



# Sprott Gold and Precious Minerals Fund

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2017

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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](http://www.ninepoint.com) or SEDAR at [www.sedar.com](http://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.

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The objective of the Sprott Gold and Precious Minerals Fund (the “Fund”) is to provide long-term capital growth. In order to achieve its investment objective, the Fund invests primarily in gold, gold certificates, precious metals and minerals, certificates relating to such metals and minerals and/or in equity securities of companies that are directly or indirectly involved in the exploration, mining, production or distribution of gold and other precious metals and minerals.

As part of its investment strategy, the Fund may:

- deviate from NI 81-102 restrictions as it has obtained exemptive relief that permits the Fund to invest more than 10% of its net asset value, taken at the market value at the time of investment, directly in gold bullion or permitted gold certificates. The Fund may also invest in silver bullion and other precious metals and minerals; and
- engage in short selling up to 20% of the Fund’s total net asset value as a result of special relief it obtained from Canadian securities regulators.

### Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus. This Fund is suitable for those investors who want exposure to the capital appreciation potential of gold and precious minerals. Investors should be comfortable with high investment risks and have a long-term investment horizon. 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 Fund, Series A returned 1.8% in 2017, while its benchmark, the S&P/TSX Global Gold Total Return Index, returned 1.4%.

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

The second factor affecting precious metals was the return to favour of 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 gold and other precious metals.

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 to be a safe store of value and insurance against currency volatility. Cryptocurrencies billed themselves as a similar store of value, diverting attention from gold as some retail investors were attracted to cryptocurrencies like Bitcoin and Ethereum as a “get rich quick” theme.

Many developed equity markets around the world experienced volatility levels that were near record lows, punctuated by investment flows into index funds and algorithm-driven investment strategies. In North America, precious metals equities experienced outflows, although precious metals prices were favourable. In response, the Manager increased the Fund’s exposure to Australian equities, which were less affected by the three factors mentioned above than Canadian precious metal equities. The Manager also increased the Fund’s exposure to producers generating strong cash flows from their assets while funding their growth organically. These companies, many of which have assets in Australia, outperformed the benchmark.

Individual contributors to the Fund’s performance included Kirkland Lake Gold Ltd., Pretium Resources Inc. and Saracen Mineral Holdings Ltd. Kirkland Lake benefited from discovering a bonanza-grade zone at the Fosterville gold mine in Australia, acquired through a merger. The result was higher production, a lower cost per ounce and substantial free cash flow. Kirkland Lake also benefited from ongoing improvements at its Macassa mine in northern Ontario. Pretium transitioned from a developer to a producer in July 2017, which led the market to lower the stock’s discount rate. Saracen delivered on its plan to become a 300,000-ounce producer in Australia and ended the year with higher production rates, longer mine life and a lower cost per ounce produced compared to 2016. Ongoing exploration at its Carosue Dam operations yielded material success and good future visibility for the mine.

# Sprott Gold and Precious Minerals Fund

December 31, 2017

Individual detractors from the Fund's performance included Asanko Gold Inc., Continental Gold Inc. and Goldcorp Inc. Asanko faced operational challenges in production and in costs, which affected its balance sheet. Furthermore, a short-selling report challenged the company's resource and cost estimates. Continental received its environmental permits from the Colombian authorities, brought in Newmont as a stakeholder and removed artisanal miners from its grounds, but investors continued to place a large discount on the stock. Goldcorp encountered some operational challenges as it brought its Eleonore and Cerro Negro operations online. The company's future capital spending plans led investors to be sensitive to any challenges.

Although the past five years have seen low spending on exploration, the Manager added several holdings with exciting exploration stories, which increased the Fund's portfolio alpha potential. In addition to shifting to a higher weighting in Australian equities, the Manager increased holdings in mid-capitalization companies, as valuations reached levels that the Manager characterized as distressed.

The Fund's total net asset value decreased by 24.9% during the period, from \$220.3 million as at December 31, 2016 to \$165.4 million as at December 31, 2017. This change was predominantly due to net redemptions of \$57.6 million. The management expense ratio increased slightly, while the trading expense ratio decreased from the prior period.

