



**Sprott Asset Management USA, Inc.**  
**PART 2A OF FORM ADV**

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Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Sprott Asset Management USA Inc. (“SAM USA”). If you have any questions about the contents of this brochure, please contact SAM USA at 1-866-531-8746. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

SAM USA is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information about SAM USA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

This Brochure updates the previous SAM USA brochure dated August 9, 2021. SAM USA filed an other-than-annual update on August 9, 2021 to its March 31, 2021 brochure to reflect the launch of the Resource Exploration and Development Private Placement LP on November 15, 2021. SAM USA filed an other-than-annual update on August 9, 2021 to its March 31, 2021 brochure to reflect the engagement of Rule Advisors, LLC (“Rule Advisors”), an investment adviser registered with the SEC under the Advisers Act and wholly owned by Arthur Richards Rule IV, as sub-adviser to and performing solicitation activities on behalf of certain SAM USA clients.

SAM USA routinely makes changes throughout its Brochure in an effort to improve and clarify the descriptions of its and its affiliates’ business practices and compliance policies and procedures or in response to evolving industry and firm practices.

Except as otherwise specified, all information set forth or referenced in this brochure is as of the date hereof. Subject to the requirements of the Advisers Act, and other applicable laws, SAM USA is under no obligation to update any such information.

We encourage all recipients to read this Brochure carefully and in its entirety.

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#### **Item 4. Advisory Business**

Sprott Asset Management USA Inc. (hereinafter “SAM USA” or the “Adviser”) is an investment advisory firm with its principal place of business in Carlsbad, California and was founded in 2005. SAM USA is owned by Sprott U.S. Holdings, Inc., a subsidiary of Sprott Inc., a Canadian public company. SAM USA was registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser on February 7, 2006. SAM USA also has offices in Darien, Connecticut and New York, New York.

#### **Advisory Services**

SAM USA provides investment advisory services on both a discretionary and non-discretionary basis to its clients, which include individuals, institutions with separately managed accounts (collectively, “Managed Account Clients”) and private funds (the “Funds”, and together with the Managed Account Clients, the “Clients”). The Adviser’s investment advisory services include sourcing, evaluating, negotiating, overseeing, managing and disposing of investments in the natural resources industry. The Adviser tailors its advisory services in accordance with each Client’s investment strategy as disclosed in the relevant investment documents. Further specific details of the Adviser’s advisory services are set forth in each Managed Account Client’s respective advisory agreement and each Fund’s respective governing and operating agreements (each, an “Advisory Agreement”). Investors participate in the overall investment program for the applicable platform, but may be excused from a particular investment due to legal, regulatory or other applicable constraints.

#### **Advisory Services to Managed Account Clients**

For retail Managed Account Clients, SAM USA offers a number of retail platforms as well as a program tailored to Managed Account Clients’ individual needs, each as explained in further detail below.

#### **SAM USA’s Retail Platforms**

*Sprott Global Gold Separately Managed Account:* This portfolio seeks to outperform the overall gold market in all market conditions by employing a value-oriented approach across the investment cycle. Investment decisions are based on: relative valuation of the company; management strength and credibility; knowledge of jurisdiction; thorough understanding of risk-factors; how the diversification compliments existing holdings; liquidity; and the company’s industry viability.

*Sprott Rule Managed Account Separately Managed Account:* The Sprott Rule Managed Account aims to provide investors and speculators with capital gains, in a focused natural resource cycle, across the investment cycle. The investment manager invests in the publicly traded debt and equity securities of companies listed in Australia, Canada, Great Britain, and the United States, focused on natural resources using a “bottoms up” investment selection process, focused on financial, geological, and engineering factors, using a contrarian approach. The manager anticipates that most of the portfolio will be invested in micro and small cap companies, but market opportunities in mid-cap and large cap investments may also be made strategically. Following the departure of portfolio manager Arthur Richards Rule IV, the Sprott Rule Managed Account is managed by the investment committee of SAM USA (“Investment Committee”). The Investment Committee is

headed by Eric Angeli and also comprises Jeff Howard, Justin Tolman, Jason Stevens and Sam Broom. Rule Advisors, an investment adviser wholly owned by Mr. Rule, registered as an investment adviser under the Advisers Act effective as of May 20, 2021. On May 20, 2021, Rule Advisors was engaged as the sub-adviser to the Sprott Rule Managed Account, and consequently, Mr. Rule resumed discretionary investment management activities and certain solicitation activities on behalf of the Sprott Rule Managed Account. The Adviser notes that registration with the SEC as an investment adviser does not imply a certain level of skill or training.

*Sprott Silver Strategy Separately Managed Account:* This portfolio seeks to achieve long-term capital growth by investing primarily in equity securities of companies directly or indirectly involved in the exploration, mining, production and/or distribution of silver bullion. The strategy can also invest in silver bullion ETFs (exchange traded funds). To achieve the strategy's investment objective, the investment management team will employ fundamental analysis to seek to identify securities with superior investment opportunities that have the potential for capital appreciation over the long-term. This involves seeking out undervalued companies backed by strong management teams and solid business models that can benefit from macro-economic trends.

*Sprott Real Asset Value+ Strategy:* The Sprott Real Asset Value+ Strategy is an actively managed strategy that seeks to achieve long-term capital appreciation by investing in securities of businesses that generate high return on shareholders' capital and are involved in the production, operations, financing, or otherwise in the supply chain of, tangible real assets. The Sprott Real Asset Value+ Strategy will focus on strategic allocations to the agribusiness, energy, and mining sectors.

*Sprott Resource Alpha Separately Managed Account:* The Sprott Resource Alpha Separately Managed Account Strategy aims to deliver a risk adjusted return through long-term capital appreciation for investors by establishing equity holdings in companies exploring, developing or producing commodities, with a focus on companies that have consistently delivered, or are expected to deliver, the highest quartile operating margins in their respective industries.

*Diversified Resource:* The Diversified Resource platform offers broad exposure to exploration, development, and production companies operating in a variety of resource-based sectors utilizing a value-oriented approach.

*Resource Income:* The Resource Income platform invests primarily in mid-to-large capitalization resource companies and utilizes put and covered call option writing strategies to seek to enhance income.

*Precious Metals:* The Precious Metals platform invests in securities of companies with producing or development stage gold, silver, or platinum group metals deposits. The program can also invest in physical bullion.

*Technically-Driven Opportunities:* The Technically-Driven Opportunities platform utilizes certain risk/reward parameters and emphasizes real asset classes with the goal of outperforming the market, defined as a 60 to 40 stock to bond allocation. The strategy is further driven by technical analysis and sentiment indicators such as classical charting patterns, moving average convergence

divergence (MACD) indicators, relative strength index (RSI) indicators and Ichimoku cloud patterns.

*Uranium and Low Carbon Emission:* The investment strategy will invest in the publicly traded debt and equity securities of companies listed on any exchange focused on uranium and low carbon emission energy & infrastructure favoring a “bottoms up” investment selection process; focused on geological factors the investment strategy will be responsive to market opportunities in a contrarian and value approach, seeking opportunities as they present themselves.

*Contrarian Portfolio:* The investment strategy aims to deliver capital gains from speculations and investments that the Adviser believes should benefit from the default of public and private debt, and will aim to hold a balance of low, medium, and high risk speculations and investments. A contrarian approach will be used with the aim to buy and sell in contrast to the prevailing market sentiment at the time.

#### SAM USA’s Individualized Program

The respective portfolio manager(s) will construct a portfolio of resource and precious-metal related investments including but not limited to companies in the exploration, development and production stages. The portfolio investments will be individualized in accordance with the Managed Account Client’s risk diversification preference, as determined by the selected investment objective(s) and the desired percentage of the portfolio to be allocated to such investment objective(s). Such investment objectives and expectations will be included in an Advisory Agreement between the Managed Account Client and the respective portfolio manager. This program may apply to either retail or institutional accounts and is specifically tailored to the needs of the Client on an individualized basis.

### **Advisory Services to Private Funds**

#### SAM USA Private Funds

SAM USA is the investment manager of three private funds that are part of a master-feeder fund (collectively, the “Sprott Hathaway Fund”): (1) Sprott Hathaway Special Situations Master Fund, LP, (the “Master Fund”) a Cayman Island exempted limited partnership; (2) Sprott Hathaway Special Situations Fund (US), LP (the “US Feeder”), a limited partnership established under the laws of Delaware for taxable U.S. investors; and (3) Sprott Hathaway Special Situations Fund (Cayman) Ltd., a Cayman Islands exempted company for U.S. tax-exempt and non-U.S. investors (the “Cayman Feeder”). Each of the US Feeder and Cayman Feeder invests substantially all of their assets in the Master Fund.

