A Message from the CEO

October 18, 2019

Peter Grosskopf
Chief Executive Officer,
Sprott Inc.

Checkmate

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Chief Executive Officer, Sprott Inc.; Managing Director, Sprott Resource Lending

Gold is on a Tear

Gold has been on a tear in 2019. The gold price recently breached $1,500, after smashing the $1,370 ceiling of its long-term range in June. This is impressive when considered in the context of a reasonable economy, a strong U.S. dollar and resilient equity markets throughout 2019. The seesaw between risk-on and risk-off, the ongoing debate over economic data and forecasts, permutations around the U.S.-China trade situation and, most recently, the beginning of an impeachment inquiry, all seem to have little effect on gold, which has posted positive daily performance on both sides of those short-term influences.

So, what gives?

Gold Has Dual Purpose: Portfolio Insurance for Inflation *or* Deflation

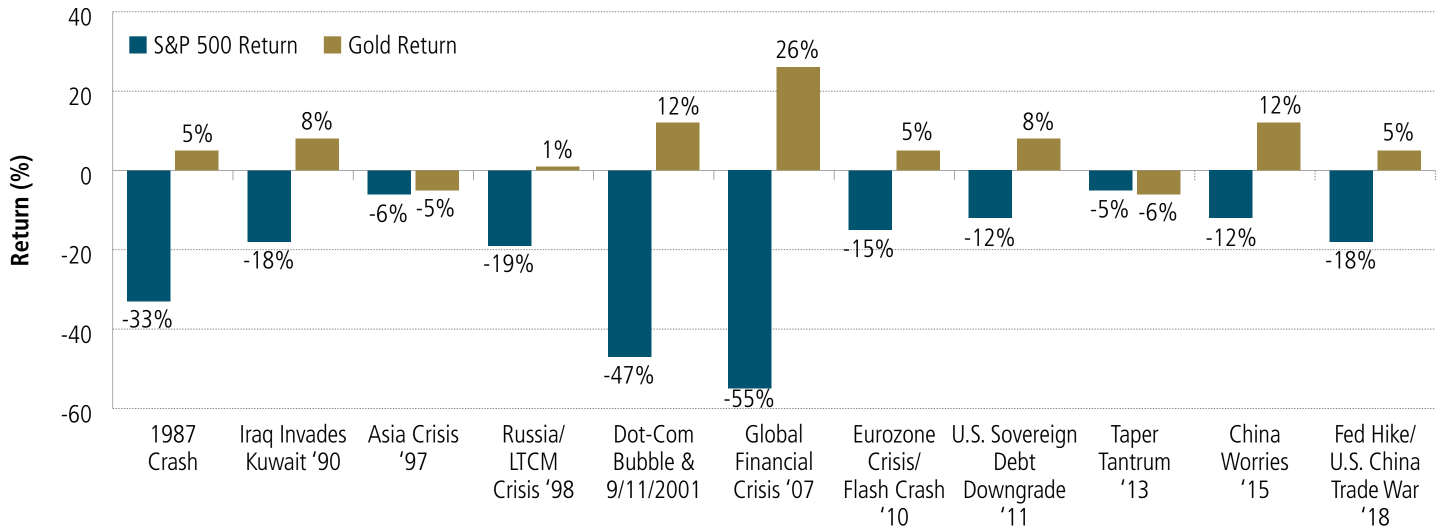
Like other forms of faith, those who believe in gold will not apostatize, and most who do not believe cannot be convinced. That is the generational fallout from some 50 years throughout which the majority of the global population believed that fiat currency was the only legitimate store of value. On that score, I would hope that gold will eventually be judged on the quality of its track record — its massive liquidity, strong price performance versus fiat currencies, and eventual use as a digital savings asset and payments medium (see The Rebirth of Gold as Money).

My career has involved interacting with many of the most notable investors in the gold sector. Although these gold aficionados all share a similar long-term belief in the advantages of gold, it has never ceased to amaze me how different their macro-economic outlooks are, especially as it relates to the potential for harmful inflation or deflation. Few strategists or economists go into depth about what extreme scenarios could play out for either of these possibilities. Let's consider both in the context of gold's utility as an asset.

Gold has successfully been used by savers as a store of value during periods of high inflation and corresponding currency devaluation. Deflation, on the other hand, triggers debilitating solvency and liquidity issues which usually lead to severe market corrections, again leaving gold as a better asset to own outside of those correlated with credit and equity markets. The reason why gold supporters do not debate their differentiated macro forecasts is that gold is a chameleon that can benefit from both outcomes, and thereby provides insurance from negative market developments stemming from polarized monetary outcomes, as shown in Figure 1.

