



Sprott Silver Bullion Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2017

The annual management report of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's financial statements. This report contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-866-299-9906, by visiting our website at www.ninepoint.com or SEDAR at www.sedar.com or by writing to us at: Ninepoint Partners LP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario M5J 2J1. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of the Sprott Silver Bullion Fund (the “Fund”) is to seek to provide a secure, convenient alternative for investors seeking to hold silver.

As part of its investment strategy, the Fund:

- invests primarily in unencumbered, fully allocated silver bullion and silver certificates,
- has obtained exemptive relief to permit the Fund to invest up to 100% of its net asset value, taken at the market value at the time of purchase, in silver and/or permitted silver certificates; and
- may invest a portion of its assets in cash, money market instruments and/or treasury bills.

Risk

The risks of investing in the Fund are described in the Fund’s simplified prospectus. The Fund is suitable for those investors who want exposure to the capital appreciation potential of silver and who want to maintain a high level of liquidity in their investments with a medium to high tolerance for risk and volatility. As of August 1st, 2017 the risk rating for the fund changed from “Medium” to “Medium to High”. There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period.

Results of Operations and Recent Developments

The Sprott Silver Bullion Fund, Series A decreased by 2.8% in 2017, versus spot silver, which decreased by 0.4% in Canadian dollar terms. In U.S. dollar terms, spot silver gained 6.4%. The spot price of silver at December 31, 2017 was \$16.94 an ounce in U.S. dollar terms compared to a price of \$15.92 an ounce as at December 31, 2016.

The defining macroeconomic factor of 2017 for the Fund was the U.S. political environment. U.S. President Trump’s tenure in the White House was marked by an increased level of geopolitical uncertainties. Silver prices benefited as investors sought shelter in assets perceived as safer, such as silver.

The second factor affecting precious metals was the return to favour of the emerging markets among investors. Emerging markets found a firm footing as economies around the world began to improve, leading investors to move out of investments denominated in U.S. dollars. The resulting sell-off in the U.S. dollar benefited silver and gold.

The third macroeconomic event affecting the precious metals complex, in this case negatively, was the emergence of cryptocurrencies in the last quarter of the year. Investors have historically found gold and silver to be a safe store of value and insurance against currency volatility. Cryptocurrencies billed themselves as a similar store of value, diverting attention from precious metals as some retail investors were attracted to Bitcoin and Ethereum as a “get rich quick” theme.

The Fund’s total net asset value decreased 12.7% from \$74.9 million at December 31, 2016 to \$65.4 million as at December 31, 2017. This change was predominantly due to net redemptions of \$7.3 million. The management expense ratio increased compared to the prior year.

Ninepoint Partners LP is the manager and portfolio advisor of the Fund. Prior to August 1, 2017, Sprott Asset Management LP was the manager and portfolio advisor of the Fund. Ninepoint Partners LP assumed the portfolio management of the Canadian diversified asset business of Sprott Asset Management LP on August 1, 2017. The manager has retained Sprott Asset Management as sub-advisor of the Fund since August 1, 2017.

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Related Party Transactions

MANAGEMENT FEES

The Fund pays a management fee to the Manager an annual rate of 1.30% for Series A units, 0.85% for Series F units and as negotiated by the unitholders for Series I. The management fee is calculated and accrued daily based on the daily net asset value of the applicable series of the Fund, and is paid monthly. For the year ended December 31, 2017, the Fund incurred management fees of \$1,031,652 (including taxes). The breakdown of the services received in consideration of the management fees, as a percentage of management fees, is as follows:

	Portfolio Advisory	Trailing Commission
Sprott Silver Bullion Fund – Series A	66%	34%
Sprott Silver Bullion Fund – Series F	86%	14%
Sprott Silver Bullion Fund – Series I	100%	–

Out of the management fees that the Manager or former manager received from the Fund, the Manager paid trailer commissions of \$97,408 during year ended December 31, 2017 to Sprott Private Wealth LP, an affiliate of the former manager.

OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, trustee, filing and administrative expenses as well as unitholder reporting costs. The Manager pays certain of these expenses on behalf of the Fund and then is reimbursed by the Fund.

OTHER RELATED PARTY TRANSACTIONS

The Fund relied on the approval, positive recommendation or standing instruction from the Fund's Independent Review Committee with respect to any related party transactions.

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Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years shown.