The investment objective of the Sprott Hathaway Fund is to seek long-term capital appreciation. SAM USA seeks to achieve its investment objective primarily by investing in securities of mining companies located throughout the world, in both developed and emerging markets, that explore for metals, develop precious metal resources, build mines, and operate mines with special emphasis on likely takeover candidates. Such companies are most likely to be small to mid-cap companies that could be accretive to major mining companies because of the wide gap in valuation between larger and mid to small cap securities.

SAM USA serves as the investment adviser to Drill Driven Alpha Fund, LP (the “DDA Fund”), a limited partnership established under the laws of Delaware. Neil Adshead, PhD., is the portfolio manager to the DDA Fund. The investment objective of the DDA Fund is to seek to achieve capital appreciation by investing primarily in equity securities of companies throughout the world that own, explore or develop natural resources. To pursue this investment objective, the DDA Fund invests the majority of its assets in equity securities of such companies listed on major stock exchanges, such as Toronto, New York, Sydney, and London. Equity securities include common stock, preferred stock, securities convertible into common stock, and rights to subscribe for common stock. Natural resource assets include materials with economic value that are derived from natural sources, either directly or indirectly, such as precious metals (e.g., gold, silver and platinum group metals), ferrous and base metals (e.g., iron ore, copper, nickel, and zinc), strategic metals (e.g., uranium, lithium, and titanium), and hydrocarbons (e.g., coal). The DDA Fund intends to focus on companies operating in the mining and minerals sector. The DDA Fund is currently closed to new investors.

SAM USA serves as the investment adviser to Resource Exploration and Development Private Placement LP (the “RED Fund”), a limited partnership established under the laws of Delaware. The Investment Committee collectively serves as the investment manager to the RED Fund. The investment objective of the RED Fund is to achieve capital appreciation primarily through the successful origination and participation of private placement investments in companies engaged in exploring, developing, and producing natural resources and participating in publicly traded equity securities issued by such companies. Investors in the Sprott Hathaway Fund, the RED Fund and the DDA Fund participate in the overall investment program for the Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints.

With respect to each of the Sprott Hathaway Fund, RED Fund, and the DDA Fund, the Adviser has not yet entered, but may in the future enter, into side letters or other similar agreements with certain investors that may have the effect of establishing rights under, supplementing or altering a Fund’s Advisory Agreement. Such rights or alterations could be regarding economic terms, fee structures, excuse rights, information rights, co-investment rights (including the provision of priority allocation rights to limited partners who have capital commitments in excess of certain thresholds to one or more Funds), or transfer rights. For the most part, any rights established, or any terms altered or supplemented will govern only the investment of the specific investor and not the terms of a Fund as a whole. Certain such additional rights but not all rights, terms or conditions may be elected by certain sizeable investors with “most favored nations” rights pursuant to a Fund’s Advisory Agreement. In addition, the Adviser will generally make such side letters relating to a particular Fund available to all limited partners of such Fund.

In certain situations an institutional caliber investor may establish a separately managed account which could, in most aspects, mirror one of the Fund’s investment strategies with a higher minimum investment, typically \$10 million dollars though such amount may be reduced with the prior agreement of the Adviser, subject to applicable legal requirements.

***The information provided above about the investment advisory services provided by the Adviser is qualified in its entirety by reference to each Client’s Advisory Agreement.***

#### Sub-Advised Clients

SAM USA serves as the sub-adviser to Sprott Focus Trust, Inc. (“Sprott Focus Trust”), a closed-end diversified management investment company whose shares of common stock are listed and traded on the Nasdaq National Market. Sprott Focus Trust’s investment goal is long-term capital growth, which it seeks by normally investing at least 65% of its assets in equity securities. W. Whitney George is the portfolio manager to Sprott Focus Trust. Sprott Focus Trust’s investment adviser, Sprott Asset Management, L.P., is a Toronto-based alternative asset manager and an affiliated entity of SAM USA.

SAM USA serves as the sub-adviser to Sprott Gold Equity Fund, an open-end mutual fund whose Investor Class A and Institutional Class I shares are listed and traded on the Nasdaq National Market. Sprott Gold Equity Fund’s investment goal is long-term capital appreciation, which it seeks by investing at least 80% of its net assets, plus borrowings for investment purposes, in gold and other precious metals and securities of companies located throughout the world that are engaged in mining or processing gold. John Hathaway, Douglas B. Groh, Maria Smirnova and Shree Kargutkar are the portfolio managers to Sprott Gold Equity Fund. Sprott Gold Equity Fund’s investment adviser is Sprott Asset Management, L.P., a Toronto-based alternative asset manager and an affiliated entity of SAM USA. Ms. Smirnova and Mr. Kargutkar are employed by the Adviser.

SAM USA serves as the sub-adviser to the Sprott Total Gold Portfolio, a separately managed account platform administered by Evans & Pty, an Australian licensed adviser offering precious metals exposure to their client base. SAM USA manages a model portfolio while Evans & Pty has full discretion over the accounts on behalf of its clients. John Hathaway and Douglas B. Groh are the portfolio managers to Sprott Total Gold Portfolio. SAM USA has been granted an exemption by the Australian Securities and Investment Commission and is in the process of applying for a full license to advise high net worth Australian residents.

SAM USA also is employed as a sub-adviser to three EU funds and an associated Cayman fund, advised by Sprott Asset Management LP. They employ an investment strategy similar to the Sprott Gold Equity Fund, with specific mandates according to the investment parameters set out by each fund.

### **Investment Restrictions**

Clients may not impose restrictions on investing in either certain securities or certain types of securities.

### **SAM USA’s Assets Under Management (as of December 31, 2021):**

|                               |                         |
|-------------------------------|-------------------------|
| Discretionary - Retail        | \$ 601,952,091          |
| Non-Discretionary - Retail    | \$ 204,997,923          |
| Discretionary - Private Funds | \$ 223,895,875          |
|                               | <hr/>                   |
| <b>Total:</b>                 | <b>\$ 1,030,845,889</b> |



## **Item 5. Fees and Compensation**

The Adviser's annual management fee is based upon a percentage of the market value of the assets under management and in accordance with the fee schedule agreed upon between the Client and Adviser, as stated in the Advisory Agreement between the Client and Adviser. Additionally, a performance fee may be assessed where applicable (discussed in further detail below).

With respect to the Managed Account Clients, the Adviser's management fee is assessed quarterly in advance or in arrears, as applicable, and the assessed fee is then deducted from the Managed Account Client's account(s) within thirty (30) days from the applicable quarter end. If a Managed Account Client's account is not open for the full quarter in which the fee is being assessed, the fee shall be prorated accordingly. The fee for the initial quarterly period is prorated for the duration of the remaining quarter, or month, based upon the account's funding date and the net value of assets deposited in the account on such date. If billed in arrears, the fee for the initial quarterly period is prorated to reflect the number of days since initial funding. In the event of termination, a Managed Account Client is entitled to a prorated refund of any pre-paid management fee based upon the number of days remaining in the quarter after the termination date; however, to the extent that there are private or illiquid securities remaining in such a Managed Account Client's account after the termination date, the management fees and performance fees continue to be due and payable thereon. If fees are assessed in arrears, all earned, unpaid fees will be due and payable immediately upon termination of the Managed Account Client's account.

With respect to the Sprott Rule Managed Account, SAM USA pays Rule Advisors as the sub-adviser to such Managed Account a sub-advisory fee from the Adviser's management fee.

With respect to the DDA Fund, the Adviser's management fee is assessed monthly in arrears, as applicable, and the assessed fee is then deducted from the DDA Fund client's account(s) within fifteen (15) days from the applicable start of the month. If a DDA Fund client's account is not open for the full month in which the fee is being assessed, the fee shall be prorated accordingly. The fee for the initial month is prorated to reflect the number of days since initial funding. In the event of termination, all earned, unpaid fees will be due and payable immediately upon termination of the account.

With respect to the Sprott Hathaway Fund, the Adviser's management fee is paid as of the beginning of each calendar quarter. If a Sprott Hathaway Fund client's account is not open for the full month in which the fee is being assessed, the fee shall be prorated accordingly. The fee for the initial month is prorated to reflect the number of days since initial funding. In the event of termination, all earned, unpaid fees will be due and payable immediately upon termination of the account.

With respect to the RED Fund, the Adviser's management fee is assessed monthly in advance, and is paid to within 15 business days after the start of each month. The management fee is adjusted for any mid-month redemptions, and may be waived or reduced in respect of any limited partner in its discretion.

