

July saw a continuation of the low volatility environment, which has characterized much of 2017. While gold in U.S. Dollar terms managed a healthy gain of 2.3%, the performance of gold equities was relatively muted. Even though bullion's returns for the month of July were positive, the S&P/TSX Global Gold Index returned -0.2% and its U.S. counterpart, the HUI index gained 5.6% in the same time frame. The Sprott Gold and Precious Minerals Fund was down 2.0% in the same time frame. A large part of this move can be attributed to the fact that gold'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. This drop alone accounted for virtually all the gains that gold experienced in the month of July.

The big factor driving the relative underperformance of the gold equities was the currency movement. A majority of the gold producers are located outside of the U.S. Therefore, when the U.S. dollar declines against their currencies, the relative cost of doing business goes up for them. Put differently, the price of gold as measured in non-USD terms goes down when their currencies appreciate. This in turn, affects the margins that the miners are able to generate from selling each unit of gold. As an example, in the month of July, the price of gold as measured in Canadian dollar terms was down by 1.7%, although the price of gold in U.S. dollar terms was up 2.3% as previously mentioned. Similarly, gold measured in Australian dollars dropped 1.8%. Although relatively small in the grand scale of things, these small declines in margins do impact the economics of the gold producers and in turn affects their valuations.

The big theme that we have been focused on all year has been the slow grind lower for volatility across several asset classes. The levels at which volatility continues to get realized in broader equity markets in particular are at levels which we see as unsustainable over the medium and long term. As a result, to our eye, it appears that gold bullion and by extension gold equities are quietly biding their time. August has traditionally been a strong month for gold and a weak month for equities. We would not be surprised to see volatility surface in the coming weeks, which should prove beneficial for those with allocation towards gold in their portfolios.

The top contributors to the fund were Saracen Mineral Holdings, Osisko Mining and Leagold Mining. Saracen reported strong June Q production at both Carosue Dam and Thunderbox – both mined grades and throughput increased contributing to the good performance. In addition, the Company has had significant exploration at both operations. Osisko continued to report positive exploration results at Windfall Lake; the recently discovered Lynx in particular delivered high grade drill intercepts. Leagold reported Q2 production and described all the operational improvements the Company has undertaken to improve Los Filos. Leagold also announced positive drilling results of its in-fill and step-out exploration program at their Bermejil underground deposit.

The top detractors from the fund were B2Gold Corp., Continental Gold and Westgold Resources. B2Gold reported Q2 production at the end of the month and lowered their 2017 production guidance by ~4%. Continental drifted after a strong June performance; the Company announced commencing a 15,000 metre underground drilling program to in-fill and expand reserves and resources. Westgold slid despite announcing the acquisition of a strategic processing hub in the south of the Central Murchison Gold Project, which will significantly improve the flexibility and scale of the project.

SPROTT GOLD & PRECIOUS MINERALS FUND

July 2017 Commentary

COMPOUNDED RETURNS (%) AS AT JULY 31, 2017¹

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	10 YR	15 YR	ANNUALIZED INCEPTION (11/15/01)
SPROTT GOLD & PRECIOUS MINERALS FUND	-2.0	-2.4	-4.9	-14.6	-33.1	1.4	-5.3	-4.5	4.9	8.2
S&P/TSX GLOBAL GOLD TOTAL RETURN INDEX	-0.2	0.5	-6.3	-8.8	-28.5	0.7	-6.5	-2.9	2.2	3.2



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¹ All returns and fund details are a) based on Series A units; b) net of fees; c) annualized if period is greater than one year; d) as at July 31, 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 Sprott Asset Management LP based on publicly available index information.

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