



Sprott Silver Equities Class

December 2017 commentary

The Sprott Silver Equities Fund had a strong finish to the year marked by a 4.66% gain. The MSCI Silver Select Index finished the month up 3.23% over the same time. In our November commentary, we had noted that the month of December has often presented an ideal entry point for buying precious metals and related equities. As has been the case of many Decembers past, last year provided an excellent opportunity to buy silver bullion and silver equities at their lows. The Federal Reserve helped put a floor on gold after affirming that they did not see a need to increase their pace of interest rate hikes following their December meeting. As expected, this also had a positive effect on silver as it bottomed on December 12th. One of the biggest fiscal developments to come out of the U.S. in the past few decades occurred on December 22, 2017 when Donald Trump signed into law a sweeping tax overhaul. While we refrain from commenting on the specifics of the bill, it is worth noting that in virtually every scenario, the bill significantly increases the US Federal deficit for the foreseeable future. For the entirety of 2017, the biggest theme behind gold and silver bullion's gains has been the decline in the U.S dollar versus other currencies. It is fair to say that with the passage of the bill, the U.S. has made it certain that it will add to its deficits not only during times of economic contractions but also during economic expansions. Following the passage of the tax bill, we were not the least surprised to see the pace of the U.S. dollar decline increase further.

The three largest contributors to the December fund performance were Silvercrest, MAG Silver and Hochschild. Silvercrest closed a \$10M bought deal financing which was well received by the market. The company continues to report exciting exploration results which are being well-received by the investors. MAG Silver completed a \$48M USD financing at the end of November which helped put bring it in a position to fully finance the development of its flagship Juancipio asset. While MAG Silver has one of the highest quality undeveloped silver projects in the world, it remains highly levered to the price of silver itself. With the company now fully financed, investors reacted to silver's December rally by bidding up the MAG shares by 13.9%. However, there remains considerable value in MAG Silver. Shares in Hochschild were up 11.8% for the month of December. In early December, Hochschild announced that it had refinanced its bonds at a lower rate. This refinancing helps save the company approximately \$20M USD a year. Hochschild is expected to generate significant free cash flow in 2018 and we will be closely following their exploration results as they become available.

The three largest detractors for the December performance were First Majestic, Industrias Penoles and Coeur Mining. First Majestic disappointed investors with its reserve update both in terms of grades and tonnage. It is worth noting that the reserve update does not include results from its 2017 drill campaign so we are hopeful that the next reserve update bring First Majestic back on track. Industrias Penoles was the second largest detractor to the fund. It declined just over 3% in the month and we ascribe most of the movement to the rapid increase in the Mexican Peso in December and to tax season selling. Coeur Mining had a relatively busy month as far as press releases go as it sold its San Bartolome operation and provided encouraging exploration results from its Palmarejo

Investment Team



Maria Smirnova, MBA, CFA

Senior Portfolio Manager,
Sprott Asset Management -

Sub-Advisor

and Kensington operations. We believe that investors sold the shares of Coeur down 4.45% for the month to capture tax losses.

¹ All returns and fund details are a) based on Series F units; b) net of fees; c) annualized if period is greater than one year; d) as at December 29, 2017; e) 2012 annual returns are from 02/28/12 to 12/31/12. The index is 100% MSCI ACWI Select Silver Miners IMI (CAD) Index 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: capital gains risk; class risk; commodity risk; concentration risk; currency risk; cybersecurity risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; liquidity risk; market risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; specific issuer risk; sub-advisor risk; substantial shareholder risk; tax risk; uninsured losses risk.

Ninepoint Partners LP is the investment manager to the Ninepoint Funds (collectively, the "Funds"). Commissions, trailing commissions, management fees, performance fees (if any), other charges and expenses all may be associated with mutual fund investments. Please read the prospectus carefully before investing. The indicated rate of return for series F units of the Fund for the period ended December 29, 2017 is based on the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. 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.

The opinions, estimates and projections ("information") contained within this report are solely those of Ninepoint Partners LP and are subject to change without notice. Ninepoint Partners makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, Ninepoint Partners assumes no responsibility for any losses or damages, whether direct or indirect, which arise out of the use of this information. Ninepoint Partners is not under any obligation to update or keep current the information contained herein. The information should not be regarded by recipients as a substitute for the exercise of their own judgment. Please contact your own personal advisor on your particular circumstances. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any investment funds managed by Ninepoint Partners. Any reference to a particular company is for illustrative purposes only and should not be considered as investment advice or a recommendation to buy or sell nor should it be considered as an indication of how the portfolio of any investment fund managed by Ninepoint Partners is or will be invested. Ninepoint Partners LP and/or its affiliates may collectively beneficially own/control 1% or more of any class of the equity securities of the issuers mentioned in this report. Ninepoint Partners LP and/or its affiliates may hold short position in any class of the equity securities of the issuers mentioned in this report. During the preceding 12 months, Ninepoint Partners LP and/or its affiliates may have received remuneration other than normal course investment advisory or trade execution services from the issuers mentioned in this report.

Ninepoint Partners LP: Toll Free: 1.866.299.9906. DEALER SERVICES: CIBC Mellon GSSC Record Keeping Services:

Toll Free: 1.877.358.0540