## **Retail Account Standard Fee Schedule**

All Managed Account Clients enter into an Advisory Agreement with SAM USA. This agreement sets forth the services to be provided and the commensurate management fees for such services. Fees are subject to negotiation at the sole discretion of SAM USA and will typically vary according to several factors, such as: the type of client; the discretionary authority granted to the Adviser; the total assets under management; and other business considerations. Fees are subject to change with thirty (30) days written notice. As of the date of this Brochure, SAM USA's standard fee schedule is 2.0% of net assets under management. Fees are billed quarterly in advance or arrears.

### **Sprott Hathaway Fund Fee Schedule**

Investors in the Sprott Hathaway Fund pay SAM USA a management fee equal to 1.5% per annum of the value of each limited partner's capital account and a performance fee of 20% subject to an 8% preferred return and a high water mark. The general partner of the Sprott Hathaway Fund, in its sole discretion, may waive or modify the management fee to be paid by limited partners that are members, principals, employees or affiliates of such general partner or the Adviser, relatives of such persons and certain large or strategic investors.

### **DDA Fund Fee Schedule**

Investors in the DDA Fund pay SAM USA a management fee equal to 1.5% per annum of the value of each limited partner's capital account. The general partner of the DDA Fund, in its sole discretion, may waive or modify the management fee to be paid by any limited partner. Investors in the DDA Fund also pay SAM USA a performance fee of 20% of all current income distributed to the limited partners in excess of the hurdle rate in certain circumstances as set forth in the DDA Fund's partnership agreement. Generally, the carried interest represents a share of distributions made after return of invested capital, allocable fees and expenses and a preferred annualized "hurdle" rate of return of 8%. Carried interest allocations do not exceed 20% of profits and are generally subject to general partner catch-ups. The general partner of the DDA Fund, in its sole discretion, may elect to reduce, waive, assign or otherwise share the performance fee with respect to any limited partner.

### **RED Fund Fee Schedule**

Investors in the RED Fund pay SAM USA a management fee as follows: (i) for investors with aggregate commitments to the RED Fund of less than \$500,000, an annualized rate of one and one-half percent (1.5%); (ii) for investors with commitments to the RED Fund of at least \$500,000 but less than \$1,000,000, an annualized rate of one and one-quarter percent (1.25%); (iii) for investors with commitments to the RED Fund of at least \$1,000,000, an annualized rate of one percent (1.00%). An investor's management fee is based on such investor's pro rata share of the RED Fund's net asset value, and not upon such investor's capital commitment.

Investors in the RED Fund also pay SAM USA a performance fee of 20% of all current income distributed to the limited partners in excess of the hurdle rate in certain circumstances as set forth in the RED Fund's partnership agreement. Generally, the carried interest represents a share of distributions made after return of invested capital, allocable fees and expenses and a preferred annualized "hurdle" rate of return of 8%. Carried interest allocations do not exceed 20% of profits and are generally subject to general partner catch-ups. The general partner of the RED Fund, in its

sole discretion, may elect to reduce, waive, assign or otherwise share the performance fee with respect to any limited partner.

### **Additional Fees**

In addition to paying management fees and, if applicable, performance fees or allocations, Managed Account Clients are also responsible for other investment expenses, as outlined in the respective Advisory Agreements and offering documents, such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees associated with products or services that may be necessary or incidental to such investments or accounts. Client assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the Client will bear its *pro rata* share of the investment management fee and other fees associated with an investment in such Client, which are in addition to the investment management fee paid to the Adviser.

In addition, the Adviser may purchase securities or investment products on behalf of Managed Account Clients that are managed by a related Sprott entity, which may result in the Managed Account Client paying fees to such Sprott entity in addition to the investment management fee paid to the Adviser. The Adviser may purchase such securities if, in the Adviser's discretion, it deems the securities to be in the best interest of the client given the fees, tax implications, liquidity, asset exposure, etc., and consistent with its fiduciary obligation. Please refer to Item 12 of this Brochure for a discussion of brokerage practices.

The Adviser may from time to time enter into arrangements with service providers that provide for fee discounts for services rendered to the Managed Account Clients and the Advisers. For example, certain law firms retained may discount their legal fees for advice in connection with certain matters. To the extent such law firms provide services to the Managed Account Clients, such Managed Account Clients also enjoy the benefit of fee discount arrangements. In some cases discounts may be based on volume and so certain Managed Account Clients may receive a greater discount than others depending on the timing of their transactions (*e.g.*, if a transaction occurs early in a year it may not receive the same discount as a transaction that occurs later in the year).

The Adviser and its personnel may receive certain intangible and/or other benefits arising or resulting from their activities on behalf of the Managed Account Clients. For example, airline travel or hotel stays incurred as Client expenses may result in "miles" or "points" or credit in loyalty or status programs, and such benefits will accrue exclusively to the Adviser and its personnel even though the cost of the underlying service is borne directly by the Managed Account Clients and its investors.

The expenses described above are detailed, but do not include every possible expense a Managed Account Clients may incur. Investors should review the applicable Advisory Agreement for further details.

## **Item 6. Performance Based Fees and Side-by-Side Management**

“Qualified clients,” as defined under Rule 205-3 of the Advisers Act, may be charged a performance-based fee; such an arrangement is disclosed and agreed upon between the respective client and SAM USA in the applicable Advisory Agreement. SAM USA and its investment personnel, including investment personnel that share in performance-based compensation, manage client accounts that are charged performance-based compensation in addition to the asset-based fee, which is a non-performance-based fee assessed on all accounts. In addition, certain client accounts may have higher or lower asset-based fees or more favorable performance-based compensation arrangements than other accounts. When SAM USA and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account. SAM USA and its investment personnel have a greater incentive to favor client accounts that pay SAM USA (and indirectly the portfolio manager) performance-based compensation or higher fees.

SAM USA has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. SAM USA reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts may be compared to determine whether there are any unexplained significant discrepancies. In addition, SAM USA’s procedures relating to the allocation of investment opportunities require that similarly managed accounts in the same investment strategy participate in investment opportunities generally based on available cash as a percentage of total assets under management in the account, subject to tax considerations, odd lots, and other applicable investment guidelines and restrictions and require that, to the extent orders are aggregated, the orders are generally price-averaged. SAM USA’s procedures relating to investment allocation are monitored by SAM USA’s Chief Compliance Officer (“CCO”) or his designee.

## **Item 7. Types of Clients**

SAM USA primarily provides customized investment management services to high-net-worth individuals and their associated trusts, estates, pension and profit sharing plans, as well as certain other business entities and institutional clients. The Adviser’s minimum account size is generally \$50,000, but this amount is negotiable and may vary depending on the selected investment platform.

The Sprott Hathaway Fund, the RED Fund and the DDA Fund are intended for investors who meet the qualifications of “qualified clients,” as defined under Rule 205-3 of the Advisers Act. The minimum investment for the Sprott Hathaway Fund is \$1,000,000, for the RED Fund is \$250,000 and the DDA Fund is \$200,000, and both are subject to reduction or waiver at the discretion of each Fund’s General Partner.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

SAM USA utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental analysis and cyclical analysis, as

well as use of quantitative tools and investment approaches. The analysis generally includes a review of:

- The issuer's management;
- The amount and volatility of past profits or losses of the issuer;
- The issuer's assets and liabilities, as well as any material changes from historical norms;
- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry; and
- Any other factors considered relevant.

## **Investment Strategies**

SAM USA employs the following investment strategies:

*Equity.* SAM USA's equity strategies focus on a broad range of equity investment styles, including growth, core, and value, as well as blended portfolios. Most Client accounts focus on investment opportunities in more than one capitalization category or across all capitalization levels. In addition, the Adviser manages Client accounts that are multi-national.

*Buy and Hold.* SAM USA may engage in buy and hold investment strategies wherein it buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

*Fundamental Value.* SAM USA may engage in fundamental value investment strategies wherein it attempts to invest in asset-oriented securities it believes are undervalued by the market.

*Growth.* SAM USA may engage in growth investment strategies wherein SAM USA attempts to select securities of a company whose earnings SAM USA expects to grow at an above-average rate compared to the company's specific industry or the overall market.

*Aggressive Growth.* SAM USA may seek investment opportunities in securities with no defined source of revenue or income, but with potentially extraordinary growth compared to the company's specific industry or the overall market.

*Moderate Growth.* SAM USA may select securities believed to provide historically consistent returns in order to attain a moderate growth rate compared to the company's specific industry or the overall market.

*Speculation.* SAM USA may seek investments that generate a significant increase of principal while assuming a corresponding greater degree of risk. Investments are generally more volatile, thereby exposing investor to potential loss of principal.

*Option Trading.* SAM USA may engage in option trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. The Adviser engages in the following types of option trading strategies: put writing and covered call writing.

*Short Selling.* SAM USA may engage in short selling strategies. In a short sale transaction, SAM USA may sell a security not owned in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities and (ii) for potential profit.