The Fund's Net Assets per Unit¹

	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Series A	\$	\$	\$	\$	\$
Net assets, beginning of period	5.02	4.61	4.50	5.21	7.74
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses	(0.11)	(0.11)	(0.10)	(0.10)	(0.12)
Realized losses for the period	(0.33)	(1.52)	(0.22)	(0.26)	(0.67)
Unrealized gains (losses) for the period	0.30	2.02	0.45	(0.33)	(1.79)
Total increase (decrease) from operations²	(0.14)	0.39	0.13	(0.69)	(2.58)
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	-	-	-	-	-
Net assets, end of period	4.88	5.02	4.61	4.50	5.21

	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Series F	\$	\$	\$	\$	\$
Net assets, beginning of period	5.15	4.71	4.58	5.27	7.80
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses	(0.08)	(0.08)	(0.08)	(0.08)	(0.09)
Realized losses for the period	(0.28)	(1.64)	(0.23)	(0.25)	(0.65)
Unrealized gains (losses) for the period	0.20	1.95	0.50	(0.48)	(1.87)
Total increase (decrease) from operations²	(0.16)	0.23	0.19	(0.81)	(2.61)
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distribution	-	-	-	-	-
Net assets, end of period	5.04	5.15	4.71	4.58	5.27

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Series I	Dec 31, 2016 \$	Dec 31, 2015 \$	Dec 31, 2014 \$	Dec 31, 2013 \$
Net assets, beginning of period	5.44	5.25	5.98	8.76
Increase (decrease) from operations:				
Total revenue	–	–	–	–
Total expenses	(0.03)	(0.03)	(0.03)	(0.03)
Realized losses for the period	(0.58)	(0.21)	(0.30)	(0.76)
Unrealized gains (losses) for the period	1.33	0.39	(0.54)	(1.91)
Total increase (decrease) from operations²	0.72	0.15	(0.87)	(2.70)
Distributions:				
From income (excluding dividends)	–	–	–	–
From dividends	–	–	–	–
From capital gains	–	–	–	–
Return of capital	–	–	–	–
Total annual distribution	–	–	–	–
Net assets, end of period	–³	5.44	5.25	5.98

1 This information is derived from the Fund's audited annual financial statements.

2 The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. Net assets and distributions are based on the actual number of units outstanding at the relevant time. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 All outstanding Series I units were fully redeemed during 2016.

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Ratios and Supplemental Data

Series A	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Total net asset value (000s) ¹	\$54,536	\$56,132	\$46,805	\$43,305	\$50,170
Number of units outstanding ¹	11,179,045	11,190,425	10,159,360	9,617,830	9,637,631
Management expense ratio ²	2.10%	2.01%	1.99%	1.92%	1.89%
Trading expense ratio ³	–	–	–	–	–
Portfolio turnover rate ⁴	6.82%	17.08%	7.51%	7.13%	4.55%
Net asset value per unit ¹	\$4.88	\$5.02	\$4.61	\$4.50	\$5.21

Series F	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Total net asset value (000s) ¹	\$10,861	\$18,798	\$12,955	\$49,265	\$33,912
Number of units outstanding ¹	2,156,708	3,647,921	2,750,262	10,751,111	6,431,807
Management expense ratio ²	1.59%	1.53%	1.51%	1.45%	1.40%
Trading expense ratio ³	–	–	–	–	–
Portfolio turnover rate ⁴	6.82%	17.08%	7.51%	7.13%	4.55%
Net asset value per unit ¹	\$5.04	\$5.15	\$4.71	\$4.58	\$5.27

Series I	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Total net asset value (000s) ¹	–	–	\$55,608	\$13,882	\$10,494
Number of units outstanding ¹	–	–	10,214,932	2,646,966	1,755,751
Management expense ratio ²	–	–	0.58%	0.49%	0.47%
Trading expense ratio ³	–	–	–	–	–
Portfolio turnover rate ⁴	–	–	7.51%	7.13%	4.55%
Net asset value per unit ¹	–	–	\$5.44	\$5.25	\$5.98

1 The information is provided as at December 31 of the years shown.

2 Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

3 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. Since there are no direct trading costs associated with physical bullion trades, the trading expense ratio is nil.