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 LP as the subadvisor of the Fund since August 1, 2017.

## Related Party Transactions

### MANAGEMENT FEES

The Fund pays a management fee to the Manager, at an annual rate of 2.5% for Series A units, 1.5% for Series F units and as negotiated by the unitholders of Series I. The management fee is calculated and accrued daily and is paid monthly based on the average net asset value of that series of the Fund. For the year ended December 31, 2017, the Fund incurred management fees of \$5,076,029 (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 Commissions
Sprott Gold and Precious Minerals Fund – Series A	62%	38%
Sprott Gold and Precious Minerals Fund – Series F	92%	8%
Sprott Gold and Precious Minerals Fund – Series I	100%	–

Out of the management fees that the Manager or former manager received from the Fund, the Manager or former manager paid trailer commissions of \$283,320 during the year ended December 31, 2017 to Sprott Private Wealth LP, an affiliate of the former manager.

### INCENTIVE FEES

The Fund also pays the Manager an annual incentive fee, equal to a percentage of the average net asset value of the applicable Series of the Fund. Such percentage will be equal to 10% of the difference by which the return in net asset value per unit of the applicable Series from January 1 to December 31 exceeds the percentage return of the S&P/TSX Global Gold Index for the same period. If the performance of a Series of the Fund in any year is less than the performance of the Index (the "Deficiency"), then no incentive fee will be payable until the performance of the applicable Series, on a cumulative basis, has exceeded the amount of the Deficiency. For the year ended December 31, 2017, the Fund accrued \$13,999 incentive fees.

### 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.

# Sprott Gold and Precious Minerals Fund

December 31, 2017

## 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 year ended December 31, 2017 and the years shown.

The Fund's Net Assets per Unit<sup>1</sup>

	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Series A	\$	\$	\$	\$	\$
Net assets, beginning of period	35.63	23.48	25.02	24.17	49.37
<b>Increase (decrease) from operations:</b>					
Total revenue	0.24	0.15	0.19	0.15	0.21
Total expenses	(1.48)	(1.64)	(1.07)	(1.07)	(1.12)
Realized gains (losses) for the period	1.81	8.70	(21.40)	(3.61)	(3.45)
Unrealized gains (losses) for the period	0.10	5.08	20.94	5.60	(22.22)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.67</b>	<b>12.29</b>	<b>(1.34)</b>	<b>1.07</b>	<b>(26.58)</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, end of period</b>	<b>36.27</b>	<b>35.63</b>	<b>23.48</b>	<b>25.02</b>	<b>24.17</b>
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Series F	\$	\$	\$	\$	\$
Net assets, beginning of period	39.30	25.62	27.02	25.83	52.25
<b>Increase (decrease) from operations:</b>					
Total revenue	0.16	0.16	0.20	0.17	0.19
Total expenses	(1.07)	(1.16)	(0.77)	(0.76)	(0.77)
Realized gains (losses) for the period	1.92	9.30	(22.95)	(3.88)	(3.68)
Unrealized gains (losses) for the period	(0.88)	2.85	22.31	5.31	(24.49)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.13</b>	<b>11.15</b>	<b>(1.21)</b>	<b>0.84</b>	<b>(28.75)</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, end of period</b>	<b>40.43</b>	<b>39.30</b>	<b>25.62</b>	<b>27.02</b>	<b>25.83</b>

# Sprott Gold and Precious Minerals Fund

December 31, 2017

Series I	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
	\$	\$	\$	\$	\$
Net assets, beginning of period	5.81	3.70	3.86	3.63	7.23
<b>Increase (decrease) from operations:</b>					
Total revenue	0.03	0.02	0.03	0.02	0.02
Total expenses	(0.05)	(0.05)	(0.06)	(0.02)	(0.02)
Realized gains (losses) for the period	0.30	1.49	(3.14)	(0.52)	(0.46)
Unrealized gains (losses) for the period	(0.23)	(0.04)	2.91	0.31	(3.21)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.05</b>	<b>1.42</b>	<b>(0.26)</b>	<b>(0.21)</b>	<b>(3.67)</b>
<b>Distributions:</b>					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
<b>Total annual distributions</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net assets, end of period</b>	<b>6.02</b>	<b>5.81</b>	<b>3.70</b>	<b>3.86</b>	<b>3.63</b>

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.