*Tactical Asset Allocation.* SAM USA may utilize an active management tool to establish asset allocation in a manner intended to capitalize on valuation discrepancies of specific asset classes. The strategy is further driven by technical analysis and sentiment indicators such as classical charting patterns, moving average convergence divergence (MACD) indicators, relative strength index (RSI) indicators and Ichimoku cloud patterns.

*DDA Fund Investment Strategy.* Equity Security selection will be bottom-up, focusing on the identification of mineral deposits with drill results the portfolio manager believe are inadequately appreciated by the market.

The DDA Fund may manage cash flows by holding cash or investing in “Short-Term Investments,” which include (a) commercial paper, (b) obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities (“U.S. Government Securities”), (c) short-term U.S. dollar bank deposits and bank obligations, including certificates of deposit, time deposits and bankers’ acceptances, (d) securities issued by investment companies registered under the Investment Company Act, or exempt from such registration, (e) repurchase agreements (overnight to 90-day agreements collateralized by U.S. Government Securities), (f) municipal obligations of a state or local government or its agencies or instrumentalities, (g) asset-backed and mortgage-backed securities, (h) other U.S. dollar corporate obligations, and (i) variable and floating rate securities where the interest may be adjusted at periodic intervals or be based on a benchmark such as (U.S. dollar) LIBOR.

*Sprott Hathaway Fund Investment Strategy.* The Sprott Hathaway Fund will be concentrated in those issuers that meet strict criteria based on a bottom up research process. Those criteria include in depth due diligence on asset quality, management capability, political jurisdiction, business strategy, and financial factors and may utilize leverage to enhance returns and/or hedge risk, generally in accordance with the Federal Reserve Board's margin rules set forth in Regulation T. Assets may at any time include long or short positions in U.S. or non-U.S. publicly-traded or privately-issued common stocks, preferred stocks, stock warrants and rights, corporate debt, bonds, loans, notes or other debentures, convertible securities, distressed securities, options, and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies.

*RED Fund Investment Strategy.* The RED Fund will utilize what it believes is a rigorous, analytical and proven approach to investing in the highest quality drill plays. Junior mining companies regularly seek new funding to support their drilling and other project advancement activities, most commonly via private placements of restricted securities. This is a preferred entry route, especially when the purchase price is at a discount to market, has an accompanying warrant with a multi-year term that can greatly upsize the potential return on investment, and an appropriate sizing can be established with relative ease. Shares of target companies or existing holdings will be purchased on-market if an equity placement is unavailable, or if additional exposure is sought for valuation, sizing and/or increased upside potential reasons.

## Investments Risks

These investment methods, strategies and processes involve risk of loss to Clients and Clients must be prepared to bear the loss of their entire investment. The investment programs utilized by the Adviser are intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Clients operate may undergo substantial changes, some of which may be adverse. Investment sourcing, selection, management and liquidation strategies and procedures exercised by the Adviser may not be successful, or even practicable, throughout a Client's term. The following are certain risks of investment, as applicable to a given Client:

*Natural Resources and Related Industries.* Investments in natural resources and related industries are affected by business, financial market, political risk or legal uncertainties. The task of identifying investment opportunities in companies in the natural resource sector and managing investments is difficult. There can be no assurance that SAM USA will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on underlying natural resource investments. Prices of natural resource investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of Client portfolios and the value of their investments. In addition, the value of Client portfolios may fluctuate as the general level of interest rates fluctuates.

*Lack of Diversification.* Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, the portfolios are subject to more rapid change in value than would be the case if SAM USA was required to maintain a wider diversification among types of securities and other instruments.

*Natural Resource Assets.* The production and marketing of natural resource assets may be affected by actions and changes in governments. In addition, natural resource assets and natural resource asset securities may be cyclical in nature. During periods of economic or financial instability, securities of companies with natural resource assets may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various natural resource assets. In addition, these companies may also be subject to the risks associated with extraction of natural resources as well as the risks of the hazards associated with natural resources, such as fire, drought, and increased regulatory and environmental costs. These securities may also experience greater price fluctuations than the relevant natural resource asset.

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Fixed-Income and Debt Securities.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Investments in low-rated or unrated debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

*Options Risk.* The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

*Short Selling Risk.* Short selling transactions involve the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein a portfolio might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Valuation.* The valuation of a Client's investments, which will affect the Client's performance results, involves uncertainties and subjective determinations. As a result, valuation of a Client's investments may not reflect the price at which a Client could dispose of its interests in a particular investment at any given time. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had a ready market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Because the investment manager determines in its discretion the value of Client assets, potential conflict of interest exists in making valuation determinations given the potential impact of such valuations on a Client's performance, particularly with respect to an account that pays performance fees.

*Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies;



withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

*Emerging Markets.* The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

*Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Client accounts and may affect the ability of SAM USA to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Client accounts' investments and could have a negative impact on the performance of the Client accounts' investments. Movements in foreign exchange rates may adversely affect the value of the Client accounts' investments and their overall performance. These developments, and the potential consequences of them, have had and may continue to have a material adverse effect upon global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings have been and may continue to be subject to increased market volatility.

*Uncertain Economic, Social and Geopolitical Environment.* SAM USA, the Client accounts and the issuers in which they invest may be adversely affected by economic, social and geopolitical developments in the countries in which they are invested and more broadly. The global economic and geopolitical climate is uncertain, as acts of war, acts of terrorism, the threat of future acts of war or terrorism, growing social and political discord in the United States and elsewhere, economic sanctions, tariffs and other trade disputes, evolving international political developments, changes in government policies and taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken. This may have an adverse effect on the economy generally and on the ability of the Client accounts to execute their respective strategies. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions. The Client accounts may be adversely affected by abrogation of international agreements and national laws which have created the market instruments in which the Client accounts may invest, failure of the designated national and international authorities to enforce compliance with the same laws and agreements, failure of local, national and international organization to carry out the duties

prescribed to them under the relevant agreements, revisions of these laws and agreements which dilute their effectiveness or conflicting interpretation of provisions of the same laws and agreements.

*Inflation.* Certain countries have experienced and could in the future experience substantial, and in some periods extremely high, rates of inflation. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets (both public and private) of certain countries in which the Clients may invest. There can be no assurance that high rates of inflation will not have a material adverse effect on the investments of the Clients.

*Benchmark Risk.* A number of major interest rates, other rates, indices and other published values or benchmarks are the subject of recent or forthcoming national and international regulatory reforms. Loans acquired by a Client, or underlying securities acquired by a Client, may pay interest based on Interbank Offered Rates (“IBORs”), such as the London Interbank Offered Rate (“LIBOR”) and the Euro Interbank Offered Rate (“EURIBOR”). As a result, a significant decline in IBORs or the future phasing out and eventual discontinuation of IBORs could negatively impact the expected return on a Client’s portfolio and/or the availability of instruments designed to hedge a Client’s exposure to IBORs, and such impacts may be material. To the extent a Client pays lower prices for loans with IBORs interest rates, there can be no guarantee that such prices will offset losses in current income.

On March 5, 2021, the UK Financial Conduct Authority (the “FCA”) announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021 for certain settings and immediately after June 30, 2023 for the remaining settings. Concurrent with this announcement, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation released a statement that (i) encouraged banks to cease entering into new contracts that use U.S. dollar LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021, (ii) indicated that new contracts entered into before December 31, 2021 should either utilize a reference rate other than U.S. dollar LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after the discontinuation of U.S. dollar LIBOR and (iii) explained that extending the publication of certain U.S. dollar LIBOR tenors until June 30, 2023 would allow most legacy U.S. dollar LIBOR contracts to mature before LIBOR begins experiencing disruptions.

Although it is expected that certain loan obligations that bear interest based on LIBOR will migrate to a new benchmark prior to June 30, 2023, there is no guarantee that (i) such transition will occur, and if it occurs, when such transition will occur, (ii) SOFR will replace LIBOR as the benchmark for such loan obligations and (iii) any spread adjustment adopted in connection with such transition will be representative of LIBOR as of the date of determination of such benchmark. When LIBOR is discontinued as a benchmark rate, it may cause an increase in the volatility of LIBOR and SOFR prior to the consummation of any such change. There is no certainty as to what rate or rates may become market-accepted alternatives to LIBOR or how those alternatives may impact a Client or its investment returns. There may not be any alternative benchmark that reflects the composition and characteristics of LIBOR, and there may be dramatic shifts in debt investments and the debt markets generally.

