Sprott

Gold Report

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Gold Reaches Highest Price Since 2012

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Gold bullion[1] continued to deliver strong performance and was up 17.38% YTD through June 30, 2020, and 26.36% YOY. At the same time, gold mining equities (SGDM)[2] have gained 25.88% YTD, and 44.00% YOY as of June 30. This compares to -3.08% YTD and 7.51% YOY returns for the S&P 500 TR Index.[6] Silver posted substantial gains in June and is on the move again; silver is up 1.99% YTD and 18.88% YOY as of June 30.

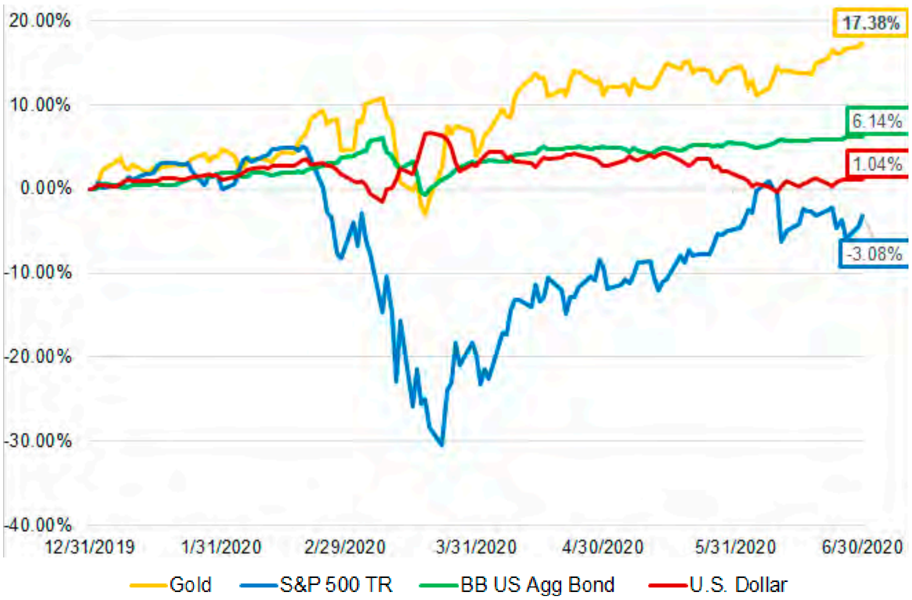
Month of June 2020

Indicator	6/30/2020	5/31/2020	Change	% Change	*Analysis*
Gold Bullion[1]	**$1,780.96**	**$1,730.27**	**$50.69**	**2.93%**	**Bullion making new cycle highs**
Silver Bullion	**$18.21**	**$17.87**	**$0.34**	**1.91%**	**Silver consolidating gains**
Gold Equities (SGDM)[2]	**$31.57**	**$29.66**	**$1.91**	**6.44%**	**Gold equities back to recent high**
Gold Equities (GDX)[3]	**$36.68**	**$34.32**	**$2.36**	**6.88%**	same as above
DXY US Dollar Index[4]	**97.38**	**98.34**	**(0.96)**	**(0.98)%**	Elevated but stable trading range
Total Negative Debt ($Trillion)	**$13.49**	**$12.65**	**$0.84**	**6.62%**	Long term heading higher
CFTC Gold Non-Comm Net Position[5] and ETFs (Millions of Oz)	**130.37**	**125.52**	**4.85**	**3.87%**	New all-time highs in Gold ETFs