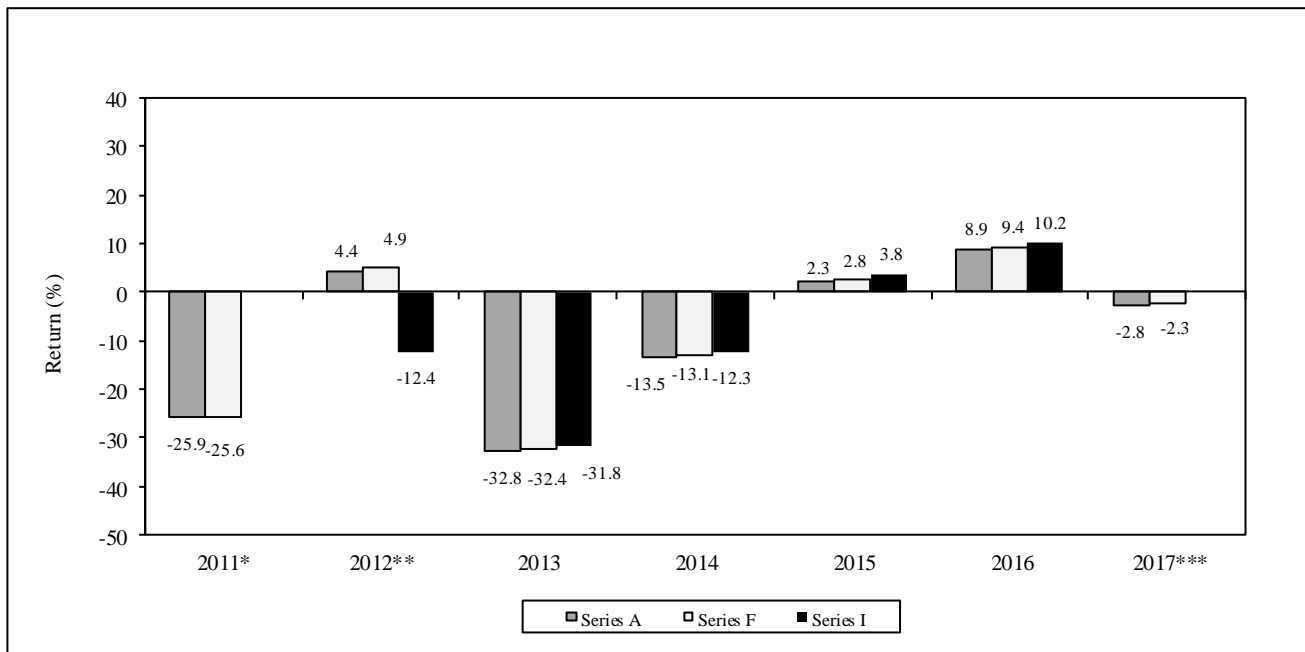
4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover is expressed as a non-annualized percentage.

Past Performance

The indicated rates of return are the historical total returns including changes in unit values and assume reinvestment of all distributions in additional units of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of returns are calculated based on the Net Asset Value of the particular Series of the Fund.

Year-by-Year Returns

The following chart indicates the performance of each Series of the Fund for the previous twelve-month periods ended December 31 shown, unless otherwise noted. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each period.



* Return from May 10, 2011 (launch date) to December 31, 2011 for Series A and F (not annualized).

** Return from March 1, 2012 to December 31, 2012 for Series I (not annualized).

*** There were no Series I units outstanding as at the end of the period.

Annual Compound Returns

The following table illustrates the annual compound total return for each Series of units of the Fund for the periods shown. As a basis of performance comparison, the annual compound return of the Fund is compared to that of the return on spot silver. Since the Fund has expenses related to its silver holdings, the performance of the Fund is not expected to equal the performance of spot silver.

	1-Year	3-Year	5-Year	Since Inception*
Sprott Silver Bullion Fund – Series A	-2.8%	2.7%	-8.8%	-10.2%
Spot Silver Return (CAD)	-0.4%	5.3%	-6.7%	-7.8%
Sprott Silver Bullion Fund – Series F	-2.3%	3.2%	-8.4%	-9.8%
Spot Silver Return (CAD)	-0.4%	5.3%	-6.7%	-7.8%

* Since launch date of March 10, 2011 for Series A and F. Returns for Series I are not shown as there were no units outstanding as at December 31, 2017.

Summary of Investment Portfolio

As at December 31, 2017

All Holdings

	% of Net Asset Value
Silver Bullion	100.2
Cash	0.0
Other Net Liabilities	(0.2)
Total Net Asset Value	100.0

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available on the Internet at www.ninepoint.com

Corporate Information

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