*Withdrawal of the United Kingdom from the European Union.* The United Kingdom (“UK”) withdrew from the European Union (“EU”) on January 31, 2020 (“Brexit”). In connection with Brexit the UK and the EU agreed the Trade and Cooperation Agreement (“TCA”) which took effect from January 1, 2021, that governs the future trading relationship between the UK and the EU in specified areas. Notably, the TCA does not include an EU-wide cooperation arrangement for financial services, with UK firms instead having to negotiate individual EU member state regulations and cooperation/recognition arrangements. There can be no assurance that any negotiated laws, taxation and/or regulations will not have an adverse impact on the Funds and their investments, including the ability of the Funds to achieve their investment objectives. The ongoing effects of Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management (due in part to redenomination of financial assets and liabilities), an adverse effect on the ability of the Advisers to manage, operate and invest the Funds and increased legal, regulatory or compliance burden for the Advisers or the Funds, each of which may have a negative impact on the operations, financial condition, returns or prospects of the Funds.

*The AIFMD and the UK AIFMR.* The Directive on Alternative Investment Fund Managers, together with any supplementary regulation implemented in the UK following Brexit (“UK AIFMR”), or subordinate legislation or guidance thereto implemented in any relevant jurisdiction (the “AIFMD”), imposes requirements on AIFMs (as defined in the AIFMD) that market AIFs (as defined in the AIFMD) to professional investors who are domiciled or have a registered office within the European Economic Area (the “EEA”) or the UK, as applicable. The UK AIFMR currently imposes compliance obligations that are broadly similar to those described below in connection with a non-EEA AIFM marketing a non-EEA AIF.

For these purposes certain of the Funds are non-EEA and non-UK AIFs and the Adviser is a non-EEA and non-UK AIFM. As a non-EEA entity, the Adviser, is required to comply with the national private placement regimes in those EEA member states that allow private placement and in which interests in a Fund are marketed and sold. Compliance with these requirements may result in significant additional costs over the life of the Funds and may reduce returns to investors. In addition, the Adviser relies on third party AIFMs to manage certain of its AIFs from time to time. The Adviser and its affiliates and agents have endeavored to comply with these rules as interpreted but there is not absolute certainty as to their successful compliance. In the event that the Adviser or any of its affiliates or agents, including any third party AIFMs, is found to have breached the provisions of the AIFMD (inadvertently or otherwise), such parties (and/or a Fund indirectly) may face regulatory sanctions and/or EEA investors may seek to rescind their interests, which would result in significant costs and ultimately materially and adversely affect such Fund.

*Data Privacy Risk.* The General Data Protection Regulation (“GDPR”) governs the processing of personal data and is directly applicable in all EEA member states. The GDPR has been imposed into UK law as the UK General Data Protection Regulation (“UK GDPR”) and sits alongside the UK Data Protection Act 2018 (together the “UK DP Laws”). To the extent that the Adviser actively offers investment opportunities to, or monitors the behavior of, natural persons located in the EEA and the UK, the Adviser will be: (i) deemed a “controller”; (ii) required to comply with the GDPR, UK DP Laws and any applicable local derogations; and (iii) subject to certain rules with respect to cross-border transfers of personal data from the EEA and the UK. For non-

compliance, the GDPR imposes fines of up to €20 million (£17.5 million) or 4% of a company's total worldwide annual turnover of the preceding financial year, whichever is higher. In relation to any alleged non-compliance, the Adviser may therefore incur additional costs, become subject to regulatory investigations or fines, face civil claims (including representative actions and class action type litigation) and experience serious reputational damage – all of which may affect how the Adviser conducts its business, reducing capital and time that can be deployed for making investments.

*Disease and Epidemics.* The impact of disease and epidemics may have a negative impact on the Adviser's business, the Clients and their investments, each of their respective affiliates and the performance and financial position of each of the foregoing. The COVID-19 (as defined below) pandemic, renewed outbreaks of other epidemics or the outbreak of new epidemics have or could result in health or other government authorities requiring the closure of offices or other businesses and have or could result in general economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains. Moreover, the operations of any of the foregoing persons could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on any of the foregoing persons.

The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. In December 2019, a novel strain of coronavirus surfaced (“**COVID-19**”), and has spread around the world, with resulting business and social disruption of a significant nature. The speed and extent of the spread of COVID-19 and the duration and intensity of resulting business disruption and related financial and social impact have been material and are expected to remain material for the foreseeable future. Governmental agencies and private sector participants have sought to mitigate the adverse effects of the coronavirus, which have included such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel, and other restrictions, and, more recently, the medical community has developed multiple vaccines and other treatment options, the efficacy of such measures is uncertain, including in light of more recent and future variants of COVID-19. The Adviser's operations and business results, including with respect to any particular Client or other client or their portfolio companies, could continue to remain materially adversely affected by the COVID-19 outbreak for the foreseeable future.

*Environmental, Social & Governance (“ESG”) Matters.* ESG matters have been the subject of increased focus by regulators in the United States, UK and EU, among other jurisdictions. While the Adviser strives to implement ESG practices, there can be no assurance that the Adviser will be able to identify all ESG issues or will be able to successfully implement their ESG policies. The use of ESG metrics in the investment process may be subjective and are not subject to uniform standards, and, as such, there is no guarantee that the Adviser will be able to accurately assess and measure the ESG risks and ESG compliance of a Client's investments and/or potential investments. ESG-based exclusionary criteria may result in a Client foregoing opportunities to

make certain investments when it might otherwise be advantageous to do so, and/or selling certain investments due to their ESG characteristics when it might be disadvantageous to do so. Further, the application of ESG considerations in the discovering, developing, negotiating, evaluating, acquiring, structuring, holding, carrying, monitoring, managing and disposing of a Client's investment could result in higher ESG compliance expenses or costs. The use of ESG criteria may affect a Client's investment performance and, as such, a Client may perform differently compared to similar funds that do not use such criteria. The impact following the occurrence of an ESG event may vary depending on the nature of the event, asset class, the region and applicable regulatory regime(s). Where such an event occurs, there could be a negative impact on the value of an underlying asset or other adverse impacts for the underlying asset, the Adviser or the Clients, including as a result of reputational harm.

*Risk Management.* Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of the Adviser or the Clients may be incomplete or ineffective.

*Business Continuity Plans.* In the event of unforeseen catastrophic events such as natural disasters, terrorist attacks and epidemics, the Adviser will initiate the business continuity plan to safeguard employee access to the resources and technology necessary to continue their responsibilities and meet portfolio company and investor needs. The business continuity plan is tested to ensure that appropriate measures are put in place to manage any such catastrophic events. However, the Adviser is not able to predict the level of disruption that such catastrophic events may have on its operation or the ability of the plan to succeed in a time of crisis; as a result, its business continuity plan may be insufficient to continue operating the Adviser's business as usual. The failure of the business continuity plan for any reason could cause significant interruptions in the operations of the Adviser or its Clients. Similar types of operational risks are also present for the companies in which the Clients invest, which could have material adverse consequences for such companies and may cause the Client's investments to lose value.

The Adviser initiated the business continuity plan in response to the spread of the coronavirus. While the implementation of the business continuity plan has not impaired operations to date, the ongoing implementation of the business continuity plan could affect the future ability of the Adviser to operate effectively, including the ability of personnel to function, communicate and carry out the Clients' investment strategies and objectives.

*Reliance on the Adviser.* Control over the Client accounts will be vested with SAM USA and the accounts' future profitability will depend largely upon the business and investment acumen of SAM USA as investors generally have no right or power to take part in the management of the Client accounts. Changes in circumstances relating to SAM USA may have an adverse effect on the Client accounts or one or more of their investments.

*Potential Regulatory Changes.* Currently, both the asset management industry and the natural resources industry are subject to enhanced governmental scrutiny and increased regulatory activity. There can be no assurance that any such scrutiny or regulatory activity will not have an

adverse impact on SAM USA's or the Client accounts' activities, including the ability of SAM USA to effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategies or achieve their investment objectives. For example, environmental laws regulating infrastructure projects could become more restrictive, as governments aim to limit the impact of infrastructure on the environment, wildlife and natural resources and reduce the emissions of greenhouse gases. Changes in laws and regulations could result in increased compliance costs, additional capital expenditures or unanticipated liabilities. In particular, a company may be required to incur additional costs and expenses in implementing structural changes in the conduct of its business, including to establish greater substance in certain jurisdictions in which SAM USA invests or proposes to invest, and may also become directly or indirectly subject to additional tax liabilities (for example through restrictions on or denial of the deductibility of interest expenses against taxable profits). Additionally, such additional scrutiny may divert the Adviser's time, attention and resources from investment advisory activities.

*Possibility of Misconduct by Employees and Service Providers.* Misconduct by employees of the Adviser or service providers to the Adviser or the Client accounts could cause significant losses. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Client accounts, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting business prospects or future marketing activities, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to SAM USA or Client accounts. SAM USA has controls and procedures through which they seek to minimize the risk of such misconduct occurring, but no assurances can be given that it will be able to identify or prevent such misconduct.

