Sprott Global Gold Separately Managed Account

Q4 2018 Quarterly Commentary

INVESTMENT TEAM

Shree Kargutkar, MBA, CFA
Portfolio Manager

Jason Mayer, MBA, CFA
Senior Portfolio Manager

Maria Smirnova, MBA, CFA
Senior Portfolio Manager

STRATEGY OBJECTIVE

The primary objective is to provide long-term capital growth. In order to achieve its investment objective, the investment team aims to invest primarily in equities that are directly or indirectly involved in the exploration, mining, production or distribution of precious metals and minerals. Additionally, some assets may be allocated into bullion, cash, ETFs, debt securities and derivatives.

PORTFOLIO COMPOSITION

As of December 31, 2018

Equities	93.9%
Cash and Cash Equivalents	6.2%
Total	100.0%

EQUITIES GEOGRAPHIC ALLOCATION

As of December 31, 2018

United States	38.8%
Australia	34.4%
Canada	11.2%
London	9.5%
Total	93.9%

The fourth quarter of 2018 marked some notable market events for investors.

- After rising to record highs, the S&P 500 lost 13.52% in Q4 and posted its first annual decline since 2008 on a total return basis (-4.39%). 2018 proved to be one of the most difficult years for equity investors across multiple sectors and geographies.
- Similarly, the Nasdaq Composite saw its first annual decline since 2011 (-2.81%) after making fresh highs in the second half of 2018. The FANG stocks (Facebook, Amazon, Netflix, Google), which had led the charge for Nasdaq, came under persistent, significant pressure for the first time in recent memory.
- Despite six straight months of price declines and record levels of short interest, gold (GLD[1]) rose 7.53% in Q4 and posted a decline of 1.94% for the year 2018, managing to outperform S&P 500 (-4.39%), the Nasdaq Composite (-2.81%), and the Russell 2000 (-11.03%) in 2018. Inflows into gold saw bullion ETF holdings rise to near its three-year high.

These are important inflection points for precious metals investors.

Performance Summary

The Sprott Global Gold Strategy ("Strategy") rebounded from a tough Q3 2018, rising 9.11% in Q4 2018. Over the same period, the GDX and GDXJ rose 14.46% and 10.97%., respectively. For the full calendar year 2018, the Strategy lost 15.64%, compared to -8.79% and -11.04% for the GDX and GDXJ, respectively.

Since its inception, the Strategy has declined 3.25% after fees while the GDX has declined 2.34%. The merger of Barrick Gold and Randgold Resources (finalized on 1/2/19) has captivated investors across the world and has helped drive a bulk of GDX's performance. During this period, GDXJ and GLD returned -3.48% and +0.24% respectively.

While the Strategy has lagged behind its benchmarks, we do not expect this underperformance to turn into a trend.

Total Returns (Net of Fees)

As of December 31, 2018

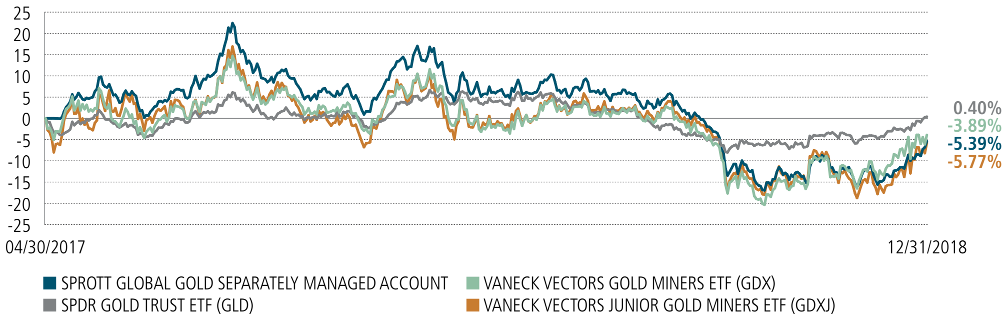
	1 YR 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Since Inception[4] (May 1, 2017)
Sprott Global Gold Strategy	**-15.64%**	**9.11%**	**-16.97%**	**-1.34%**	**-5.62%**	**-3.25%**
GDX[2]	-8.79%	14.46%	-16.99%	1.50%	-5.42%	-2.34%
GDXJ[3]	-11.04%	10.97%	-16.33%	1.71%	-5.80%	-3.48%
GLD[1]	-1.94%	7.53%	-4.96%	-5.68%	1.73%	0.24%

