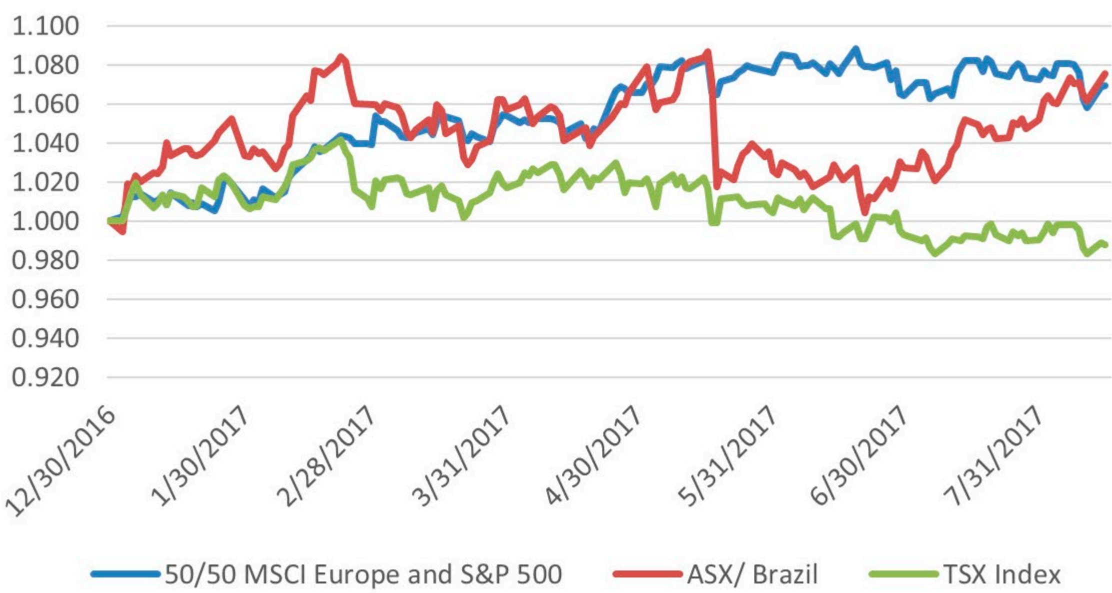
SPROTT CANADIAN EQUITY FUND

July 2017 Commentary

The Sprott Canadian Equity Fund, Series A returned -0.7% in July and was down by -9.0% in 2017. The S&P/TSX Total Return Index returned -0.1% for the month and 0.7% in 2017.

At the time of this writing the Canadian equity market as measured by the Total Return of the S&P/TSX has been one of the worst performing markets of all G7 countries (as measured by the average return of the MSCI Europe and S&P 500 Indexes) and other global commodity rich nations (as measured by the average return of the ASX and IBOV Indexes). We have highlighted the reasons for this underperformance in past writings but in summary; weak commodity prices specifically crude oil, tightening regulation across the Canadian mortgage industry and potential changes to NAFTA have all contributed to weak relative returns. I remind you that the TSX was one of the best indexes versus its global peers in 2016. Despite fairly robust economic indicators (GDP growth, employment and trade data) and steady earnings per share growth for the S&P/TSX the market has not managed to keep up with its global peers.

TSX vs. Major Market Indices



Source: Bloomberg.

The S&P/TSX had a great year in 2016 but the total market return was somewhat misleading. As we discussed in our 2016 year-end review just three sectors (Financials, Energy and Materials) contributed most of the return. Had you not been exposed to these sectors you would have likely been left behind. Financials, Energy and Materials represented 93% of the S&P/TSX return last year and had you excluded the three from the markets performance in 2016 the TR would have been 1.39%, slightly more in line with the S&P 500 (the global benchmark for diversified equity investors) of 4.0%. To put the importance of Financials, Energy and Materials into context for the S&P/TSX the three sub-sectors only represent 35%, 21% and 12% of the S&P/TSX compared to 14.5%, 6.0% and 2.8% for the S&P 500. Its great to be exposed to these sectors when times are good but quite the opposite when sentiment in these sub-sectors turns negative, just as it has for 2017 (again).

Continued on next page >

Many Canadian 'generalist' investors had sworn off resources given their poor performance between 2011 and 2016 and coming into last year we believe most Canadian managers were under exposed to these sectors (and for good reasons given their performance for the previous 5-years). Given the underperformance many managers felt obligated to increase exposure throughout 2016 and were left with market or likely above market weights heading into 2017. Given the poor performance in several of the commodity-based sub-sectors of the market some Canadian investors have experienced a difficult first half of 2017. Energy has been the weakest of the S&P/TSX sub-sectors having a -2.5% impact on the S&P/TSX overall in 2017. Our above market weight in Energy has had the greatest negative impact on our return in July and for the first half of the year.

A positive contributor to performance in July was our exposure to copper through three core positions (LUN, HBM and CS). The commodity and copper equities like the energy complex had been under pressure until late June despite rising demand from emerging markets such as China, ongoing labor/supply issues at large global copper mines and expected supply deficits over the next 3 – 5 years. At the time of our investments in the copper space the equities were trading at 4x cash flow or less and at deep discounts to net asset value. The stocks continue to look undervalued to us and the supply/demand picture only continues to improve going forward. As of this writing the price of copper has recovered from the $2.50/lb level to almost $3.00.

We recently made an investment in Jamieson Wellness (JWEL) which is a well-known Canadian vitamin and supplement company and the number one consumer health brand in Canada. Jamieson is the dominant player in the Canadian Vitamin market with 21% market share and distributes its product through retail locations across the country. Our investment in Jamieson was made at the IPO at what we believed were attractive prices for a high quality consumer name. Jamieson has grown at two times the industry rate over the past 10 years and looked poised to continue outpacing industry growth rates. Jamieson is looking to leverage their brand equity with international growth and tuck in acquisitions into adjacent markets. We recently sold the position as the stock quickly re-rated increasing in price by approximately 20% in the first 30 days of trading.

Thank you for your continued support and confidence in the fund.

J. Wiesblatt

Jon Wiesblatt,
Portfolio Manager

James B

James Bowen,
Portfolio Manager

SPROTT CANADIAN EQUITY FUND

July 2017 Commentary

COMPOUNDED RETURNS (%) AS AT JULY 31, 2017[1]

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	10 YR	15 YR	ANNUALIZED INCEPTION (09/26/97)
SPROTT CANADIAN EQUITY FUND, SERIES A	-0.7	-9.0	-2.4	-7.4	-13.0	-15.0	-13.5	-10.2	1.0	7.3
S&P/TSX COMPOSITE TRI	-0.1	0.7	-2.1	-0.2	6.8	2.6	8.6	3.9	8.5	6.5

www.sprott.com

[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) 1997 annual returns are from 09/26/97 to 12/31/97. The index is 100% S&P/TSX Composite TRI and is computed by Sprott Asset Management LP based on publicly available index information.

Sprott Asset Management LP: Toll Free: 1.866.299.9906. DEALER SERVICES: RBC Investor & Treasury Services: Tel: 416.955.5885; Toll Free: 1.877.874.0899.

0817348 08/17_SAM_MRC_001_E