*Cyber Security Breaches and Identity Theft.* The Adviser, the Client accounts and the companies in which they invest generally rely on information technology systems for current and planned operations. Information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any such systems are compromised, become inoperable for extended periods of time or cease to function properly, SAM USA, the Client accounts, or a company in which they invest may have to make a significant investment to fix or replace them. Any disruption in any of these systems or the failure of any of these systems to operate as expected could, depending on the magnitude of the problem, cause significant interruptions in a company's and/or project's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors), which could in turn adversely affect the investment results, harm the reputation of SAM USA, Client accounts, or a company in which they invest, subject them to legal claims and otherwise affect their business and financial performance.

*Volatility of Commodity Prices.* The performance of certain of a Client's investments may be substantially dependent upon prevailing prices of gold, silver, copper, oil, uranium and other commodities. Commodity prices have been, and are likely to continue to be, volatile and subject

to wide fluctuations in response to any of the following factors: (i) relatively minor changes in the supply of and demand for each commodity; (ii) market uncertainty; (iii) political conditions in international commodity producing regions; (iv) the extent of domestic production and importation of oil, gas, coal or metals in certain relevant markets; (v) the foreign supply of precious, base and industrial metals; (vi) the price of foreign imports; (vii) the price and availability of alternative fuels; (viii) the level of consumer demand; (ix) weather conditions; (x) the effect of regulation on the production, transportation and sale of commodities; (xi) overall economic conditions; and (xii) a variety of additional factors that are beyond the control of SAM USA.

*Precious Metal-Related Securities.* The Clients may invest in the equity securities of companies that explore for, extract, process or deal in precious metals (*e.g.*, gold, silver and platinum), and in asset-based securities indexed to the value of such metals. Such securities may be purchased when they are believed to be attractively priced in relation to the value of a company's precious metal-related assets or when the values of precious metals are expected to benefit from inflationary pressure or other economic, political or financial uncertainty or instability. Based on historical experience, during periods of economic or financial instability the securities of companies involved in precious metals may be subject to extreme price fluctuations, reflecting the high volatility of precious metal prices during such periods. In addition, the instability of precious metal prices may result in volatile earnings of precious metal-related companies, which may, in turn, adversely affect the financial condition of such companies.

*Use of Derivatives and Other Specialized Techniques.* Companies in the natural resources sector often engage in derivatives transactions to insulate against changes in commodities prices, and the Clients or the companies in which they invest may engage in derivative or similar transactions. These transactions may involve the purchase and sale of commodities or commodity futures, the use of forward contracts, swap agreements, put and call options, floors, collars, bilateral agreements or other arrangements. Such instruments may be difficult to value, may be illiquid and may be subject to wide swings in valuation caused by changes in the price of commodities or other underlying assets. Derivative instruments may trade on markets organized outside the United States, markets for such instruments may be illiquid, highly-volatile and subject to interruption and suitable hedging instruments may not continue to be available at reasonable cost.

The investment techniques related to derivative instruments are highly specialized and may be considered speculative. Such techniques often involve forecasts and complex judgments regarding relative price movements and other economic developments. The success or failure of these investment techniques may turn on small changes in exogenous factors not within the control of SAM USA. Moreover, derivative agreements and contracts entered into by companies may be subject to the risk that one or more counterparties thereto would default on their payment obligations to the companies, due to such counterparty's insolvency, bankruptcy or other factors that are outside of the control of the Adviser, the Clients, or the companies in which they invest. For all the foregoing reasons, the use of derivatives and related techniques can expose a Client and its investments to significant risk of loss.

*Uncertainty of Estimates.* Estimates of natural resources reserves (*e.g.*, hydrocarbon reserves or mineral reserves) by qualified engineers are often key factors in valuing certain natural resource companies. The process of making these estimates is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data

for each reservoir or reserve. These estimates are subject to wide variances based on changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such estimates to be significantly revised from time to time, creating significant changes in the value of the company owning such reserves.

*Cyclicalities of Natural Resource Markets.* The markets for natural resources and entities whose businesses are dependent on natural resources and related activities are cyclical and, in many circumstances, dependent upon a variety of macroeconomic and political factors, some or all of which will be beyond the control of the managers of the companies in which the Clients may invest, especially recessionary or inflationary economies and inflationary expectations in the United States and other countries. The values of mining and mining-related businesses are affected by changes in the supply and demand of the markets, both domestic and international. Supply and demand can fluctuate significantly over a short period of time due to changes in, for example, weather, international politics (including developments in Russia and surrounding areas and the Middle East), the rate of economic growth in the Pacific Rim (particularly in China and India), conservation, the regulatory environment, governmental tax policies and the economic growth and stability of countries that consume or produce large amounts of energy resources. Interest rates, currency fluctuations, real or perceived market shortages, global conflicts, acts of terrorism, overproduction or overcapacity are additional factors that may result in price distortions. Such distortions may last for extended periods, thereby limiting investment opportunities as well as opportunities to exit previously consummated Investments at reasonable valuations.

*Short Sales.* Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Fund. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is a risk that a Fund engaging in a short sale would have to return the securities it borrows in connection with a short sale to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

*Special Situations.* Certain of the Clients may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of material loss to the Client.

*Non-U.S. Securities.* Investing in securities issued outside of the United States involves considerations and possible risks not typically involved in investing in securities of companies



domiciled and operating in the United States, including the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend, interest or other payments) or confiscatory taxation may also affect investment in non-U.S. securities. Higher expenses may result from investment in non-U.S. securities than would from investment in U.S. securities because of the costs that must be incurred in connection with conversions between various currencies and foreign brokerage commissions that may be higher than the United States. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Investments in non-U.S. countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

*Currency Risks.* Investments in securities or other instruments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

*Metals and Minerals.* The Clients may invest in securities that have exposure to precious metals and minerals. Prices of metals and minerals are affected by factors such as cyclical economic conditions, political events and monetary policies of various countries. Therefore, prices of gold and other precious or base metals and minerals may fluctuate sharply over short periods of time due to changes in inflation or expectations regarding inflation in various countries, the availability of supplies of metals and minerals, changes in industrial and commercial demand, metal and mineral sales by governments, central banks or international agencies, investment speculation, monetary and other economic policies of various governments and government restrictions on private ownership of certain metals and minerals. The volatility in the price of metals and minerals has a direct effect on the companies that mine and process metals and minerals, including companies that provide services to such companies, as the prices of their securities will be affected by the volatility of the prices of metals and minerals.

*High-Yield Securities.* The Clients may invest in bonds, loans, or other fixed income securities, including without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities, when the Adviser believes that such securities offer opportunities for profit. Such securities may be below "investment grade" and face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. It is likely that a major economic recession or an environment characterized by a shortage of liquidity could disrupt severely the market for such securities and may have an adverse impact on their value or liquidity. Moreover, it is likely that any such economic downturn or liquidity squeeze could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase

the incidence of default for such securities. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities. The market for lower-rated securities is often less liquid than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold.

*Investments in Undervalued Securities.* The identification of investment opportunities in undervalued securities is a difficult task and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a Client's investments may not adequately compensate for the business and financial risks assumed. Further, there are no assurances that the securities purchased will in fact be undervalued or that undervalued securities will ever cease to be undervalued. A Client may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Client's capital would be committed to the securities purchased, thus possibly preventing the Client from investing in other opportunities. In addition, the Client may finance such purchase with borrowed funds and thus will have to pay interest on such funds during such waiting period.

*Distressed Securities.* The Clients may invest in "distressed securities"—securities, private claims and obligations of entities that are experiencing significant financial or business difficulties or have filed for chapter 11 protection under the U.S. Bankruptcy Code. Investments may include bonds, loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded.

Distressed securities may result in significant returns to a Client, but also involve a substantial degree of risk. A Client may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than the Client's investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the "bid" and "ask" prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

Moreover, to the extent that a Client invests in "distressed" sovereign debt obligations, they will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which might be affected by world events, changes in U.S. foreign policy, and other factors outside the control of the Adviser. The market for distressed securities and instruments often has limited liquidity, which can adversely affect the prices at which distressed securities can be sold.

*Interest Rate Risk.* Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The value of equity securities is also affected by changes in interest rates. The Adviser may or may not attempt to minimize the exposure of the portfolio to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. Even if the Adviser does attempt to do so, there can be no guarantee that it will be successful in mitigating the impact of interest rate changes.

*Concentrated Portfolio.* At times, a Client may have a highly concentrated portfolio and, as a result, may not be diversified among a wide range of issuers, geographic areas, capitalizations or types of securities and may have significant, concentrated positions. As a result, a Client's investments may be subject to more rapid change in value than might be the case if the Client maintained a wide diversification among issuers, industries, geographic areas, capitalizations or types of securities.