Sprott Global Gold Separately Managed Account

Q4 2018 Quarterly Commentary

Cumulative Daily Performance

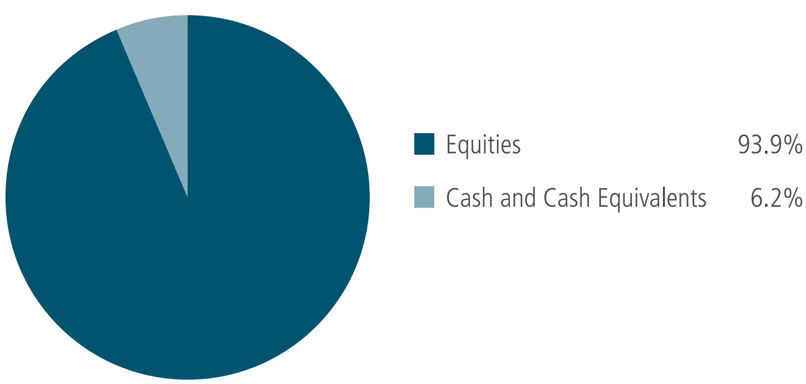
(5/1/2017 – 12/31/2018)



Portfolio Composition

The Strategy increased its equity holdings throughout Q4 2018 in order to take advantage of bargains, particularly in November. At the end of Q4, the Strategy's reference account had allocated 93.9% of its assets in equities with the remaining 6.2% held in cash. Geographically at yearend, 34.4% of the portfolio was invested in Australian-listed equities down slightly from 38.8% at the end of Q3 2018. The Strategy's allocation to North American equities increased from 41.6% to 50.0% as better valuations came available on the back of tax-loss selling and forced liquidations. Similarly, allocation to London-listed equities increased from 3.9% to 9.5% at the end of the quarter.

As of 12/31/2018



Q4 2018 Performance Contributors

Company Name	Exchange/Symbol	Contribution %	Average Weight %
Saracen Mineral Holdings	ASX: SAR	2.37%	4.66%
Kirkland Lake Gold	TSX: KL	1.87%	4.77%
Wheaton Precious Metals	NYSE: WPM	1.22%	3.03%
B2Gold	NYSE: BTG	1.19%	4.43%
Bellevue Gold	ASX: BGL	1.09%	1.67%

In Q4 2018, we saw a shift away from the geographical outperformance of Australia as North American-listed companies saw stronger returns versus their *down under* peers. This strong North American performance was not unexpected, given the multiple quarters of outperformance by Australian gold miners.

Saracen Mineral Holdings (Australia) was the Strategy's top contributor in Q4, adding 2.37% to the portfolio. Saracen has continued to improve operations at both its Carosue Dam and Thunderbox gold mines. This has resulted in greater production, increased guidance, lower costs and a swing towards significant free cash flow generation. Saracen has been one of the strongest performers in the precious metals space, rising 56.30% in U.S. dollar terms in calendar year (CY) 2018. For 2019, we expect Saracen to declare its first dividend while continuing to grow production and reduce costs.

Kirkland Lake Gold (Canada) was the second largest contributor to the Strategy, adding 1.87% to the portfolio. While Kirkland Lake has traditionally been a Canadian-listed equity, it now trades in the U.S. as well as in Australia. Similar to Saracen Mineral, Kirkland Lake has demonstrated steady operations improvements at its mines located in Australia and Canada. The most exciting development for Kirkland has been the discovery of the ultra high-grade Swan Zone at its Fosterville Mine in Victoria. In 2019, gold from Kirkland's Swan Zone will be mined in increasing quantities and should result in higher gold production at the Fosterville Mine at a lower cost per ounce. Kirkland has also seen encouraging exploration success at both its Canadian and Australian operations. We expect Kirkland to grow into a million ounce plus producer in the coming years with rising grades and lower costs.

