



# Sprott Focused U.S. Dividend Class

Sprott Corporate Class Inc.

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2016

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The annual management report of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's financial statements. This report contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-866-299-9906, by visiting our website at [www.sprott.com](http://www.sprott.com) or SEDAR at [www.sedar.com](http://www.sedar.com) or by writing to us at: Sprott Asset Management LP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario M5J 2J1. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The investment objective of the Sprott Focused U.S. Dividend Class (the “Fund”) is to provide consistent income and capital appreciation by investing primarily in a diversified portfolio of dividend yielding U.S. equities.

To achieve the Fund’s investment objective, the Portfolio Advisor follows a fundamental, bottom-up approach to investing. The Fund will invest in dividend yielding U.S. equities, foreign securities, and other mutual funds and may also:

- invest in private placements, and indirectly in physical commodities other than gold through investments in commodity ETFs;
- engage in securities lending and repurchase and reverse repurchase transactions as permitted by securities regulations to seek to generate additional income;
- engage in short selling in a manner which is consistent with the investment objective of the Fund; and
- use derivative instruments, such as options, futures, forward contracts and swaps, for both hedging and non-hedging strategies.

### Risk

The risks of investing in the Fund are described in the Fund’s simplified prospectus. The Fund is suitable for those investors seeking the consistent income and capital appreciation potential of dividend yielding U.S. equities. The Fund is suitable for investors with a medium tolerance for risk and volatility and a medium to long-term investment horizon.

### Results of Operations and Recent Developments

The Fund, Series A returned 4.0% in 2016, while its benchmark, S&P 500 Total Return Index (CAD), returned 8.7%.

The Sprott Focused U.S. Dividend Class noted two major macroeconomic developments during 2016. These included Brexit and the election of a Trump administration – both of which were unexpected, affecting volatility and expected returns for risk assets.

In response to the macroeconomic events noted above, the Fund rotated out of defensive positions, and into more cyclical positions as the outlook for global growth improved. In addition, capital was re-allocated from Healthcare and the Consumer sectors into Energy and Financials in the second half of the year, as the outlook for these undervalued sectors improved.

The Financial and Energy sectors added the most to the Fund’s performance. The announced cut in oil production and the election of Donald Trump provided catalysts to drive the performance of these sectors, which had been languishing previously. Specific Healthcare and Industrial positions also contributed positively to the Fund’s performance.

Specific positive contributions to the Fund’s performance came from UnitedHealth Group, JP Morgan Chase, and Discover Financial (DFS). UnitedHealth consistently beat guidance as their core managed care franchise continued to generate market share gains. As the biggest U.S. bank, JP Morgan benefited from the election of Donald Trump. The anticipation of greater growth, rising rates, and de-regulation all combined to drive performance in the undervalued banking sector. DFS delivered strong performance as they continued to increase the size of their loan book without material deterioration in credit quality. The company is also strongly tied to the U.S. consumer, and with the improved outlook for U.S. growth and conservative market valuation, DFS outperformed.

From a sector standpoint, the Consumer sectors (Staples and Discretionary) detracted most from the Fund’s performance. Competitive intensity negatively affected several of our positions in this space.

Specific detractors to the Fund’s performance included Delphi Automotive, CVS Health, and Allergan. Despite its portfolio of “advanced driver assistance systems”, Delphi struggled to overcome the perception that the U.S. auto market is at peak production. In addition, the U.S. election outcome adversely affected Delphi’s performance because of its exposure to Mexico-based production. CVS’s performance was negatively impacted by the wide-ranging controversy over drug costs in the U.S., as it operates the Caremark PBM franchise. The Caremark franchise also suffered several corporate and plan provider client losses in a short period of time which undermined confidence and saw the company reduce guidance. Allergan’s performance was impacted by new Department of Treasury regulations that targeted U.S. companies who engage in corporate inversion transactions to reduce their U.S. taxes payable.

The Fund’s net asset value increased by 84.8% during the period, from \$7.1 million as at December 31, 2015 to \$13.2 million as at December 31, 2016. This change was predominantly due to net share issuances of \$5.7 million. The management expense ratio was largely unchanged compared to the prior period.

