



Sprott Gold & Precious Minerals Fund

September 2017 Commentary

The precious metals complex consolidated its gains from July and August in September. Gold bullion gave up 3.2% in Canadian dollar terms and the TSX Global Gold Total Return Index dropped 6.6% as ongoing geopolitical angst gave way to profit taking. The Sprott Gold and Precious Minerals Fund dropped 5.9% in the same time frame, outperforming the benchmark by 0.7%. In our previous commentary, we had discussed the valuation discrepancy between junior and senior gold miners, especially given the buoyant bullion prices. The market took notice of this valuation discrepancy and this helped junior precious metals miners outperform their senior counterparts for the first time in three months. It is no secret that the greatest profits in the precious metals mining space are generated by well-capitalized, high quality junior mining companies. Uncovering these gems requires a combination of skill and labour. Patience is often necessary and in periods such as the one we are currently experiencing, patience can be truly tested. On a year to date basis, juniors continue to underperform seniors by over 300 bps when one compares the GDX versus the GDXJ. With bullion prices up over 11% in U.S. Dollar terms, we continue to see a big runway for juniors to outshine their senior counterparts by a wide margin in the coming months. As this theme unfolds, our unitholders will stand to generate handsome rewards.

The top contributors to the Fund were Pretium Resources Inc., Cardinal Resources Ltd. and Westgold Resources Ltd. As we had anticipated, Pretium went from underperforming to being a top contributor – the Company provided a positive production update, reporting that grades are ramping up and the plant operating consistently at nameplate capacity. We continue to expect Pretium's shares to undergo a gradual re-rating over the coming quarters as investor confidence in the underlying free cash flow potential of Brucejack increases. Cardinal announced a significant upgrade to their Namdini gold project in Ghana, growing total resources 60% to 7.4 million ounces. Westgold reported inline fiscal 2017 (ended June 30th) year-end metrics, with the Company continuing to execute on their growth strategy. Westgold also announced granting one for five bonus options to its shareholders.

The top detractors from the Fund were Continental Gold Inc., Agnico-Eagle Mines Limited and Detour Gold Corporation. Continental sold off despite reporting high grade broad mineralized drill results from its Buritica project. The Company is accelerating the drilling program as management believes there is significant upside in the resource and potential to increase project economics by identifying broad mineralized zones. Agnico-Eagle hosted a series of well-received site tours, which highlighted the Company's key assets, but the stock corrected after rallying in August. Detour suffered disproportionately in the gold sell-off: it is a low grade and relatively high cost operation, so is highly sensitive to the gold price.

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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 September 30, 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.

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