



## **SPROTT BRIDGING INCOME FUND**

Q3 2017 Commentary

For the nine months ended September 30, 2017, we have had over \$170MM in loans that matured and were repaid in full as well as over \$300MM in new commitments. We are thrilled when our Borrowers transition as it indicates that our investment thesis has proven correct and that we have successfully transitioned a Borrower while earning strong returns through the process. We have had a very busy year redeploying capital into new loans and currently have a very robust pipeline of new opportunities.

In September, the Bank of Canada raised its benchmark interest rate for the second time this year suggesting that economic conditions are supportive of an end to permanently low interest rates. We suspect that rates will continue to march higher from here in both the short and medium term. Our loans to borrowers are priced using a spread over a prime borrowing rate such that higher rates under a rising interest rate environment are passed through to the Borrower which in turn are passed through to our investors in the form of higher yield on the Fund. Further, unlike traditional fixed income, our underlying loans to Borrowers have generally short terms and our loans are constantly maturing with proceeds redeployed by our team into new deals.

More so than ever, we are confident that the environment for private debt will remain attractive, where other traditional asset classes are reaching full valuation levels and may be susceptible to volatility in the coming year. We continue to do the same things as we have done since the Fund's inception – focus on borrowers that are underserved by traditional financial institutions and therefore require alternative sources of capital to meet their funding requirements. Our offering to prospective borrowers is that we will provide short-term capital at a reasonable cost of funds where there is sufficient collateral support and where we are comfortable that there are multiple exits identified within our anticipated term of the loan. From the Borrower's perspective, we react quickly to opportunities and are not confined to standard bank credit boxes which provide the Borrower with flexibility in their credit requirements. In exchange, the Fund is compensated with higher yield.

One of the deals we have funded in the quarter is outlined below:

### **Profiled Investment**

#### **Service Provider Factoring Facility**

During the quarter, we completed a financing transaction with a contract service provider that assists in the support and management of software for companies in the financial industry. The Company has existing offices in the USA and across the Americas and was looking for capital to fund their growth in the Canadian market. Through the purchase of the Company's accounts receivable we were able to provide the required capital to meet the Borrower's needs.

We thank you for your continued support.

**David Sharpe**

Chief Executive Officer

Bridging Finance Inc.

# SPROTT BRIDGING INCOME FUND

Q3 Commentary

## MONTHLY RETURNS OF SPROTT BRIDGING INCOME FUND LP REFERENCE SERIES OF CLASS F (%)<sup>1</sup>

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	0.53	0.53	0.62	0.62	0.65	0.76	0.66	0.75	0.74				6.01
2016	0.59	0.55	0.52	0.54	0.71	0.72	0.69	0.65	0.59	0.74	0.73	0.75	8.07
2015	0.99	0.68	0.75	0.59	0.72	0.64	0.92	0.77	0.71	0.63	0.63	0.57	8.95
2014	0.71	0.75	0.86	0.72	0.72	0.76	0.83	0.81	0.95	0.89	0.72	0.94	10.10
2013	-	-	-	-	-	-	-	-	-	-	0.11	0.63	0.74

## COMPOUNDED RETURNS OF SPROTT BRIDGING INCOME FUND LP (%)<sup>1</sup>

	1 MTH	YTD	3 MTH	6 MTH	1 YR	3 YR	5 YR	10 YR	ANNUALIZED INCEPTION (11/21/13)
SPROTT BRIDGING INCOME FUND LP, SERIES F	0.74	6.01	2.17	4.26	8.38	8.59	-	-	8.79



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<sup>1</sup> The Sprott Bridging Income Fund LP (the Fund) is co-managed by Bridging Finance Inc. Performance based on Reference Series of Class F of the Fund for the period ended September 28, 2017.

The Fund is generally exposed to the following risks. See the offering memorandum of the Fund for a description of these risks: speculative investments; limited operating history for the partnership; distributions and allocations; class risk; possible loss of limited liability; repayment of certain distributions; limited partners not entitled to participate in management; dependence of manager on key personnel; reliance on manager; dependence of sub-advisor on key personnel; reliance on sub-advisor; limited ability to liquidate investment; possible effect of redemptions; tax liability; charges to the partnership; potential indemnification obligations; not a public mutual fund; changes in investment strategies; valuation of the partnership's investments; lack of independent experts representing limited partners; no involvement of unaffiliated selling agent; general economic and market conditions; unspecified investments; competitive environment; illiquidity of underlying investments; credit risk; impaired loans; no insurance; non-controlling investments; joint ventures and co-investments; litigation; fixed income securities; equity securities; possible correlation with traditional investments; idle cash; currency risk; concentration; indebtedness.

The Sprott Bridging Income Fund LP is offered on a private placement basis pursuant to an offering memorandum and is only available to investors who meet certain eligibility or minimum purchase amount requirements under applicable securities legislation. The offering memorandum contains important information about the Fund including its investment objective and strategies, purchase options, applicable management fees, performance fees, other charges and expenses, and should be read carefully before investing. Performance data represents past performance of the Fund and is not indicative of future performance. Data based on performance history of less than five years may not give prospective investors enough information to base investment decisions on. Please contact your own personal advisor on your particular circumstance. This communication does not constitute an offer to sell or solicitation to purchase securities of the Fund. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Fund may be lawfully sold in their jurisdiction.

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