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## Related Party Transactions

### MANAGEMENT FEES

The Fund pays a management fee to the Manager, at an annual rate of up to 2.00% for Series A, 1.95% for Series A1, 1.00% for Series F, 1.80% for Series P, 0.80% for Series PF, 1.70% for Series Q, 0.70% for Series QF, and is negotiated by the shareholders for Series I. The management fee is calculated and accrued daily based on the daily net asset value of the applicable series of the Fund, and is paid monthly. For the year ended December 31, 2016, the Fund incurred management fees of \$174,791 (including taxes). For the active series, the breakdown of the services received in consideration of the management fees, as a percentage of management fees, is as follows:

	Portfolio Advisory	Trailing Commissions
Sprott Focused U.S. Dividend Class – Series A	62%	38%
Sprott Focused U.S. Dividend Class – Series A1	36%	64%
Sprott Focused U.S. Dividend Class – Series F	59%	41%
Sprott Focused U.S. Dividend Class – Series F1	100%	–

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$19,509 during the year ended December 31, 2016, to Sprott Private Wealth LP, an affiliate of the Manager.

### OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, filing and administrative expenses as well as shareholder reporting costs. The Manager pays certain of these expenses on behalf of the Fund and then is reimbursed by the Fund. At its sole discretion, the Manager may waive or absorb a portion of the operating expenses of the Fund. Amounts waived or absorbed by the Manager are reported in the Statements of Comprehensive Income. Waivers or absorptions can be terminated at any time without notice. For the year ended December 31, 2016, the Manager absorbed \$105,690 of expenses.

### OTHER RELATED PARTY TRANSACTIONS

The Fund relied on the approval, positive recommendation or standing instruction from the Fund's Independent Review Committee with respect to any related party transactions.

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## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years shown.

The Fund's Net Assets per Share<sup>1</sup>

	Dec 31, 2016	Dec 31, 2015 <sup>4</sup>
	\$	\$
Series A		
Net assets, beginning of period	9.96	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.16	0.01
Total expenses	(0.27)	(0.03)
Realized gains (losses) for the period	(0.40)	(0.04)
Unrealized gains (losses) for the period	1.24	0.07
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.73</b>	<b>0.01</b>
<b>Distributions:</b>		
Return of capital	0.35	0.03
<b>Total annual distributions<sup>3</sup></b>	<b>0.35</b>	<b>0.03</b>
<b>Net assets, end of period</b>	<b>10.00</b>	<b>9.96</b>

	Dec 31, 2016	Dec 31, 2015 <sup>4</sup>
	\$	\$
Series A1		
Net assets, beginning of period	9.96	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.16	0.01
Total expenses	(0.26)	(0.03)
Realized gains (losses) for the period	(0.08)	(0.03)
Unrealized gains (losses) for the period	0.92	0.17
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.74</b>	<b>0.12</b>
<b>Distributions:</b>		
Return of capital	0.35	0.03
<b>Total annual distributions<sup>3</sup></b>	<b>0.35</b>	<b>0.03</b>
<b>Net assets, end of period</b>	<b>10.00</b>	<b>9.96</b>

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	<b>Dec 31, 2016</b>	Dec 31, 2015 <sup>4</sup>
	\$	\$
Series F		
Net assets, beginning of period	9.97	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.16	0.01
Total expenses	(0.14)	(0.02)
Realized gains (losses) for the period	0.53	(0.04)
Unrealized gains (losses) for the period	(0.13)	0.07
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.42</b>	<b>0.02</b>
<b>Distributions:</b>		
Return of capital	0.35	0.03
<b>Total annual distributions<sup>3</sup></b>	<b>0.35</b>	<b>0.03</b>
<b>Net assets, end of period</b>	<b>10.12</b>	<b>9.97</b>

	<b>Dec 31, 2016<sup>5</sup></b>
	\$
Series F1	
Net assets, beginning of period	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.12
Total expenses	(0.12)
Realized gains (losses) for the period	(0.69)
Unrealized gains (losses) for the period	1.48
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.79</b>
<b>Distributions:</b>	
Return of capital	0.28
<b>Total annual distributions<sup>3</sup></b>	<b>0.28</b>
<b>Net assets, end of period</b>	<b>10.35</b>

1 This information is derived from the Fund's audited annual financial statements.

2 The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. Net assets and distributions are based on the actual number of shares outstanding at the relevant time. This table is not intended to be a reconciliation of beginning to ending net assets per share.