#### **Item 9. Disciplinary Information**

The Adviser and its management persons have not been subject to any material legal or disciplinary events.

#### **Item 10. Other Financial Industry Activities and Affiliations**

SAM USA is owned by Sprott U.S. Holdings, Inc., a subsidiary of Sprott Inc., a Canadian public company, of which former SAM USA portfolio manager Arthur Richards Rule IV is the largest shareholder and a member of the board of directors. Rule Advisors, an investment adviser wholly owned by Mr. Rule, registered as an investment adviser under the Advisers Act effective as of May 20, 2021 and was subsequently engaged as the sub-adviser to the Sprott Rule Managed Account. Mr. Rule provides discretionary investment management activities and certain solicitation activities on behalf of such Managed Account. Mr. Rule, through Rule Advisors, receives cash compensation for the sub-advisory services performed on behalf of the Sprott Rule Managed Account and solicitation services performed on behalf of all SAM USA products in addition to the Sprott Rule Managed Account.

SAM USA is affiliated with Sprott Global Resource Investments, Ltd. ("SGRIL"), a registered broker-dealer with the SEC and member firm of the Financial Industry Regulatory Authority, Inc. ("FINRA"). SGRIL is under common ownership and control with SAM USA. Certain of SAM USA's management persons are principals or registered representatives of SGRIL.

SAM USA may open an account for each Managed Account Client with SGRIL and may engage SGRIL to effect securities transactions on behalf of the retail Managed Account Clients. For these accounts, SGRIL serves as an introducing broker on behalf of the Managed Account Clients and routes securities transactions to various third-party executing brokers. SGRIL does not receive any compensation for effecting any such transactions. This relationship is disclosed to Managed Account Clients in each Client's Advisory Agreement. Certain SGRIL employees are authorized signatories on Managed Account Client accounts for administrative purposes.

SAM USA utilizes SGRIL, Interactive Brokers (“IB”) and RBC Capital Markets LLC Advisor Services (“RBC”) as introducing brokers for retail accounts. SAM USA has also entered into a relationship with IB whereby IB serves as broker on behalf of select retail advisory accounts, should Clients desire a different broker-dealer than RBC. Currently, the Sprott Global Gold Separately Managed Account, Sprott Silver Strategy Separately Managed Account and the Sprott Rule Managed Account Separately Managed Account are only offered on the IB platform.

SAM USA has also entered into a relationship with National Financial Services (“Fidelity”) and U.S. Bank NA (“US Bank”) whereby Fidelity and US Bank serve as broker and custodian on behalf of select institutional Managed Account Clients.

SAM USA also may open a demand deposit account for the Funds with U.S. Bank, NA in order to assist with cash management and administration of the Funds.

Trades for SGRIL client accounts may be aggregated with trades for SAM USA client accounts. This practice may limit the amount of stock allotted to SAM USA clients if there is insufficient liquidity in the security.

Clients may subscribe to certain privately placed securities where SGRIL is compensated as a placement agent by the issuing company. This creates a potential conflict of interest, in that this compensation may create an incentive for SAM USA to recommend such privately placed securities to the Client, additionally based on its own financial interests rather than solely the interests of a client.

SAM USA is also affiliated with Resource Capital Investment Corporation, a Nevada corporation and an SEC registered investment adviser, which serves as the general partner of various investment partnerships intended for sophisticated investors that invest in companies engaged in natural resources and related industries.

SAM USA serves as sub-adviser to the Sprott Focus Trust, Inc., a closed-end diversified management investment company, by Sprott Asset Management, L.P., a Toronto-based alternative asset manager and an affiliated entity to SAM USA.

SAM USA serves as sub-adviser to Sprott Gold Equity Fund, an open-end mutual fund, by Sprott Asset Management, L.P., a Toronto-based alternative asset manager and an affiliated entity to SAM USA.

SAM USA serves as sub-adviser to the Total Gold Portfolio, a model portfolio for clients of Evans & Pty, part of the Evans Dixon Group, which is an Australian licensed asset manager and an unaffiliated entity to Sprott.

SAM USA may recommend that its Clients invest in one or more funds managed by a SAM USA affiliate, such as the Sprott Focus Trust or Sprott Gold Equity Fund, for which SAM USA acts as the sub-manager. As a result, SAM USA may have an incentive to recommend an investment in a SAM USA affiliated fund over another investment opportunity. SAM USA’s affiliate may receive a separate management fee and, depending on the fund, a performance-based fee. These fees are in addition to any fees a client may pay to SAM USA.

In addition, certain affiliated funds may be fund-of-funds and invest with underlying managers or in underlying funds. In those instances, the SAM USA client would be paying multiple layers of fees.

Finally, SAM USA's affiliates may share revenues and expenses, its employees and owners may own a significant amount of an affiliate fund, and may be subject to preferential terms such as not paying management or performance fees or they may receive (directly or indirectly) a share of any management and performance fees charged to a SAM USA client by an affiliate fund, thus creating an extra incentive to recommend investments in that fund.

## **Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

SAM USA has adopted a Code of Ethics which sets forth standards of conduct that are expected of SAM USA's principals, employees and individuals living in the same household and addresses conflicts that may arise from personal trading to ensure that securities transactions by SAM USA employees are consistent with its fiduciary duties to its clients and to ensure compliance with legal requirements and SAM USA's standards of business conduct. The Code of Ethics requires quarterly reporting of all personal securities transactions and requires that certain employees obtain prior approval for personal securities transactions. Written copies of the Code of Ethics are available upon request.

### **Potential Conflicts of Interest**

The following discussion includes certain potential conflicts of interest, although the discussion below does not describe all of the conflicts that may potentially be faced by the Adviser or a Client.

### **Material Financial Interest in Client Securities Transactions**

As set forth above in Item 10, Clients may subscribe to certain privately placed securities where SGRIL is compensated as a placement agent by the issuing company. This creates a potential conflict of interest, in that this compensation may create an incentive for SAM USA to recommend such privately placed securities to the Client, based in part on its own financial interests rather than solely the interests of a client. In order to address such potential conflict of interest, SAM USA's CCO or an employee designated by the CCO must independently approve of such transaction before it is recommended to Clients.

### **Investing in Securities Recommended to Clients**

All SAM USA principal and employee trades will be reviewed by the CCO or an employee designated by the CCO. SAM USA principals and employees may purchase or sell securities for their personal accounts and the accounts of their families on the same day that those securities are being purchased or sold by Client accounts that they manage. Trades for principals and employee personal accounts may be aggregated with trades for other clients. If an order is only partially filled, Client orders are fully filled prior to any allocation to any SAM USA employee accounts.

To prevent conflicts of interest, all employees of SAM USA must comply with the firm's Code of Ethics, which imposes certain restrictions on the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons; such restrictions are maintained on a restricted list, which all employees are required to adhere to so as to further mitigate potential conflicts of interest. Specifically, the Code of Ethics requires pre-clearance from the Adviser's CCO or his designee before employees involved in the SAM USA investment recommendation process or their related persons make any personal securities transactions, except for transactions in registered open-end investment company securities and certain other exempt transactions. Additionally, SAM USA maintains and reviews quarterly reports on all personal securities transactions, except exempt transactions, made by Adviser personnel and individuals living in the same household.

Personnel of the Adviser may, from time to time, come into possession of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, SAM USA and its personnel are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Adviser. Similar restrictions may be applicable as a result of SAM USA personnel serving as directors of public companies and may restrict trading on behalf of clients. Due to these restrictions, Client accounts may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold. SAM USA's Code of Ethics imposes certain policies and procedures to prohibit unlawful use of material non-public information and is designed to prevent insider trading by any officer, partner, or associated person of SAM USA.

### **Conflict of Interest Created By Contemporaneous Trading**

SAM USA or a related person may from time to time recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that such person buys or sells such securities for his or her own account. All such purchases or sales are subject to the procedures described above designed to seek to minimize potential conflicts of interest stemming from situations where the contemporaneous trading may result in an economic benefit to such related person to the detriment of the Client. In addition, the Adviser has adopted the aggregation policies and procedures discussed in Item 12 below.

### **Allocation of Adviser Personnel Time and Attention**

The success of each Client strategy depends substantially on the ability of SAM USA's investment professionals to, among other things, source and complete investments and exit investments at the appropriate time and, in his or her opinion, at attractive valuations. To achieve those ends, SAM USA's investment professionals will devote the appropriate time and resources to each Client. Such investment professionals may also spend time assisting other Clients with their investment activities. Conflicts therefore may arise among SAM USA Clients with respect to the allocation of investment professional time and resources.

