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SPROTT CANADIAN EQUITY FUND

September 2017 Commentary

The Sprott Canadian Equity Fund, Series A returned 7.55% in September and was down by 5.03% in 2017. The S&PTSX Total Return Index returned 3.06% for the month and 4.45% in 2017.

After several months of significant underperformance relative to all sectors of the S&PTSX the Energy sector finally put together a winning month. The Energy sub-index for the TSX returned 7.6% in the month and contributed 1.5% to the overall index however; the sub index remains the worst meaningful performer on the TSX at -7.3% year-to-dates. Given the poor performance of the energy stocks in 2017 despite a relatively limited move in the overall commodity prices we have been able to find good value in the sector and have increased our exposure. We believe there is upside in the sector and have selected a number of quality companies both in Canada and the U.S. that offer exposure to exploration and production and service areas of the market. Most of the stocks we have invested in have positive production and revenue growth, are weighted more to oil than natural gas and have improved the health of their balance sheets either through asset divestitures, debt refinancing's or new equity in recent months.

We have observed a shift in sentiment across the energy sector since mid-summer. One of the hottest US energy plays has been the Permian which has started to lose a little bit of luster as Q2 earnings highlighted some production and cost issues. We would expect capex budgets will be realigned with lower than expected cash flows in the second half of 2017 which should negatively impact production growth. Keep in mind that global energy investors have placed great emphasis on U.S. oil production in recent years given 'explosive' growth in certain geographies. The improvement in overall sentiment has also been the result of increased oil demand forecasts and lower supply growth for the remainder of the year.

One of our core Canadian positions was positively impacted by an acquisition of an industry peer. As discussed in prior writings many Canadian special situations that often screen well for investors like us (on growth and profitability metrics) have been abandoned by market participants. Given the lack of interest in small-to-mid-cap diversified stocks in Canada valuations in many circumstances have become overly depressed and have attracted the attention of strategic buyers. We are not surprised by this and have beneficiaries of such interest in our portfolio. Great examples of strategic acquisitions of investments we have made are Innova Gaming and Dominion Diamond. Our portfolio was most recently impacted when a large U.S. based strategic buyer acquired a small Canadian technology company for a +100% premium. We hold an industry peer that has also traded to a very large discount to the group for a number of reasons. Given the valuation metrics of the recent transaction our investment has started to close its valuation discount. We expect this trend should continue for the balance of the year.

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

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COMPOUNDED RETURNS (%) AS AT SEPTEMBER 30, 2017[1]

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	10 YR	ANNUALIZED INCEPTION (09/26/97)
CDN EQUITY FUND, SERIES A	7.55	-5.03	3.68	-0.67	-7.96	-9.60	-15.60	-9.72	7.48
S&P/TSX COMPOSITE TRI	3.06	4.45	3.68	1.99	9.18	4.54	8.06	4.06	6.60

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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 September 30, 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 Ninepoint Partners LP based on publicly available index information.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: commodity risk; concentration risk; credit risk; currency risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; interest rate risk; liquidity risk; market risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; small company risk; tax risk.

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