Wheaton Precious Metals (Canada) was the third largest contributor adding 1.22% to the portfolio. Wheaton Precious has seen its shares decline over the past few years due to ongoing tax-related uncertainty with the Canadian Revenue Agency (CRA). Royalty and streaming companies typically trade at a significant premium to producers due to their inherent stability of costs. In the case of Wheaton Precious, its valuations declined to levels below some producers in our universe. We began to increase our allocation to Wheaton Precious on the back of a positive CRA ruling towards Cameco (one of the world's largest uranium producers) in a tax-related manner in Q3/Q4 2018. With our downside buttressed by compelling valuations, we expected a positive tax resolution for Wheaton Precious to provide an upside catalyst. December 14, 2018, brought along the good news we had expected, and to our surprise, earlier than we anticipated. While our average portfolio weight in Wheaton Precious was approximately 3% throughout the fourth quarter, the Strategy's allocation before the ruling had grown to 6%. This weighting helped drive significant returns for the portfolio.

Q4 2018 Performance Detractors

Company Name	Exchange/Symbol	Contribution %	Average Weight %
Gascoyne Resources	ASX: GCY	-0.80%	0.76%
Alamos Gold	NYSE: AGI	-0.75%	1.50%
Westgold Resources	ASX: GOLD	-0.66%	1.69%
Independence Group	ASX: IGO	-0.47%	1.94%
Continental Gold	TSX: CNL	-0.37%	1.42%

Gascoyne Resources (Australia) was the largest detractor to the portfolio in Q4 2018 negatively impacting the portfolio by 0.80%. Gascoyne experienced more challenges than expected as it transitioned from a developer to a producer in Western Australia. The biggest challenge it encountered was negative grade reconciliation at its starter pit which resulted in higher than expected cost per ounce. Following on from a difficult start, the company saw management and board departures which unnerved the investors further. While we see value in Gascoyne Resources, we are cognizant of the magnitude of challenges facing the company, especially over the next six months. While we continue to monitor this name closely, we do not anticipate adding to our holdings.

Alamos Gold (Canada) was the second largest detractor to the portfolio, taking off 0.75% from performance. Encouraging exploration results at the high-grade Island Gold Mine were more than offset by cost increases and other operational challenges. We exited Alamos in mid-December, after the upsetting news of a pit wall failure and serious accident at its Mulatos Mine in Mexico. While there is value in Alamos, investors, including ourselves have grown tired of management's inability to contain costs and demonstrate positive free cash flow from operations.

Westgold Resources (Australia) detracted 0.66% from the portfolio in the fourth quarter. Westgold is currently investing in refurbishing some operations in the Murchison region of Western Australia. While the process to bring back online storied gold mines such as Paddy's Flat and Big Bell is well underway, Westgold's progress has been slower than planned. Investors have not taken kindly to operational misses by gold producers and Westgold has not been exempt. Shares were also negatively impacted by ETF selling. Given our long history with management, we remain confident that Westgold's efforts will bear fruit in the coming quarters. Internal buying has been ongoing at Westgold, which reflects management's confidence in its company.

Portfolio Commentary

Our decision to increase the Strategy's equity exposure throughout Q4 was rewarded as both gold bullion and gold equities rallied into yearend 2018. Persistent volatility in general equity and fixed-income asset classes re-ignited investor interest and confidence in gold in Q4 2018 and now into 2019.

At the same time, it is important to further discuss the Strategy's underperformance relative to the GDX benchmark in Q4 2018. The gold mining industry was at risk of losing relevance to investors as repeated and undisciplined capital allocation decisions had weighed down on gold-mining industry behemoths such as Barrick Gold and Goldcorp. This all changed on September 27, 2018, when news of Barrick Gold's planned merger with Randgold Resources broke. The promise of having Randgold CEO Mark Bristow, who has championed disciplined capital allocation, leading the combined Barrick-Randgold entity toward strong cash-flow generation attracted fundamental and momentum investors alike and helped drive the shares of both companies materially higher. Barrick, the second largest component of GDX with an average weight of 9.2%, rose 23.1% in Q4 2018. Randgold, with an average weight of 4.8% in GDX rose 17.5% in Q4. These two giants carried nearly 20% of GDX's Q4 2018 performance.

