



Sprott Gold & Precious Minerals Fund

December 2017 Commentary

The Sprott Gold and Precious Minerals Fund had a strong finish to the year with a 4.25% gain. The TSX Global Gold Total Return Index finished the month up 0.83% over the same time. The strong returns in the month of December helped the fund finish the year up 1.79% versus 1.35% for the benchmark.

In our November commentary, we had noted that the month of December has often presented an ideal entry point for buying precious metals and related equities. As has been the case of many Decembers past, last year, provided an excellent opportunity to buy gold and gold equities at their lows. The Federal Reserve helped put a floor on gold after affirming that they did not see a need to increase their pace of interest rate hikes following their December meeting. One of the biggest fiscal developments to come out of the U.S. in the past few decades occurred on December 22, 2017 when Donald Trump signed into law a sweeping tax overhaul. While we refrain from commenting on the specifics of the bill, it is worth noting that in virtually every scenario, the bill significantly increases the US Federal deficit for the foreseeable future. For the entirety of 2017, the biggest theme behind gold bullion's gains has been the decline in the U.S dollar versus other currencies. It is fair to say that with the passage of the bill, the U.S. has made it certain that it will add to its deficits not only during times of economic contractions but also during economic expansions. Following the passage of the tax bill, we were not the least surprised to see the pace of the U.S. dollar decline increase further.

The three largest contributors to the December fund performance were Roxgold, B2Gold and Dacian Gold. In addition to being one of the cheapest producers in our universe, Roxgold has been working on unlocking the potential of its Bagassi South discovery and converting the resources into mined ounces to provide organic growth for the company. After rallying over 18% in December, it continues to be one of the most attractively priced producers in our universe. B2Gold provided numerous positive updates on its operations as its flagship mine, Fekola entered commercial production. Production guidance for 2017 was lifted and 2018 is going to be a pivotal year for B2Gold as gold production is expected to rise over 50% from ~600k oz to ~925k oz, while cash costs move lower and earnings move higher. B2Gold had experienced middling performance relative to its peers for most of 2017 and the December update could be the inflection for this story. Dacian Gold rallied 14% in the month of December as it continued to progress nicely with the construction of its Mount Morgan project. Dacian Gold is a very attractively priced developer at this stage. It should re-rate nicely as it enters production, which in turn should drive further upside in its share price.

The three largest detractors to performance for December were Osisko Mining, Cardinal Resources

Investment Team



Jason Mayer, CFA, MBA
Senior Portfolio Manager,
Sprott Asset Management -
Sub-Advisor



Sub-Advisor

**Maria Smirnova, MBA,
CFA**
Senior Portfolio Manager,
Sprott Asset Management -



**Shree Kargutkar, MBA,
CFA**
Portfolio Manager, Sprott Asset
Management - Sub-Advisor

and Westgold Resources. Osisko Mining had been one of the best stories in the first half of 2017, however, investors have been aggressively taking money off the table on this in the past couple of months despite the ongoing exploration success on their grounds. We see this sell-off to be primarily sentiment based rather than based on fundamentals and for this reason, continue to hold this position. Cardinal Resources, was similarly affected by poor market sentiment rather than fundamentals as its stock slipped 12% in December. Cardinal reported grade control drilling results at its Namdini project which reaffirmed the potential for a high grade starter pit that will help achieve a rapid payback on the CAPEX once the project goes into production. Westgold Resources was down just over 7% in December after it announced a new strategic alliance and a coincident capital injection with GEAR, an Indonesian based resource organization. Westgold is entering a pivotal stage of its development as it ramps up production across its asset base with the goal towards reaching 400k oz production in 2019.

¹ All returns and fund details are a) based on Series F units; b) net of fees; c) annualized if period is greater than one year; d) as at December 29, 2017; e) 2001 annual returns are from 11/15/01 to 12/31/01. The index is 100% S&P/TSX Global Gold Total Return Index and is computed by Ninepoint Partners LP based on publicly available index information.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: commodity risk; concentration risk; currency risk; cybersecurity risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; liquidity risk; market risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; substantial unitholder risk; tax risk; uninsured losses risk.

Ninepoint Partners LP is the investment manager to the Ninepoint Funds (collectively, the "Funds"). Commissions, trailing commissions, management fees, performance fees (if any), other charges and expenses all may be associated with mutual fund investments. Please read the prospectus carefully before investing. The indicated rate of return for series F units of the Fund for the period ended December 29, 2017 is based on the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Fund may be lawfully sold in their jurisdiction.

The opinions, estimates and projections ("information") contained within this report are solely those of Ninepoint Partners LP and are subject to change without notice. Ninepoint Partners makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, Ninepoint Partners assumes no responsibility for any losses or damages, whether direct or indirect, which arise out of the use of this information. Ninepoint Partners is not under any obligation to update or keep current the information contained herein. The information should not be regarded by recipients as a substitute for the exercise of their own judgment. Please contact your own personal advisor on your particular circumstances. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any investment funds managed by Ninepoint Partners. Any reference to a particular company is for illustrative purposes only and should not to be considered as investment advice or a recommendation to buy or sell nor

should it be considered as an indication of how the portfolio of any investment fund managed by Ninepoint Partners is or will be invested. Ninepoint Partners LP and/or its affiliates may collectively beneficially own/control 1% or more of any class of the equity securities of the issuers mentioned in this report. Ninepoint Partners LP and/or its affiliates may hold short position in any class of the equity securities of the issuers mentioned in this report. During the preceding 12 months, Ninepoint Partners LP and/or its affiliates may have received remuneration other than normal course investment advisory or trade execution services from the issuers mentioned in this report.

Ninepoint Partners LP: Toll Free: 1.866.299.9906. DEALER SERVICES: RBC Investor & Treasury Services: Tel: 416.955.5885; Toll Free: 1.877.874.0899