Figure 1. Gold Provides Proven Portfolio Mitigaion

During the 11 crisis periods since 1987, spot gold has outperformed the S&P 500 Index.[1]



Source: Tocqueville Asset Management. Dates used: 1987 Crash: 8/25/87-10/19/87; Iraq Invades Kuwait: 7/17/90-10/12/90; Asia Crisis: 10/7/97-10/28/97; Russia/ LTCM Crisis: 7/20/98-10/8/98; Dot-Com Bubble & 9/11: 9/10/01-10/11/02; Global Financial Crisis: 10/11/07-3/6/09; Eurozone Crisis: 4/20/10-7/1/10; U.S. Sovereign Debt Downgrade: 7/25/11-8/9/11; Taper Tantrum: 5/22/13-6/24/13; China Worries: 8/18/15-2/11/16; Fed Rate Hike & China Trade War: 9/20/18-12/24/18.

Gold as a Portfolio Allocation

We believe this observation about gold fits like a glove to the current set of circumstances in the financial world. Theoretical models predict that record low and negative interest rates should drive extraordinary investment in even marginally accretive economic and national projects, creating tightness in the economy, rising labor costs and ultimately inflation.

On the contrary, many current economic indicators suggest that investors should raise cash and prepare for the worst. That is also not happening, as equity markets are buoyant, at least in the U.S., and indicators of credit stress remain resilient. Nevertheless, the situation is like a coiled spring, ready to fire in either direction.

Another factor that underscores gold's increasing importance as a crisis offset asset can also now be demonstrated — that U.S. Treasuries are no longer asymmetrically correlated to market risk. As we illustrate in Figure 2, Treasuries now carry more correlation to equity market risks than they have historically, while gold displays low correlation to traditional asset classes and provides protection against portfolio drawdowns.

Figure 2. Treasuries Are No Longer Asymmetrically Correlated to Market Risk

Correlation between U.S. 2-Year Treasuries and S&P 500 (2000-2019)

Source: Bloomberg as of 10/04/19. S&P 500 Total Return Index (SPX Index) vs. U.S. 2-Year Treasuries (USGG2YR Index).

We conclude that gold provides a high degree of liquidity, more negative correlation and therefore a greater risk offset than other asset classes.

I would suggest that gold's 2019 performance is quite different than prior rallies in that the gold market is no longer small and gold is no longer seen as a fringe asset. We believe that even broader levels of participation will occur as investors accept that gold should serve as a mandatory insurance asset within most cash and investment portfolios. The debate as to which risk is more likely to spur a payoff event should fade, as both institutional and retail investors are attracted to gold as a tool to possibly make their portfolios less risky.

Checkmate

No subject garners more media attention these days than the messaging of the Federal Reserve and the central banks of Europe, Japan and China. The markets gyrate daily as trading systems and algorithms parse their statements. I believe this underscores a significant misconception — that the leanings of these central planners continue to matter given the size of the future obligations that they have created. As we recently outlined in Minsky Moment, the global debt pile has become so large that it requires close to zero interest rates to prevent insolvency and deflation — which NO government or market can currently withstand.

Additionally, it seems that constant loosening of money supply is required simply to keep the system liquid. The recent unexpected Federal Reserve accommodation in the overnight repo markets is yet another indicator of the underlying liquidity stress in the funding markets. Statements from Powell that this money printing is "in no sense QE" (quantitative easing) in fact "doth protest too much".

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Overall, we contend that monetary policy has reached the point of becoming ineffectual because even negative interest rates and loose monetary policy do not spur enough economic activity to enable the growth rate of economies to exceed the growth rate of debt balances.

Not only is there no gas left in the tank to push rates higher, negative rates are required simply to stop the equation from getting worse.

That brings us to a more careful consideration of the two moves the Fed has left: (1) helicopter money, in the form of basic minimum income, and its counterpart (2) fiscal spending increases as funded by ever-increasing deficits. Both are being warmed up by political parties across the world, none of whom believe they will be elected unless they campaign on promises financed by these gluttonous twins.

It seems that U.S. policy is almost unanimously geared to running increasing deficits, forever. Should the combination of these two policies be pursued with enough vigor, they may have the traction to create some desperately wanted inflation. However, we believe that the ingredients in this powder keg will combine to make it impossible to control whether inflation expectations will increase at digestible levels, or much more, because as we've already stated, in our opinion future interest rate increases are out of the question. Through the combination of higher inflation and government-suppressed interest rates, investors are likely to be faced with financial repression and currency debasement at painful levels for the foreseeable future.

The Fed is in checkmate.

We believe that gold should be overweight in your portfolio at this time.

Peter Grosskopf, CEO

[1] The S&P 500 is a stock market index that tracks the stocks of 500 large-cap U.S. companies.