By contrast to GDX, our Strategy has traditionally been underweight gold mining majors. Instead, we generally invest in companies that gold majors acquire. We have also gravitated toward smaller, more agile operators such as Saracen Mineral and Kirkland Lake Gold. While this approach has traditionally delivered alpha with lower volatility than GDX, Q4 2018 was an anomaly. Suffice to say, we do not expect too many Barrick-Randgold style mergers to impact our performance in the future.

With that said, we are delighted by the Barrick-Randgold merger as it showcases the changes underway in the precious metals mining space today. Better management is stewarding industry heavyweights and gold miners are more relevant now than they have been in years.

2019 Outlook

Green shoots abound as we enter 2019. There has been a palpable shift in investor sentiment towards precious metals over the past few months. While it is difficult to communicate our view in a concise format, we believe the trends below are both useful and important for our investors.

ETF Money Flows

ETF flows have always been an important barometer of investor sentiment for us. Two things are important to note in Figure 1 which shows the total known gold bullion ETF holdings in millions of ounces.

Figure 1: Total Known ETF Holdings of Gold (2009-2019)

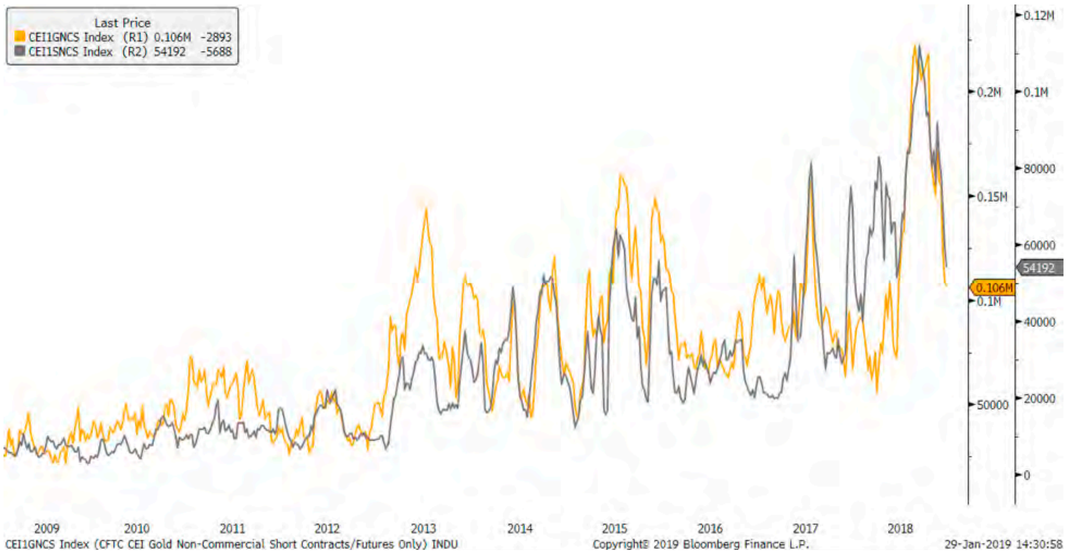
Source: Bloomberg. Data as of January 29, 2019.

- Q4 2015 not only marked the bottom in gold prices ($1,051 per ounce), it also marked investor capitulation as ETF bullion holdings bottomed.
- ETF flows shed their Q2/Q3 malaise in Q4 2018 as positive inflows increased the total amount of bullion held in gold bullion ETFs. After climbing through Q4 2018, ETF gold holdings are making a three-year high at the time of this writing.

Investor Sentiment

If Q4 2015 marked investor capitulation, Q3 2018 marked the peak of negative sentiment towards precious metals as we saw short sellers push their bets against gold and silver to record highs.

Figure 2: Speculative Gold Futures Shorts Reach All-Time Highs (2009-2019)



Source: Bloomberg. Data as of January 29, 2019.

