

July saw a continuation of the low volatility environment, which has characterized much of 2017. While silver in U.S. Dollar terms managed a gain of 1.2%, the performance of silver equities was less favourable. The MSCI ACWI Select Silver Miners Index finished the month down 2.5% in CAD terms. The Sprott Silver Equities Class finished the month down 4.0%. A large part of the positive bullion move can be attributed to the fact that silver's U.S.-denominated returns were driven largely by a drop in the U.S. dollar against a majority of the major currencies in the world. When measured against a basket of major currencies, the U.S. Dollar declined a stunning 2.9% in the month of July alone. As an example, in the month of July, the price of silver as measured in Canadian dollar terms was down by 2.7% and similarly, measured in Australian dollars, silver dropped 2.8%.

Physical silver demand numbers are in for the first half of 2017 and they were disappointing. Investment in silver ETF's added 17.6 million ounces, coin fabrication amounted to 32.8 million ounces and net physical bar consumption was 41.6 million ounces for a total of 92 million ounces¹. This was a decline of 35% over the first half of 2016. Demand was disappointing in North America and Europe – this is likely a reflection of investors' views that the U.S. economy is relatively strong (strong employment data, etc.) and that the Fed will continue to raise rates. In Europe, the elections in France, the Netherlands and Germany did not raise the threat of a Eurozone breakup. In China, a soft economy weighted on investors' appetite to invest in precious metals.

India was a bright spot after a weak 2016 and demand there rose 16% in the first half of the year. The driving forces for this were a better monsoon (with a record grain output raising farmers' incomes), bad loans held by farmers being written off by the government and a spillover from last year's demonetization scheme with gold and silver being used to convert cash into metal².

In July, bargain hunters stepped in and were more active in the coin market. July American Eagle silver coin sales were 2.27 million ounces, up 130% from June and up 66% year-over-year³. ETF's also gained traction adding 10.5 million ounces⁴.

The top contributors to the fund were Hochschild Mining, Industrias Penoles and Excellon Resources. Hochschild reported production that was on track to meet 2017 guidance and reduced net debt in the quarter. Penoles recovered after declining in April-June. Excellon announced that all production headings at its Platosa mine were dry post completion of installation of dewatering infrastructure. Ramp up in production rates was underway and high-grade headings were being accessed.

The top detractors from the fund were Tahoe Resources, Alio Gold and Continental Gold. Tahoe announced on July 5th that the Supreme Court of Guatemala issued a provisional decision in respect to an action brought by the anti-mining organization, CALAS, against Guatemala's Ministry of Energy and Mines. The provisional decision suspended the Escobal mining license while the action is being reviewed by the court. Tahoe is taking all legal steps possible to have the ruling reversed and the license reinstated. Alio sold off after announcing a \$50 million bought deal offering of units priced 16% below its closing price on June 28th. Continental drifted after a strong June performance; the Company announced commencing a 15,000 meter underground drilling program to in-fill and expand reserves and resources.

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SPROTT SILVER EQUITIES CLASS

July 2017 Commentary

COMPOUNDED RETURNS (%)[†]

FUND	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	ANNUALIZED INCEPTION (01/03/12)
FUND	-4.0	-7.4	-9.1	-18.4	-34.1	-0.2	-1.3	-8.8
MSCI ACWI SELECT SILVER MINERS IMI (CAD)	-2.5	-0.4	-7.7	-13.2	-29.6	1.9	-4.0	-9.4



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[†] All returns and fund details are a) based on Series A shares; b) net of fees; c) annualized if period is greater than one year; d) as at July 31, 2017; e) 2012 annual returns are from 02/28/12 to 12/31/12. The index is 100% MSCI ACWI Select Silver Miners IMI (CAD) Index and is computed by Sprott Asset Management LP based on publicly available index information.

¹ Source: GFMS, July 20th, 2017.

² Ibid.

³ Source: GFMS, August 3rd, 2017.

⁴ Source: Bloomberg.

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