



# Silver Equities Class

## October 2017 Commentary

The Sprott Silver Equities Class finished the month of October down 1.74% versus the MSCI Silver Select Index which gained 0.04% in the same time frame. Spot silver gained 0.4% in the month. While there has been a generous amount of coverage on silver prices, there hasn't been enough attention paid towards both the supply and demand for the metal. Silver mines, and in particular large mines which produce significant quantities of silver are becoming more and more difficult to find. With increased regulations around the environment, social welfare of those surrounding the mine and demands from the government, the margin cost of adding new silver production is rapidly rising well beyond what the current silver prices dictate.

The fastest growing use for silver is in solar power generation. Silver is crucial for building solar panels and solar panel installation around the world continues to increase rapidly. Every gigawatt of solar installation requires the use of 20 tonnes of silver. Global solar installations are rapidly increasing and are expected to surpass 150 gigawatt in five years, which should be highly supportive for increased silver demand.

When looking at the macroeconomic backdrop, silver appears even more intriguing. The Fed has been lowering its terminal policy rate, most recently to 2.75% in September, underscoring the fact that exiting easy monetary policy is proving difficult. Furthermore, we believe that Trump's policies will not be revenue neutral and will lead to budget deficits. We believe in lower rates, particularly lower real rates, over the long term. This environment is positive for all precious metals including silver.

The top contributors to the Fund were Wheaton Precious Metals, Pretium Resources Inc. and Compania De Minas Buenaventura. Wheaton Precious recovered after underperforming in September. The Company reported a strong quarter subsequent to month-end. Pretium reported strong production for the third quarter with good metallurgical recoveries and strong mill performance. We continue to expect Pretium's shares to undergo a gradual re-rating over the coming quarters as investor confidence in the underlying free cash flow potential of Brucejack increases. Buenaventura benefitted from strong zinc prices.

The top detractors from the Fund were Excellon Resources, Coeur Mining and Fresnillo Plc. Excellon announced a bought deal financing at a lower than market price which created an overhang on the stock. Coeur reported quarterly production results that were below expectations. The earnings disappointment, was reflected in the stock. Fresnillo's September price weakness persisted into October as disappointing price action in silver has negatively impacted investor outlook towards this stock.

### Investment Team

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Sub-Advisor

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<sup>1</sup> 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 October 31, 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.

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