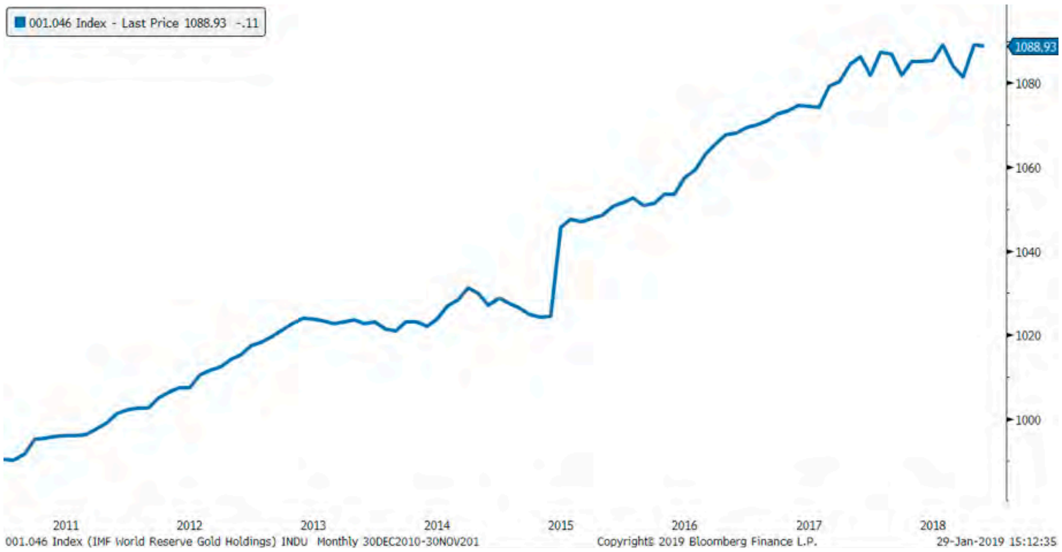
We have seen both price capitulation and peak negativity towards all things precious between Q4 2015 and Q3 2018. With investor sentiment toward gold improving after scrapping bottom, we remain constructive on gold's outlook heading into 2019.

We are positive on gold for reasons outside the usual suspects of rising debts around the world and inflation running wild.

1) **Central Banks Continue to Buy Gold:**

   As investors began shunning gold in early 2011, central banks swung from being net sellers to net buyers. Central banks around the world added 651.5 metric tonnes of gold to their vaults in 2018, marking a multi-decade high. Increasing economic uncertainty and rising geopolitical concerns have increased the desire of central bankers around the world to diversify their holdings outside of the U.S. Dollar and Euro. The trend towards increasing gold reserves by central banks is unlikely to change, as Russia, Turkey and India have shown an insatiable appetite towards the yellow metal. We expect central banks to add ~500 metric tonnes (approximately 16 million ounces) of gold in 2019.

Figure 3: Increased Gold Buying by Central Banks (2010-2019)



Source: Bloomberg. Data as of January 29, 2019.

2) Equity Volatility will Continue to Benefit Gold

Despite the challenges gold endured in 2018, it emerged victorious as unrelenting equity volatility and a backdrop of trade uncertainty attracted investors to gold. Investors have begun noting gold and gold miners' low or negative correlation against major equity sectors such as Technology (XLK), Healthcare (XHB), Real Estate (IYR) as well as Treasuries (TLT). It is not that gold just became uncorrelated to other assets. It always has been. However, with general equities rising, most investors have not felt an urge to diversify correlations – until now.

CY 2019 earnings outlooks do not appear rosy as companies are struggling against a tepid economic backdrop. This is likely to fuel, positive flows into gold bullion and gold equities, especially as gold miners begin to demonstrate marked improvements in profitability with gold trading near $1,300 per ounce.