3 Distributions were reinvested in additional shares of the Fund or distributed in cash.

4 Information provided is for the period November 26, 2015 (launch date) for Series A, A1, and F to December 31, 2015.

5 Information provided is for the period from March 14, 2016 (first issuance) to December 31, 2016 for Series F1.

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## Ratios and Supplemental Data

Series A	Dec 31, 2016	Dec 31, 2015
Total net asset value (000s) <sup>1</sup>	\$1,138	\$360
Number of shares outstanding <sup>1</sup>	113,837	36,088
Management expense ratio <sup>2</sup>	2.38%	2.33%
Management expense ratio before waivers or absorptions <sup>3</sup>	3.06%	7.00%
Trading expense ratio <sup>4</sup>	0.32%	0.70%
Portfolio turnover rate <sup>5</sup>	145.33%	7.66%
Net asset value per share <sup>1</sup>	\$10.00	\$9.96

Series A1	Dec 31, 2016	Dec 31, 2015
Total net asset value (000s) <sup>1</sup>	\$5,489	\$1,144
Number of shares outstanding <sup>1</sup>	548,679	114,846
Management expense ratio <sup>2</sup>	2.27%	2.22%
Management expense ratio before waivers or absorptions <sup>3</sup>	3.20%	6.74%
Trading expense ratio <sup>4</sup>	0.32%	0.70%
Portfolio turnover rate <sup>5</sup>	145.33%	7.66%
Net asset value per share <sup>1</sup>	\$10.00	\$9.96

Series F	Dec 31, 2016	Dec 31, 2015
Total net asset value (000s) <sup>1</sup>	\$3,986	\$5,645
Number of shares outstanding <sup>1</sup>	393,829	566,008
Management expense ratio <sup>2</sup>	1.21%	1.13%
Management expense ratio before waivers or absorptions <sup>3</sup>	2.53%	5.73%
Trading expense ratio <sup>4</sup>	0.32%	0.70%
Portfolio turnover rate <sup>5</sup>	145.33%	7.66%
Net asset value per share <sup>1</sup>	\$10.12	\$9.97

Series F1	Dec 31, 2016
Total net asset value (000s) <sup>1</sup>	\$2,598
Number of shares outstanding <sup>1</sup>	250,944
Management expense ratio <sup>2</sup>	1.25%
Management expense ratio before waivers or absorptions <sup>3</sup>	1.57%
Trading expense ratio <sup>4</sup>	0.32%
Portfolio turnover rate <sup>5</sup>	145.33%
Net asset value per share <sup>1</sup>	\$10.35

1 The information is provided as at December 31 of the years shown.

2 Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

3 The Manager may waive or absorb a portion of the operating expenses of the Fund. Waivers and absorption can be terminated at any time.

4 The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The TER includes dividend expense and securities borrowing expense paid by the Fund in connection with securities sold short.

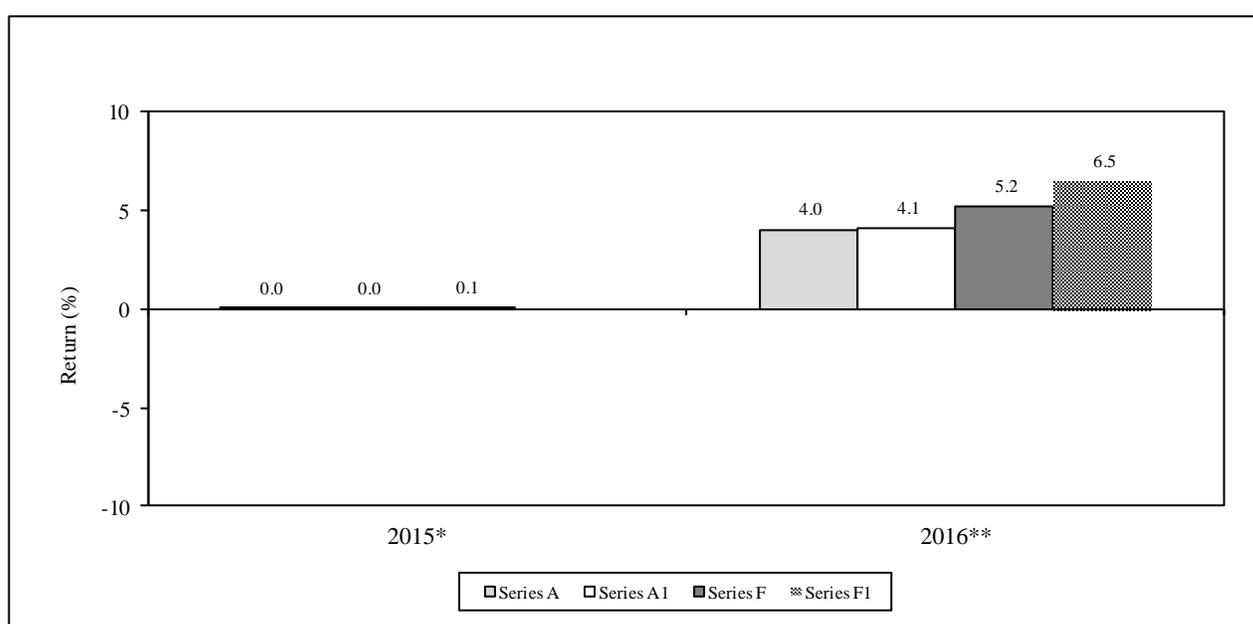
5 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