# Sprott Gold and Precious Minerals Fund

December 31, 2017

## Ratios and Supplemental Data

	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
<b>Series A</b>					
Total net asset value (000s) <sup>1</sup>	<b>\$127,971</b>	\$137,278	\$90,532	\$113,565	\$118,691
Number of units outstanding <sup>1</sup>	<b>3,528,759</b>	3,853,158	3,856,168	4,538,767	4,910,217
Management expense ratio <sup>2</sup>	<b>3.04%</b>	2.96%	3.19%	3.15%	3.11%
Trading expense ratio <sup>3</sup>	<b>0.87%</b>	1.08%	0.81%	0.38%	0.27%
Portfolio turnover rate <sup>4</sup>	<b>142.90%</b>	174.30%	117.10%	53.49%	19.69%
Net asset value per unit <sup>1</sup>	<b>\$36.27</b>	\$35.63	\$23.48	\$25.02	\$24.17
<b>Series F</b>					
Total net asset value (000s) <sup>1</sup>	<b>\$35,068</b>	\$82,412	\$35,721	\$41,164	\$40,375
Number of units outstanding <sup>1</sup>	<b>867,336</b>	2,097,078	1,394,141	1,523,537	1,563,374
Management expense ratio <sup>2</sup>	<b>1.97%</b>	1.89%	2.13%	2.08%	2.03%
Trading expense ratio <sup>3</sup>	<b>0.87%</b>	1.08%	0.81%	0.38%	0.27%
Portfolio turnover rate <sup>4</sup>	<b>142.90%</b>	174.30%	117.10%	53.49%	19.69%
Net asset value per unit <sup>1</sup>	<b>\$40.43</b>	\$39.30	\$25.62	\$27.02	\$25.83
<b>Series I</b>					
Total net asset value (000s) <sup>1</sup>	<b>\$2,384</b>	\$629	\$16,924	\$16,532	\$4,491
Number of units outstanding <sup>1</sup>	<b>396,329</b>	108,371	4,577,205	4,279,604	1,236,866
Management expense ratio <sup>2</sup>	<b>0.61%</b>	0.58%	1.17%	0.41%	0.35%
Management expense ratio before incentive fee <sup>2</sup>	<b>0.29%</b>	0.23%	0.45%	0.41%	0.35%
Trading expense ratio <sup>3</sup>	<b>0.87%</b>	1.08%	0.81%	0.38%	0.27%
Portfolio turnover rate <sup>4</sup>	<b>142.90%</b>	174.30%	117.10%	53.49%	19.69%
Net asset value per unit <sup>1</sup>	<b>\$6.02</b>	\$5.81	\$3.70	\$3.86	\$3.63

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

2 Management expense ratio ("MER") is based on total expenses (including incentive fees, if any; 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.