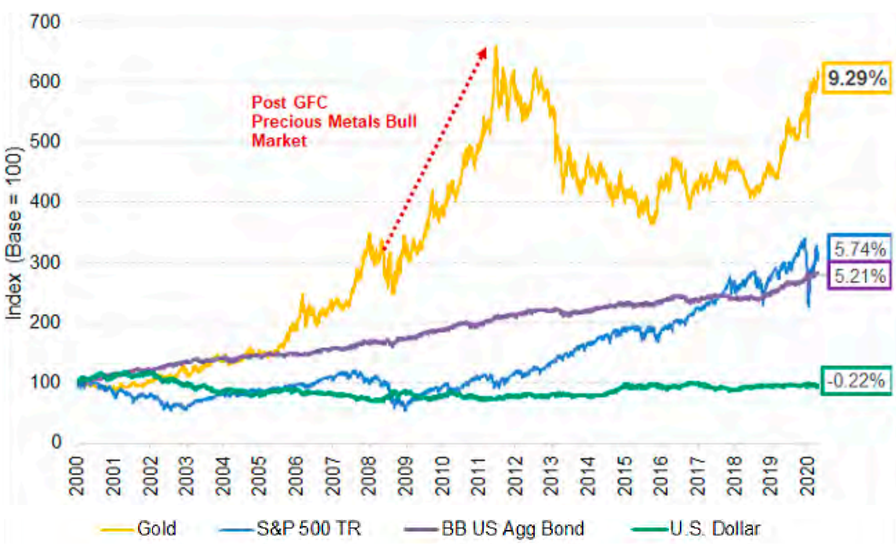
Performance data quoted represents past performance. Past performance is no guarantee of future results so that shares, when redeemed may be worth more or less than their original cost. The investment return and principal value will fluctuate. Current performance may be higher or lower than the performance quoted. Call 866.675.2639 for current month end performance. For standardized performance of the fund please see page 7.

Gold rose $51 in June to close at $1,781 per ounce, its highest level since Q4 2012. Gold's performance in June was propelled mainly by the fall of the U.S. 10-YR Treasury Real Yield. Investor interest continues to climb, with gold bullion in ETFs reaching an all-time high and year-to-date buying at a 55% annualized rate. Gold equities and silver consolidated gains near their recent highs as the precious metals bull market marches on.

Figure 1. Gold Spot Price Continues to Outperform Other Major Asset Classes (Short-Term View YTD 2020)



Long-Term View (2000-6/30/2020)



Source: Bloomberg. Data as of 6/30/2020. Gold spot price is measured by GOLDS Comdty; S&P 500 TR is measured by the SPX; U.S. Agg. Bond Index is measured by the Bloomberg Barclays US Agg Total Return Value Unhedged USD (LBUSTRUU Index); and the U.S. Dollar is measured by DXY Curncy. Past performance is no guarantee of future results.

The COVID-19 Pandemic: A Crisis Like No Other and a Policy Response Like No Other

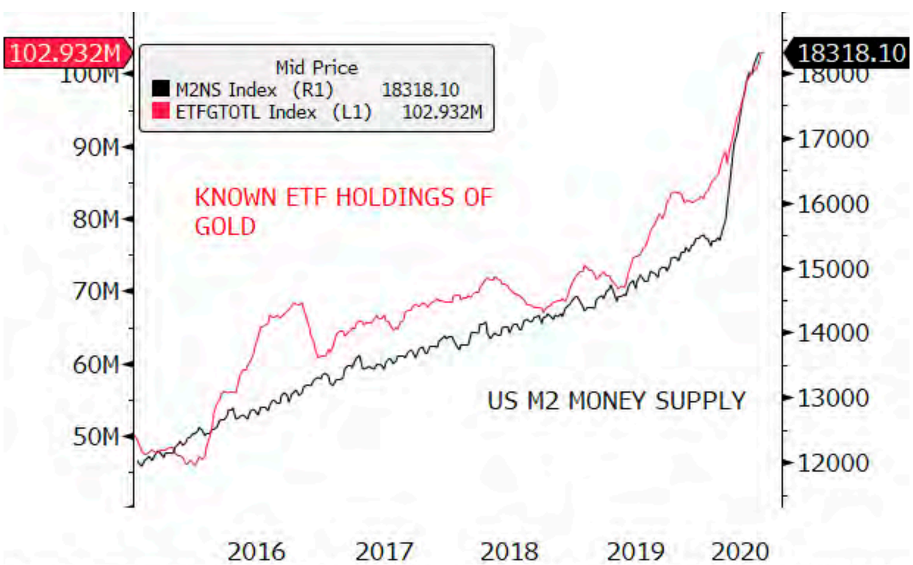
The market action since the March lows is a stark reminder that the transmission mechanism of monetary policy to the real economy is not remotely as effective nor as immediate as the transmission to financial assets. Officially, the U.S. entered recession in February 2020 when the stock market made its all-time high. From the start of the expansion in June 2009, this was the longest positive run on record. Though the stock market may be discounting a potential V-shaped recovery, it is still too early to call an end to the recession.

