Russia. These developments will likely bolster greater investment in nuclear energy, physical uranium and uranium miners.

We believe the uranium bull market remains intact despite the strong negative macroeconomic environment. Over the long term, increased demand in the face of an uncertain uranium supply will likely support a sustained bull market. For investors, uranium miners have historically exhibited low/moderate correlation to many major asset classes, potentially providing portfolio diversification.

⁴ Source: IAEA’s report Energy, Electricity and Nuclear Power Estimates for the period up to 2050.

⁵ <https://energycentral.com/news/macron-wants-expand-renewable-energy-production-twice-fast-0>

⁶ <https://www.nytimes.com/2022/09/05/world/europe/germany-extend-life-nuclear-reactors.html>

⁷ <https://www.nytimes.com/2022/09/28/world/europe/nordstream-pipeline-gas-leak-explosions.html>

⁸ https://unece.org/sites/default/files/2022-09/Technology%20Interplay_final_2.pdf



Uranium Report

October 12, 2022

Sprott Uranium Miners ETF (NYSE Arca: URNM)

Sprott Uranium Miners ETF (NYSE Arca: URNM) seeks to invest at least 80% of its total assets in securities of the North Shore Global Uranium Mining Index (URNMX). The Index is designed to track the performance of companies that devote at least 50% of their assets to the uranium mining industry, which may include mining, exploration, development and production of uranium, or holding physical uranium, owning uranium royalties or engaging in other, non-mining activities that support the uranium mining industry. The URNM Index is rebalanced semi-annually.

Key Points:

- 1. Pure-Play Uranium ETF** – A U.S.-listed Uranium ETF focused on uranium miners and physical uranium
- 2. Uranium Bull Market** – A new uranium bull market is underway, incentivizing miners and investors
- 3. Clean Energy Transition** – Uranium and nuclear energy may be critical to the clean energy transition
- 4. Energy Security** – Uranium and nuclear energy may help countries achieve energy security – reliable and affordable electricity

Performance: Average Annual Total Returns* (%)

MONTH END AS OF 9/30/2022	1 MO	3 MO	YTD	1 YR	S.I. ¹
Sprott Uranium Miners ETF (Net Asset Value)	-16.37	13.75	-9.82	-8.88	44.77
Sprott Uranium Miners ETF (Market Price) ²	-15.95	14.15	-9.54	-9.95	44.81
North Shore Global Uranium Mining Index (Benchmark) ³	-16.17	14.67	-9.21	-7.96	46.18
QUARTER END AS OF 9/30/2022	1 MO	3 MO	YTD	1 YR	S.I. ¹
Sprott Uranium Miners ETF (Net Asset Value)	-16.37	13.75	-9.82	-8.88	44.77
Sprott Uranium Miners ETF (Market Price) ²	-15.95	14.15	-9.54	-9.95	44.81
North Shore Global Uranium Mining Index (Benchmark) ³	-16.17	14.67	-9.21	-7.96	46.18

Fees and Expenses (%) as of the most recent prospectus⁴

Management Fee	0.85
Other Expenses	0.00
Total Annual Fund Operating Expenses	0.85

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 1.888.622.1813 or visit 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.

* Returns less than one year are not annualized.

¹ Inception Date: 12/3/2019. URNM was reorganized from the North Shore Global Uranium Mining ETF into the Sprott Uranium Miners ETF on 4/25/2022. URNM is a continuation of the prior ETF and, therefore, the performance information shown includes the prior ETF's performance.

² 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.

³ The North Shore Global Uranium Mining Index (URNMX) was created by North Shore Indices, Inc. (the "Index Provider"). The Index Provider developed the methodology for determining the securities to be included in the Index and is responsible for ongoing maintenance of the Index. The Index is calculated by Indxx, LLC, which is not affiliated with the North Shore Global Uranium Miners Fund ("Existing Fund"), ALPS Advisors, Inc. (the "Sub-Adviser") or Sprott Asset Management LP (the "Adviser").

⁴ Reflects Total Annual Operating Expenses as outlined in the prospectus dated April 25, 2022. For the services the Adviser (Sprott Asset Management LP) provides to the Fund, the Adviser is entitled to receive an annual advisory fee from the Fund calculated daily and paid monthly at an annual rate of 0.85% on up to \$500 million in assets, 0.80% on the next \$500 million in assets, and 0.70% on assets greater than \$1 billion.



Uranium Report

October 12, 2022

About Sprott – Sprott is a global asset manager providing clients with access to precious metals and real assets investment strategies. We are specialists. Our knowledge, experience and relationships separate us from our peers. Sprott's investment products include innovative physical bullion and commodity trusts, managed equities, mining ETFs, as well as private equity and debt strategies. We also partner with natural resource companies to help meet their capital needs through our brokerage and resource lending activities. Sprott has offices in Toronto, New York, San Diego and London. Sprott Inc.'s common shares are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol "SII".

Sprott

IMPORTANT DISCLOSURES & DEFINITIONS

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a Sprott Uranium Miners ETF Statutory Prospectus, which contains this and other information, visit <https://sprottetfs.com/urnm/prospectus/>, contact your financial professional or call 1.888.622.1813. Read the Prospectus carefully before investing.

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's investments will be concentrated in the uranium 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 uranium industry. Also, uranium companies may be significantly subject to the effects of competitive pressures in the uranium business and the price of uranium. The price of uranium may be affected by changes in inflation rates, interest rates, monetary policy, economic conditions and political stability. The price of uranium may fluctuate substantially over short periods of time, therefore the Fund's share price may be more volatile than other types of investments. In addition, they may also be significantly affected by import controls, worldwide competition, liability for environmental damage, depletion of resources, mandated expenditures for safety and pollution control devices, political and economic conditions in uranium producing and consuming countries, and uranium production levels and costs of production. Demand for nuclear energy may face considerable risk as a result of, among other risks, incidents and accidents, breaches of security, ill-intentioned acts of terrorism, air crashes, natural disasters, equipment malfunctions or mishandling in storage, handling, transportation, treatment or conditioning of substances and nuclear materials.

Shares are not individually redeemable. Investors buy and sell shares of the Sprott Uranium 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.

Funds that emphasize investments in small/mid-capitalization companies will generally experience greater price volatility. Funds investing in foreign and emerging markets will also generally experience greater price volatility. 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.

A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses, affect the Fund's performance.

ALPS Distributors, Inc. is the Distributor for the Sprott Uranium Miners ETF and is a registered broker-dealer and FINRA Member.

ALPS Distributors, Inc. is not affiliated with Sprott Asset Management LP.