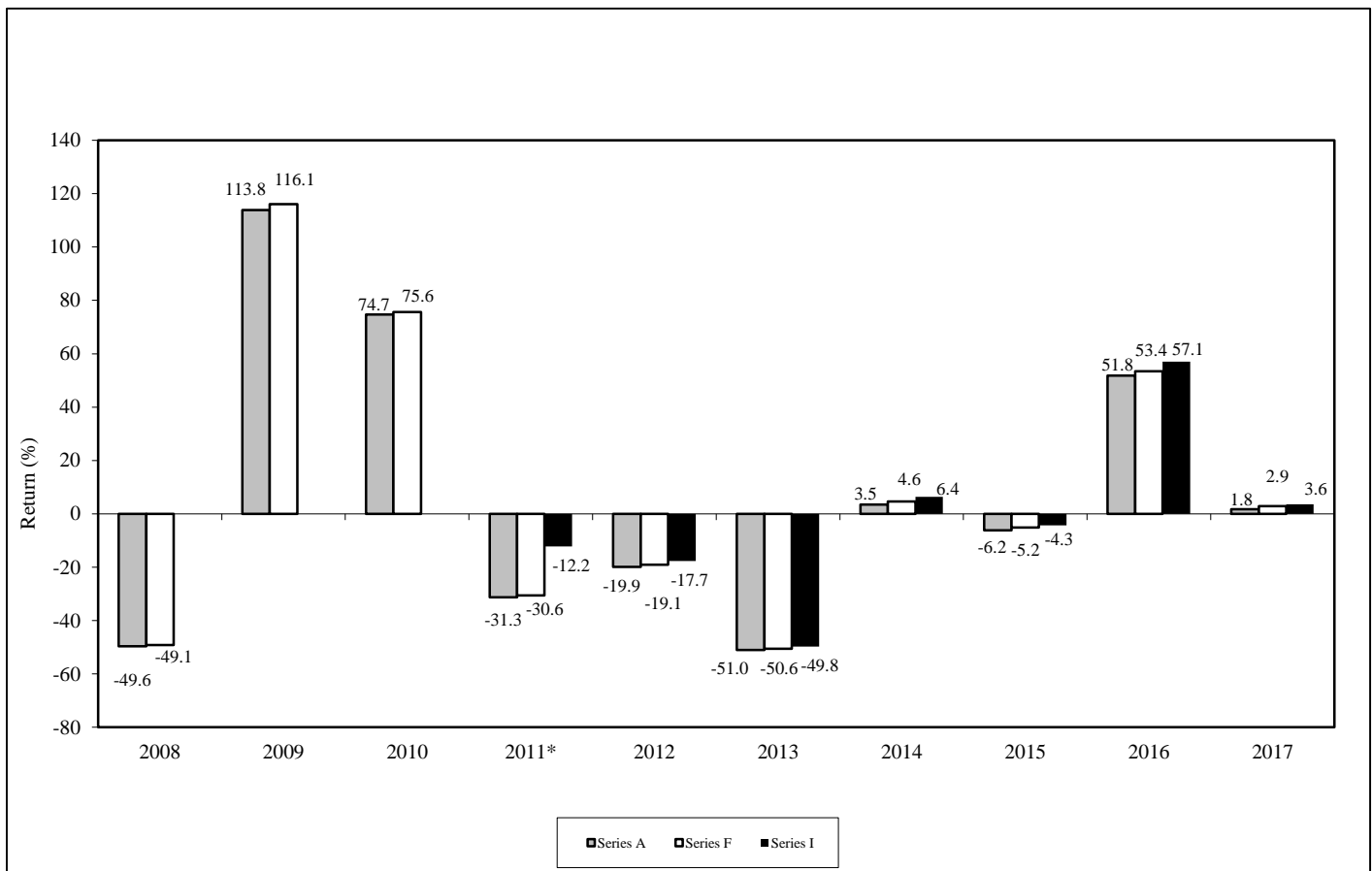
4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio 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.

## 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.



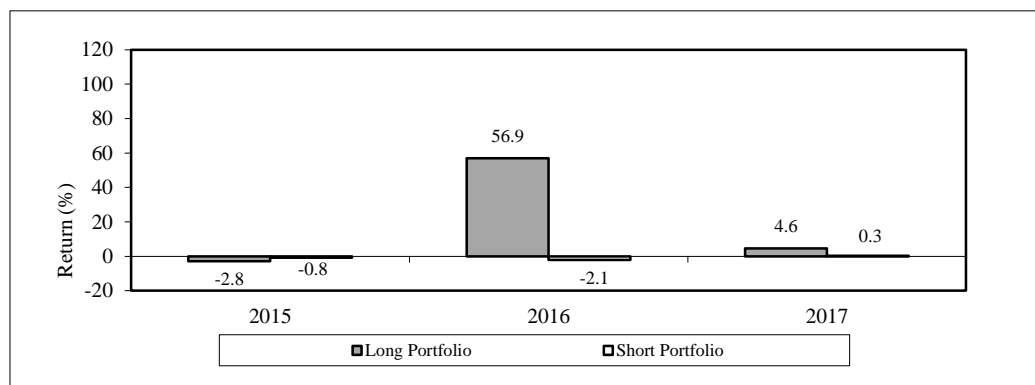
\* Return from October 19, 2011 to December 31, 2011 for Series I (not annualized).