This month the IMF (International Monetary Fund), OECD (Organisation for Economic Co-operation and Development) and the World Bank have come out with estimates for global GDP (gross domestic product) growth for 2020. The numbers range from -5% to -6% for 2020, based on a single wave of COVID-19 infection. GDP estimates are likely to fall an additional -1% to -1.5% if a second wave were to materialize. Perhaps the IMF summed it up the economic impact of COVID-19 best: "a crisis like no other." The simultaneous and sudden demand and supply shock hitting the entire global economy has no real historical comparisons.

The rearview mirror perspective among policymakers was that during the GFC (global financial crisis of mid-2007 to early 2009) period, there was too much focus on debt-to-GDP, and a premature shift back to austerity produced a weaker than expected post-GFC recovery (not enough stimulus). This time, there is even greater willingness to provide more stimulus, especially on the fiscal side. Since February 2020, the balance sheets of the Fed, ECB (European Central Bank) and the Bank of Japan have increased by $3.8 trillion to $19.5 trillion (+24%), and more stimulus is coming. The U.S. is flirting with outright deflation as core CPI (Consumer Price Index) is now negative for three straight months. The latest data shows a marked increase in the savings rate and concerns of higher expected future taxes will blunt the effect of fiscal stimulus. The Fed will counter by disincentivizing savings with negative real yields, and use QE to push investors out and down the risk curve. If needed, the Fed may engineer a de facto negative rate policy by further increasing the size and scope of QE. Holders of gold bullion have long recognized this relationship of gold to the money supply (see Figure 5).

Figure 5. Total Known ETF Holdings of Gold and U.S. M2 Money Supply (2016-2020)

The R^2 91% over the past five years.



Source: Bloomberg. Data as of 6/30/2020.

Fed Not Even Thinking About Thinking About Raising Rates

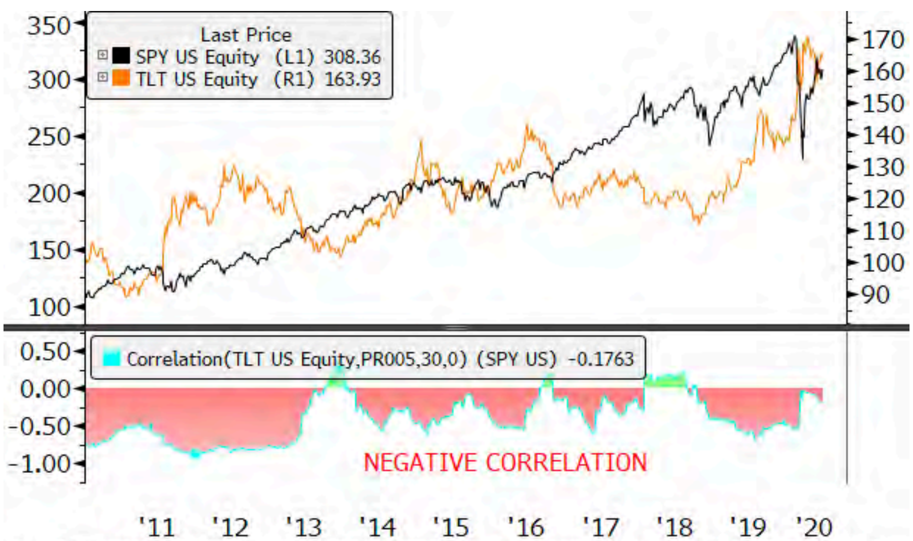
Post the GFC, the market has looked to the Fed to address every problem, and it has obliged. The GFC version of QE saw the Fed trying to channel liquidity to firms via the banks who were reluctant to lend. Eventually, much of that liquidity ended up in financial engineering uses such as M&A (mergers and acquisitions) and stock buybacks instead of the real economy. As such, the unwinding stimulus has become nearly impossible without significant financial market disruptions. The small steps to unwind the balance sheet eventually caused the financial plumbing system to seize up (remember the repo market in September 2019).