Two Unique ETFs to Invest in Gold Stocks

Each Index:

- Seeks to outperform purely passive representations of the gold and silver mining industry
- Uses transparent, rules-based methodology designed to overweight gold stocks with attractive investment merits relative to the other stocks in the index
- The stock selection and index weighting criteria were co-developed by Sprott Asset Management, a leading, long-time gold sector investor, and Zacks Index Services

SGDM
NYSE ARCA
Sprott Gold Miners ETF

- Stocks weighted in the index based on quarterly revenue growth and long-term debt to equity
- Reconstituted quarterly

SGDJ
NYSE ARCA
Sprott Junior Gold Miners ETF

- Stocks weighted in the index based on revenue growth and price momentum
- Reconstituted semi-annually

SPROTT ETFs

Sprott ETFs provide investors with access to innovative and unique indexes that are designed to outperform passive market cap-weighted offerings. Each Index is designed using specific **FACTORS** *that* **MATTER**™ for a particular strategy. These customized factors are selected because they have historically shown correlation to stock performance.

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Sprott Gold Miners Exchange Traded Fund – Performance History: Average Annual Total Returns* (%)

MONTH END AS OF 09/30/19	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	S.I.[2]
Sprott Gold Miners ETF (Net Asset Value)	-10.56%	4.41%	30.92%	47.66%	-1.24%	3.66%	-1.10%
Sprott Gold Miners ETF (Market Price)[1]	-10.72%	4.47%	30.93%	46.97%	-1.34%	3.57%	-1.14%
Solactive Gold Miners Custom Factors Index TR (Benchmark)[3]	-10.40%	-	-	-	-	-	-
Sprott Zacks Gold Miners Index (Legacy Index)[3]	-11.73%	6.32%	33.84%	51.30%	0.00%	4.78%	-0.06%
S&P 500® Total Return Index[8]	1.87%	1.70%	20.55%	4.25%	13.39%	10.84%	10.41%

QUARTER END AS OF 09/30/19	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	S.I.[2]
Sprott Gold Miners ETF (Net Asset Value)	-10.56%	4.41%	30.92%	47.66%	-1.24%	3.66%	-1.10%
Sprott Gold Miners ETF (Market Price)[1]	-10.72%	4.47%	30.93%	46.97%	-1.34%	3.57%	-1.14%
Solactive Gold Miners Custom Factors Index TR (Benchmark)[3]	-10.40%	-	-	-	-	-	-
Sprott Zacks Gold Miners Index (Legacy Index)[3]	-11.73%	6.32%	33.84%	51.30%	0.00%	4.78%	-0.06%
S&P 500® Total Return Index[8]	1.87%	1.70%	20.55%	4.25%	13.39%	10.84%	10.41%

Expenses as of 07/19/2019

Management Fee	0.35%
Other Expenses[4]	0.28%
Total Annual Fund Operating Expenses	**0.63%**
Fee Waiver/Expense Reimbursement	0.13%
Net Total Expense Ratio[7]	**0.50%**

Sprott Junior Gold Miners Exchange Traded Fund – Performance History: Average Annual Total Returns* (%)

MONTH END AS OF 09/30/19	1 MO	3 MO	YTD	1 YR	3 YR	S.I.[5]
Sprott Junior Gold Miners ETF (Net Asset Value)	-9.27%	1.41%	23.87%	28.58%	-8.66%	6.16%
Sprott Junior Gold Miners ETF (Market Price)[1]	-9.71%	1.12%	22.89%	27.50%	-8.98%	5.99%
Solactive Junior Gold Miners Custom Factors Index TR (Benchmark)[6]	-9.19%	-	-	-	-	-
Sprott Zacks Junior Gold Miners Index – TR (Legacy Index)[6]	-13.68%	7.47%	31.64%	36.88%	-6.23%	8.35%
S&P 500® Total Return Index[8]	1.87%	1.70%	20.55%	4.25%	13.39%	10.46%

QUARTER END AS OF 09/30/19	1 MO	3 MO	YTD	1 YR	3 YR	S.I.[5]
Sprott Junior Gold Miners ETF (Net Asset Value)	-9.27%	1.41%	23.87%	28.58%	-8.66%	6.16%
Sprott Junior Gold Miners ETF (Market Price)[1]	-9.71%	1.12%	22.89%	27.50%	-8.98%	5.99%
Solactive Junior Gold Miners Custom Factors Index TR (Benchmark)[6]	-9.19%	-	-	-	-	-
Sprott Zacks Junior Gold Miners Index – TR (Legacy Index)[6]	-13.68%	7.47%	31.64%	36.88%	-6.23%	8.35%
S&P 500® Total Return Index[8]	1.87%	1.70%	20.55%	4.25%	13.39%	10.46%

Expenses as of 07/19/2019

Management Fee	0.35%
Other Expenses[4]	0.46%
Total Annual Fund Operating Expenses	**0.81%**
Fee Waiver/Expense Reimbursement	0.31%
Net Total Expense Ratio[7]	**0.50%**

Performance data quoted represents past performance. Past performance is no guarantee of future results so that shares, when redeemed may be worth more or less than their original cost. The investment return and principal value will fluctuate. Current performance may be higher or lower than the performance quoted. Call 888.622.1813 for current month end performance.