Figure 4: GLD and GDX Correlations vs. Major S&P Sub-Sectors, Treasuries and High-Yield and Real Estate

<Filter>	Correlation Matrix (15 Rows x 15 Columns)												
Security	SPY	XLU	XLF	XLK	XLY	XHB	XLV	XLE	XLI	HYG	IYR	TLT	UUP
11) SPY	1.000	0.263	0.864	0.943	0.930	0.751	0.905	0.751	0.908	0.769	0.584	-0.311	-0.068
12) XLU	0.263	1.000	0.110	0.176	0.172	0.164	0.303	0.139	0.183	0.276	0.640	0.258	0.113
13) XLF	0.864	0.110	1.000	0.752	0.759	0.629	0.754	0.646	0.811	0.581	0.417	-0.473	-0.106
14) XLK	0.943	0.176	0.752	1.000	0.894	0.663	0.815	0.643	0.808	0.715	0.486	-0.259	-0.039
15) XLY	0.930	0.172	0.759	0.894	1.000	0.778	0.798	0.665	0.829	0.738	0.531	-0.276	-0.047
16) XHB	0.751	0.164	0.629	0.663	0.778	1.000	0.643	0.575	0.746	0.585	0.534	-0.180	-0.095
17) XLV	0.905	0.303	0.754	0.815	0.798	0.643	1.000	0.639	0.800	0.681	0.557	-0.257	-0.074
18) XLE	0.751	0.139	0.646	0.643	0.665	0.575	0.639	1.000	0.720	0.641	0.352	-0.240	-0.113
19) XLI	0.908	0.183	0.811	0.808	0.829	0.746	0.800	0.720	1.000	0.691	0.492	-0.345	-0.076
20) HYG	0.769	0.276	0.581	0.715	0.738	0.585	0.681	0.641	0.691	1.000	0.502	-0.117	-0.070
21) IYR	0.584	0.640	0.417	0.486	0.531	0.534	0.557	0.352	0.492	0.502	1.000	0.064	0.037
22) TLT	-0.311	0.258	-0.473	-0.259	-0.276	-0.180	-0.257	-0.240	-0.345	-0.117	0.064	1.000	-0.007
23) UUP	-0.068	0.113	-0.106	-0.039	-0.047	-0.095	-0.074	-0.113	-0.076	-0.070	0.037	-0.007	1.000
24) GLD	-0.059	-0.105	-0.071	-0.062	-0.045	0.048	-0.095	0.079	-0.032	0.031	-0.070	0.196	-0.648
25) GDX	0.032	-0.092	0.011	0.029	0.031	0.108	-0.015	0.150	0.059	0.072	-0.029	0.102	-0.557

Source: Bloomberg. Data as of January 29, 2019.

3) The Fed is Likely to Pause

We have seen a remarkable shift in posturing from major central banks around the world and the U.S. Federal Reserve in particular. Equity markets tantrums and a downshift in leading economic indicators have been likely causes of the Fed's increasing dovish behavior. Uncertainty about global trade is also to blame. Our colleague Trey Reik, recently expounded on this topic in fascinating detail in his latest piece, *Catalyst for Gold Locked and Loaded?*, which we urge you to read, available here: http://www.sprott.com/insights/catalyst-for-gold-locked-and-loaded/).

4) Gold is in a Bull Market in Australia and Canada

Over 50% of our portfolio exposure comes from companies with operations in Australia and Canada where gold prices are at or near five-year highs.

Figure 5: Gold Prices at a Five-Year High (2014-2019)

Source: Bloomberg. Data as of January 29, 2019.

Unsurprisingly, the profitability of these mining operations has been rising, despite some increases in labor costs. Higher profits and rising cash flows are attracting the attention of investors to a greater number of our holdings. The ultra-low valuations we wrote about in previous commentaries is finally registering with a larger audience. The compounding magic of rising earnings and higher multiples is a potent recipe for big gains.

We are excited for 2019. Buckle up!

Authored by Shree Kargutkar, Portfolio Manager, Sprott Asset Management LP
January 31, 2019

Sprott Asset Management USA, Inc.
1910 Palomar Point Way, Suite 200
Carlsbad, CA 92008
800.477.7853
www.sprott.com

[1] SPDR Gold Shares (GLD) is an exchange-traded fund and is used as a benchmark to measure gold bullion prices.

[2] VanEck Vectors Gold Miners ETF (GDX) tracks the overall performance of companies involved in the gold mining industry.

[3] VanEck Vectors Junior Gold Miners ETF (GDXJ®) tracks the overall performance of small-capitalization companies that are involved primarily in the mining for gold and/or silver.

[4] Represents average annual total return for the period.

0119248 01/19_MRC_SGGSMA_Q4