## Past Performance

The indicated rates of return are the historical total returns including changes in share values and assume reinvestment of all distributions in additional shares of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any shareholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of return are calculated based on the Net Asset Value of the particular Series of the Fund.

### Year-by-Year Returns

The following chart indicates the performance of each Series of the Fund for the previous twelve-month periods ended December 31 shown, unless otherwise noted. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each period.



\* Return from the period November 26, 2015 for Series A, A1, and F (not annualized).

\*\* Return from the period March 14, 2016 to December 31, 2016 for Series F1 (not annualized).

### Annual Compound Returns

The following table illustrates the annual compound total return for Series A, A1, F and F1 shares of the Fund for the periods shown. As a basis of performance comparison, the annual compound return of the Fund is compared to that of S&P 500 Total Return Index (the "Index"). The Index is an index of 500 stocks actively traded in the United States chosen for market size, liquidity and industry grouping, among other factors. Since the Fund does not necessarily invest in the same securities or in the same proportion as the index, the performance of the Fund is not expected to equal its performance.

	1-Year	Since Inception*
Sprott Focused U.S. Dividend Class – Series A	4.0%	3.6%
Sprott Focused U.S. Dividend Class – Series A1	4.1%	3.7%
Sprott Focused U.S. Dividend Class – Series F	5.2%	4.8%
S&P 500 Total Return Index	8.7%	9.9%
Sprott Focused U.S. Dividend Class – Series F1	-	6.5%
S&P 500 Total Return Index	-	12.7%

\* Since launch date of November 26, 2015 for Series A, A1, F, and May 14, 2016 for Series F1

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## Summary of Investment Portfolio

As at December 31, 2016

### Portfolio Allocation

	% of Net Asset Value
Long Positions	
Financials	22.6
Industrials	18.2
Information Technology	14.1
Consumer Discretionary	12.9
Health Care	11.1
Real Estate	5.1
Energy	4.9
<b>Total Long Positions</b>	<b>88.9</b>
Cash	10.8
Other Net Assets	0.3
<b>Total Net Asset Value</b>	<b>100.0</b>

### Top 25 Long Positions

Issuer	% of Net Asset Value
Cash	10.8
UnitedHealth Group Inc.	4.6
Bank of America Corp.	4.4
JPMorgan Chase and Co.	4.0
Alphabet Inc.	3.9
Macquarie Infrastructure Corp.	3.9
Mastercard Inc.	3.8
Allergan PLC	3.7
Visa Inc.	3.7
Discover Financial Services	3.4
The Home Depot Inc.	3.4
Berkshire Hathaway Inc.	3.3
Raytheon Co.	3.2
US Bancorp	3.1
Comcast Corp.	3.1
Canadian Pacific Railway Ltd.	2.9
Medtronic PLC	2.8
Cisco Systems Inc.	2.8
Crown Castle International Corp.	2.5
American Tower Corp.	2.5
FedEx Corp.	2.5
Starbucks Corp.	2.4
Intercontinental Exchange Inc.	2.3
BBA Aviation PLC	2.3
The Walt Disney Company	2.1
<b>Total 25 long positions as a percentage of net asset value</b>	<b>87.4</b>

The Fund held no short positions as at December 31, 2016.

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Partnership. Quarterly updates of the Partnership's investment portfolio are available on the Internet at [www.sprott.com](http://www.sprott.com).

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## Corporate Information

### Corporate Address

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