Every new crisis becomes more profound and more difficult. The stockpiling of past unresolved problems over time prevents the market from ever normalizing. The shifts in the short end and belly of the yield curve signal that the market is already pricing in that rates will not normalize for years. Fed Chairman Powell's quote, "We're not even thinking about thinking about raising rates," may become a permanent statement. This structural inability and unwillingness to normalize interest rates is one of the reasons that gold will be a very long-term bullish position.

Finding Diversification in a ZIRP and YCC World

Multi-asset portfolios that rely on bonds for diversification will now need yields to fall into deep negative levels to offset any double-digit equity declines. Correlations are also becoming less negative, and realized volatility patterns are also changing. In a ZIRP (zero interest rate policy) environment, bonds will not have enough convexity to act as a sufficient diversifier of equities. With current U.S. Treasury 10-year yields at about 0.70%, a decrease in yields to 0% would provide only a 6% return. The standard 60/40 balanced portfolio is at risk by being rendered ineffective, or at least inadequate, from a diversification point of view. When yield curve control arrives, bonds will provide close to zero yields, and little capital appreciation for the next few years. The utility of bonds as an equity diversification asset will drop further.

Figure 6. Equity and Bond Negative Correlation Has Historically Provided the Bulk of the Diversification in a Typical 60/40 Portfolio (2011-2020)



Source: Bloomberg. Data as of 6/30/2020. "Equity" is represented by the SPY ETF, and "Bond" by the TLT ETF.

Some funds are exploring "equity bond proxies" as a means of diversification. However, with implied intra-stock correlations near all-time highs (the current range is 0.60 to 0.80), this will limit equity diversification as there is minimal equity idiosyncratic risk; it is mostly systemic and correlated. Equity bond proxies may act as a relative volatility buffer but will not lower correlations.

Gold bullion is the last remaining major asset class that will have both capital appreciation potential and will provide diversification.

We believe we have left the extremely low volatility period of the past few years. With the Fed suppressing volatility in fixed income, we believe volatility will stay elevated for equities. Despite the market rally, the VIX[7] is staying in the 30 range (95%-tile over the past 10 years). An equity sell-off with a 30 VIX reading would overrun a 60/40 portfolio with current yields.

In only the first six months of 2020, there have already been more 3-sigma moves than during all of the GFC. The extreme market sell-off in March highlighted the self-feeding loop between systematic flows, volatility, and market depth with VaR (value-at-risk) rules acting as the forced selling driver. Pre- and post-March, the bullish feedback loop was fully engaged as flows, volatility and market depth all improved fueled by Fed liquidity. The results of this market structure saw equity markets record one of the best short-term return periods after one of the worst in only a few short months. In short, the market structure described will act as a volatility accelerant producing fat tails (a statistical term describing enhanced risk). With the vast majority of the equity investment world having gone passive and quant, we would expect this to continue.