See following page for footnotes.

* Returns less than one year are not annualized.

[1] Market Price is based on the midpoint of the bid/ask spread at 4 p.m. ET and does not represent the returns an investor would receive if shares were traded at other times.

[2] Inception date of 07/15/2014.

[3] Effective 7/22/2019, SGDM began tracking the Solactive Gold Miners Custom Factors Index (SOLGMCFT). Historical Index data prior to 7/22/2019 is for the Sprott Zacks Gold Miners Index (ZAXSGDM). Index data on or after 7/22/2019 is the Solactive Gold Miners Custom Factors Index (SOLGMCFT), which was created by Solactive AG ("Index Provider") to provide a means of generally tracking the performance of gold mining companies whose stocks are traded on Canadian and major U.S. exchanges. An investor cannot invest directly in the Index. SGDM was reorganized from ALPS ETF Trust into Sprott ETF Trust on or about 7/19/19. SGDM is a continuation of the prior fund and, therefore, the performance information shown includes the prior fund's performance.

[4] Other expenses are based on estimated amounts for the current fiscal year and are calculated as a percentage of the Fund's net assets.

[5] Inception date of 03/31/2015.

[6] Effective 7/22/2019, SGDJ began tracking the Solactive Junior Gold Miners Custom Factors Index (SOLJGMFT). Historical Index data prior to 7/22/2019 is for the Sprott Zacks Junior Gold Miners Index (ZAXSGDJ). Index data on or after 7/22/2019 is the Solactive Junior Gold Miners Custom Factors Index (SOLJGMFT), which was created by Solactive AG ("Index Provider") to provide a means of generally tracking the performance of junior gold mining companies whose stocks are traded on Canadian and major U.S. exchanges. An investor cannot invest directly in the Index. SGDJ was reorganized from ALPS ETF Trust into Sprott ETF Trust on or about 7/19/19. SGDJ is a continuation of the prior fund and, therefore, the performance information shown includes the prior fund's performance.

[7] Sprott Asset Management LP, the investment adviser to the Fund, has contractually agreed to waive the management fee, and/or reimburse expenses so that Total Net Expense Ratio After Fee Waiver/Expense Reimbursements (not including distribution (12b-1) fees, shareholder service fees, acquired fund fees and expenses, taxes, brokerage commissions and extraordinary expenses) do not exceed a maximum of 0.50% of the shares average daily net assets through June 30, 2021.

[8] The S&P 500 is a stock market index that tracks the stocks of 500 large-cap U.S. companies.

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IMPORTANT DISCLOSURES & DEFINITIONS

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a Statutory Prospectus, which contains this and other information please contact your financial professional or call 888.622.1813. Read the Statutory Prospectus carefully before investing.

Sprott Gold Miners ETF and Sprott Junior Gold Miners ETF shares are not individually redeemable. Investors buy and sell shares of the Sprott Gold Miners ETF on a secondary market. Only market makers or "authorized participants" may trade directly with the Fund, typically in blocks of 50,000 shares.

The Funds are not suitable for all investors. There are risks involved with investing in ETFs including the loss of money. The Funds are considered nondiversified and can invest a greater portion of assets in securities of individual issuers than diversified funds. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in diversified funds.

Micro-cap stocks involve substantially greater risks of loss and price fluctuations because their earnings and revenues tend to be less predictable. These companies may be newly formed or in the early stages of development, with limited product lines, markets or financial resources and may lack management depth.

The Funds will be concentrated in the gold and silver mining industry. As a result, the Funds will be sensitive to changes in, and its performance will depend to a greater extent on, the overall condition of the gold and silver mining industry. Also, gold and silver mining companies are highly dependent on the price of gold and silver bullion. These prices may fluctuate substantially over short periods of time so the Fund's Share price may be more volatile than other types of investments.

Funds that emphasize investments in small/mid cap companies will generally experience greater price volatility.

Funds investing in foreign and emerging markets will also generally experience greater price volatility.

There are risks involved with investing in ETFs including the loss of money.

Diversification does not eliminate the risk of experiencing investment losses.

ETFs are considered to have continuous liquidity because they allow for an individual to trade throughout the day.

ALPS Portfolio Solutions Distributor, Inc. is the Distributor for the Sprott Gold Miners ETF and the Sprott Junior Gold Miners ETF.

ALPS Portfolio Solutions Distributor, Inc. is not affiliated with Sprott Asset Management LP.

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