# Sprott Gold and Precious Minerals Fund

December 31, 2017

## Long and Short Portfolio Returns

The following table illustrates the contribution to the return of the Fund (before the impact of Fund expenses) by the long portfolio and the short portfolio of the Fund for the previous twelve-month periods ended December 31 shown, unless otherwise noted. For the purposes of this disclosure, certain derivatives may be considered to be part of the short portfolio.



\* The Fund did not hold short portfolio positions prior to 2015.

## 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 S&P/TSX Global Gold Index (the "Index"). The Index is an international benchmark tracking the world's leading gold companies. Since the Fund does not necessarily invest in the same securities or in the same proportion as the Index, the performance of the Fund is not expected to equal the performance of the Index.

	1-Year	3-Year	5-Year	10-year	Since Inception*
Sprott Gold and Precious Minerals Fund – Series A	1.8%	13.2%	-6.0%	-2.7%	8.3%
S&P/TSX Global Gold Index	1.4%	11.2%	-7.4%	-3.6%	3.2%
Sprott Gold and Precious Minerals Fund – Series F	2.9%	14.4%	-5.0%	-1.7%	1.7%
S&P/TSX Global Gold Index	1.4%	11.2%	-7.4%	-3.6%	0.2%
Sprott Gold and Precious Minerals Fund – Series I	3.6%	15.9%	-3.6%	–	-7.9%
S&P/TSX Global Gold Index	1.4%	11.2%	-7.4%	–	-9.7%
Long portfolio	4.6%				
Short portfolio	0.3%				

\* Since launch date of November 15, 2001 for Series A, October 12, 2004 for Series F and October 19, 2011 for Series I.



# Sprott Gold and Precious Minerals Fund

December 31, 2017

## Summary of Investment Portfolio

As at December 31, 2017

### Portfolio Allocation

	% of Net Asset Value
Long Positions	
Equities - Precious Metals	92.0
Bonds and Convertible Debentures	5.5
Equities - Base Metals	0.3
<b>Total Long Positions</b>	<b>97.8</b>
Bank Indebtedness	(0.6)
Other Net Assets	2.8
<b>Total Net Asset Value</b>	<b>100.0</b>

### Top 25 Positions

Issuer	% of Net Asset Value
Kirkland Lake Gold Ltd.	5.1
Pretium Resources Inc.	4.7
Endeavour Mining Corp.	4.4
SEMAFO Inc.	4.4
B2Gold Corp.	4.2
Dacian Gold Ltd.	4.1
West African Resources Ltd.	4.0
Roxgold Inc.	4.0
Randgold Resources Ltd.	4.0
Detour Gold Corp.	3.5
MAG Silver Corp.	3.2
Osisko Mining Inc.	3.2
TMAC Resources Inc., 8.75%, Dec 31, 2018	3.2
Pan American Silver Corp.	3.2
Agnico Eagle Mines Ltd.	3.1
Westgold Resources Ltd.	3.1
Cardinal Resources Ltd.	2.7
Continental Gold Inc.	2.7
Saracen Mineral Holdings Ltd.	2.4
Hochschild Mining PLC	2.4
Northern Star Resources Ltd.	2.4
Leagold Mining Corp.	2.3
Evolution Mining Ltd.	2.2
Sabina Gold and Silver Corp.	2.1
Argonaut Gold Inc.	2.0
<b>Total 25 positions as a percentage of net asset value</b>	<b>82.6</b>

The Fund held no short positions as at December 31, 2017.

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](http://www.ninepoint.com).

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## Corporate Information

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Call our mutual fund information line for daily closing prices:  
416.943.6707 or 866.299.9906

### Auditors

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