By any fundamental measure, the market has dislocated from the underlying economic conditions. The S&P 500, at one point, had retraced almost all of its losses while the Nasdaq Composite[8] has made new recent all-time highs. Despite the rally, sentiment remains near the bear lows, and significant short positions remain in the E-Mini S&P 500 Futures. A volatility shock (i.e., a second wave COVID shutdown, China tension, an incendiary tweet, etc.) under the right conditions can restart the selling feedback loop again. The market continues this tightrope walk between Fed liquidity optimism and harsh economic reality. In the absence of a viable bond hedge, gold bullion makes more and more sense by the day.

Both Gold and Gold Equities are Underinvested

In time, or when the next market correction occurs, we expect another round of inflows into gold bullion from investors seeking diversification for their portfolios. Gold remains relatively underinvested, and with the state of the bond market, it now has two features that are becoming in short supply: diversification and positive convexity. The re-rate in gold bullion will also pull gold equities higher. Though gold bullion may be relatively underinvested, gold stocks are underinvested outright. Given that gold companies have a fixed cost structure and are trading at low historical valuations, gold stocks would have the higher upside potential if investment flows were to migrate to gold equities. In every past cycle, the market has decided that the return potential outweighed the risks associated with gold equities. Typically, that has happened when the market becomes convinced that gold bullion had positive convexity.

1 Gold bullion is measured by the Bloomberg GOLDS Comdty Index.

2 Sprott Gold Miners Exchange Traded Fund (NYSE Arca: SGDM) seeks investment results that correspond (before fees and expenses) generally to the performance of its underlying index, the Solactive Gold Miners Custom Factors Index (Index Ticker: SOLGMCFT). The Index aims to track the performance of larger-sized gold companies whose stocks are listed on Canadian and major U.S. exchanges.

3 VanEck Vectors® Gold Miners ETF (GDX®) seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the NYSE Arca Gold Miners Index (GDMNTR), which is intended to track the overall performance of companies involved in the gold mining industry.

4 The U.S. Dollar Index (USDX, DXY, DX) is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies.

5 Commodity Futures Trading Commission's (CFTC) Gold Non-Commercial Net Positions weekly report reflects the difference between the total volume of long and short gold positions existing in the market and opened by non-commercial (speculative) traders. The report only includes U.S. futures markets (Chicago and New York Exchanges). The indicator is a net volume of long gold positions in the United States.

6 The S&P 500 or Standard & Poor's 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies.

7 The CBOE Volatility Index (VIX) is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options, calculated and published by the Chicago Board Options Exchange (CBOE).

8 The Nasdaq Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange.

Two Unique ETFs to Invest in Gold Stocks

Sprott ETFs provide investors with access to innovative and unique indexes that are designed to outperform passive market cap-weighted offerings.

Sprott Gold Miners Exchange Traded Fund (NYSE: SGDM) seeks investment results that correspond (before fees and expenses) generally to the performance of its underlying index, the Solactive Gold Miners Custom Factors Index (Index Ticker: SOLGMCFT). The Index aims to track the performance of larger-sized gold companies whose stocks are listed on Canadian and major U.S. exchanges.

Sprott Junior Gold Miners Exchange Traded Fund (NYSE: SGDJ) seeks investment results that correspond (before fees and expenses) generally to the performance of its underlying index, the Solactive Junior Gold Miners Custom Factors Index (Ticker: SOLJGMFT). The Index aims to track the performance of small-capitalization gold companies whose stocks are listed on regulated exchanges.

Two Unique Indexes

Each Index is designed using specific Factors that Matter™ for a particular strategy. These customized factors are selected because they have historically proven to be strong predictors of stock performance.

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 LP, a leading, long-time gold sector investor, and Solactive AG.

SGDM
NYSE ARCA
Sprott Gold Miners ETF

- Stocks weighted in the Index based on quarterly revenue growth and long-term debt to equity.
- Index is reconstituted quarterly.

SGDJ
NYSE ARCA
Sprott Junior Gold Miners ETF

- Stocks weighted in the Index based on revenue growth and price momentum.
- Index is reconstituted semi-annually.

Sprott Gold Miners Exchange Traded Fund

Performance: Average Annual Total Returns* (%)

MONTH END AS OF 6/30/2020	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	S.I.[2]
Sprott Gold Miners ETF (Net Asset Value)	6.44	57.93	25.88	44.00	18.09	15.29	4.53
Sprott Gold Miners ETF (Market Price)[1]	6.50	58.42	25.53	44.62	18.17	15.33	4.56
Solactive Gold Miners Custom Factors Index TR (Benchmark)[3]	6.46	57.84	27.04	-	-	-	-
Sprott Zacks Gold Miners Index (Legacy Index)[3]	7.55	66.06	24.15	54.52	21.48	17.62	6.42
S&P 500® Total Return Index	1.99	20.54	-3.08	7.51	10.73	10.73	10.07

QUARTER END AS OF 6/30/2020	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	S.I.[2]
Sprott Gold Miners ETF (Net Asset Value)	6.44	57.93	25.88	44.00	18.09	15.29	4.53
Sprott Gold Miners ETF (Market Price)[1]	6.50	58.42	25.53	44.62	18.17	15.33	4.56
Solactive Gold Miners Custom Factors Index TR (Benchmark)[3]	6.46	57.84	27.04	-	-	-	-
Sprott Zacks Gold Miners Index (Legacy Index)[3]	7.55	66.06	24.15	54.52	21.48	17.62	6.42
S&P 500® Total Return Index	1.99	20.54	-3.08	7.51	10.73	10.73	10.07

Expenses (%) as of 11/30/2019

Management Fee	0.35
Other Expenses[4]	0.22
Total Annual Fund Operating Expenses	**0.57**
Fee Waiver/Expense Reimbursement	0.07
Net Total Expense Ratio[7]	0.50

Sprott Junior Gold Miners Exchange Traded Fund

Performance: Average Annual Total Returns* (%)

MONTH END AS OF 6/30/2020	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	S.I.[5]
Sprott Junior Gold Miners ETF (Net Asset Value)	9.22	66.58	12.32	25.98	4.82	9.23	9.70
Sprott Junior Gold Miners ETF (Market Price)[1]	9.98	71.48	12.08	26.82	4.91	9.24	9.75
Solactive Junior Gold Miners Custom Factors Index TR (Benchmark)[6]	9.09	66.72	12.69	-	-	-	-
Sprott Zacks Junior Gold Miners Index – TR (Legacy Index)[6]	11.38	86.18	19.88	52.76	12.25	14.25	14.54
S&P 500® Total Return Index	1.99	20.54	-3.08	7.51	10.73	10.73	10.06

QUARTER END AS OF 6/30/2020	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	S.I.[5]
Sprott Junior Gold Miners ETF (Net Asset Value)	9.22	66.58	12.32	25.98	4.82	9.23	9.70
Sprott Junior Gold Miners ETF (Market Price)[1]	9.98	71.48	12.08	26.82	4.91	9.24	9.75
Solactive Junior Gold Miners Custom Factors Index TR (Benchmark)[6]	9.09	66.72	12.69	-	-	-	-
Sprott Zacks Junior Gold Miners Index – TR (Legacy Index)[6]	11.38	86.18	19.88	52.76	12.25	14.25	14.54
S&P 500® Total Return Index	1.99	20.54	-3.08	7.51	10.73	10.73	10.06

Expenses (%) as of 11/30/2019

Management Fee	0.35
Other Expenses[4]	0.36
Total Annual Fund Operating Expenses	**0.71**
Fee Waiver/Expense Reimbursement	0.21
Net Total Expense Ratio[7]	0.50

See following page for footnotes.

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.

* 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.

IMPORTANT DISCLOSURES & DEFINITIONS

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. This must be accompanied or preceded by a Prospectus. 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 Distributors, Inc. is the Distributor for the Sprott Gold Miners ETF and the Sprott Junior Gold Miners ETF.

ALPS Distributors, Inc. is not affiliated with Sprott Asset Management LP.

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