### **Possible Future Activities**

The Adviser and its affiliates may expand the range of services they provide over time. Except as provided herein and in a Client's Advisory Agreement, the Adviser and its affiliates will not be restricted in the scope of their business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether such conflicts are described herein.

### **Secondary Transactions**

We could propose to a Fund's limited partners one or more transactions that would enable such limited partners to monetize or restructure all or a portion of their interests in a Fund, including through the use of a continuation vehicle (each such transaction, a "Secondary Transaction"). The sale of an investment to a continuation vehicle could result in certain limited partners, the general partner and/or members of the firm (including employees and affiliates) disposing of their investments in the underlying assets at a different time than some or all limited partners of such Fund and otherwise taking actions with respect to such investments that are different than the actions taken by other limited partners. We could be subject to other conflicts of interests in connection with a Secondary Transaction, including with respect to investment valuations, allocation of fees and expenses and the offering of investment opportunities to the Funds and co-investors.

### **Use of Subscription Lines**

The Funds may fund the making of investments with proceeds from drawdowns under one or more revolving credit facilities, the collateral for which can be, for example, the undrawn capital commitments of investors (*i.e.*, subscription lines) prior to calling capital commitments. The interest expense and other costs of any such borrowings will be borne by the Adviser, but certain related costs may be borne by the Fund, subject to the operating and offering documents of the relevant Fund. As a result, the Adviser may have an incentive to cause a Fund to borrow in this manner in lieu of drawing down capital commitments, subject to the operating and offering documents of each Fund. In addition, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or defaults thereunder.

### **Provisions of Financing to Clients**

The Adviser and/or one or more of its affiliates, has provided, and may from time to time in the future provide, loans or other financing to certain Clients. The Adviser intends such loans to be on terms that are no less favorable than terms that could have been obtained from a third party on an arm's length basis.

### **Certain Risks and Costs of Leverage Below a Fund**

Even though it presents many of the same risks as Fund-level borrowing, indebtedness of entities other than a Fund will not be treated as Fund-level borrowing for purposes of the governing documents, even if the special purpose vehicles or other entities incurring such leverage engage in borrowings that are cross-collateralized with or among multiple investments such that multiple investments and a substantial portion of a Fund's value are at risk. As a result, these borrowings

will not be subject to any limitations on Fund-level borrowing in the governing documents. Since the Adviser has more flexibility to engage in these structures, the Adviser is incentivized to incur significant leverage at the level of holding companies beneath a Fund. The negative performance of one asset may materially and adversely impact the performance of other investments or a Fund as a whole.

### **Portfolio Company Representation**

It is expected that employees, officers, directors, agents, managers, members, representatives, partners, investors and shareholders of the Adviser and their affiliates may serve as directors of certain of the portfolio companies and, as such, may have duties to persons other than a Fund. Although such positions in certain circumstances may be important to a Fund's investment strategy and may enhance the Adviser's ability to manage investments, they may also have the effect of impairing a Fund's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the Adviser and the Funds to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will indemnify employees, officers, directors, agents, managers, members, representatives, partners, investors and shareholders of the Advisers and their respective affiliates from such claims.

### **Item 12. Brokerage Practices**

#### **Factors Considered in Selecting Broker-Dealers for Client Transactions**

As set forth above, SAM USA utilizes SGRIL, IB and RBC as introducing brokers for retail accounts; however, SAM USA selects the executing brokers to which these brokers route trade orders. SAM USA considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, and offering of online access to computerized data regarding a client's accounts to SAM USA. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. SAM USA's Best Execution Oversight Committee meets periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

#### **Research and Other Soft Dollar Benefits**

Investment advisers may from time to time receive research or other products or services (often referred to as "soft dollar benefits") other than execution from a broker-dealer in connection with securities transactions in client accounts. SAM USA does not currently engage in soft dollar practices in Managed Client Accounts, but may utilize soft dollars for the Funds. Further, should SAM USA engage in soft dollar practices, such practices are limited solely to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange



Act of 1934 (“Section 28(e)”). Research services within Section 28(e) may include, but are not limited to: research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

SAM USA’s Best Execution Oversight Committee meets periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or SAM USA’s overall responsibilities to the accounts or portfolios over which SAM USA exercises investment discretion.

Potential conflicts of interest are inherent in soft dollar use. For example, because soft dollar use means SAM USA will not have to directly pay for such products and services, SAM USA may be incentivized to select a broker-dealer based on its interest in receiving such products and services as opposed to making such a selection based solely on receiving most favorable execution for any particular client.

Soft dollars are generated from commission payments (or markups or markdowns) that may be higher or lower than those charged by other broker-dealers in return for similar soft dollar benefits (known as paying-up); accordingly, soft dollar practices could result in higher transaction costs.

Research and brokerage services obtained using soft dollars generated through trades in a Client’s advisory account may be used by SAM USA in its other investment activities, including and for the benefit of other Client accounts. SAM USA does not seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate.

During SAM USA’s last fiscal year, SAM USA and/or its related persons acquired access to enhanced connectivity between SAM USA and a broker-dealer to assist with routing orders to the broker-dealer.

## **Order Aggregation**

For the Retail Platform, SAM USA may aggregate certain Managed Account Client account trades in an effort to treat those Managed Account Client accounts equitably. These Managed

Account Client accounts may participate in a bunched order and may receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. Employees may be included side-by-side in bunched client trades. If an order is only partially filled, Managed Account Client accounts will have their orders fully filled based on cash available (*i.e.*, the Managed Account Client account with the highest percentage of cash will be filled on buys first and the Managed Account Client account with the lowest percentage of cash will be filled on sells first). Managed Account Client account orders are fully filled prior to any allocation to SAM USA employee accounts. Trades for the Sprott Focus Trust, Gold Equity Fund and certain institutional Managed Account Clients will not be aggregated with retail Managed Account Client trades in order maintain a separation between the trading for the Fund investors, institutional, and retail Clients.

When trading accounts through one or more broker-dealers, a SAM USA trader may choose to place smaller trades ahead of larger trades when the smaller trades are not expected to materially affect the price or liquidity of the security in question. This practice may result in certain accounts trading after other accounts with disproportionate frequency. It is possible that, over time, this practice could result in certain Managed Account Clients experiencing a benefit at the expense of other Managed Account Clients.

### **Item 13. Review of Accounts**

Each Managed Account Client account is reviewed regularly to determine if the security holdings in such account should be adjusted. Criteria considered in connection with such review include performance of the account, operational developments, management changes, financial condition, and the price outlook for various commodities that might affect the future cash flow of those companies, among others. The reviews are conducted by the relevant SAM USA portfolio manager or investment adviser representative responsible for such Managed Account Client account.

Managed Account Clients receive brokerage transaction confirmations and statements on at least a quarterly basis from the appropriate custodian. Such reports may be delivered electronically in accordance with the Client's Advisory Agreement with SAM USA.

Managed Account Clients receive reports from SAM USA pursuant to the terms of the applicable Advisory Agreement. Generally, SAM USA may provide the following information to Managed Account Clients: (i) quarterly financial statements, (ii) annual tax information necessary for tax returns and (iii) oral quarterly reports providing a narrative summary of the status of each investment. In addition to the information provided to all investors, SAM USA may provide certain investors with additional information or more frequent reports that other investors will not receive.

### **Item 14. Client Referrals and Other Compensation**

The Adviser may receive certain research or other products or services from broker-dealers through soft dollar arrangements. These soft dollar benefits create an incentive for SAM USA to select or recommend broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher

transaction costs than would otherwise be obtainable by SAM USA on behalf of its clients. Please see Item 12 for further information on the Adviser's soft dollar practices.

### **Item 15. Custody**

SAM USA uses qualified, unaffiliated, third-party custodians to hold Client funds and, to the extent required pursuant to the Advisers Act and SEC guidance, securities.

Managed Account Clients will receive account statements from their custodian on at least a quarterly basis. Managed Account Clients should carefully review those statements. SAM USA has a limited power of attorney to place trades on behalf of Clients. If authorized by the Client, SAM USA may also have the authority to directly debit client accounts for quarterly fees.

The DDA Fund, RED Fund and Sprott Hathaway Fund receive account statements on at least a quarterly basis. Limited partners of the DDA Fund, RED Fund and Sprott Hathaway Fund receive reports from their respective Fund pursuant to the terms of each Fund's Advisory Agreement. Although SAM USA is deemed to have custody of the underlying assets of certain of the DDA Fund, RED Fund and Sprott Hathaway Fund, SAM USA relies on the "pooled investment vehicles" exemption from the reporting and surprise audit obligations imposed by the SEC's custody rule. Accordingly, the DDA Fund, RED Fund and Sprott Hathaway Fund are generally subject to a year-end audit by an accounting firm that is a member of, and subject to regular inspection by, the Public Company Accounting Oversight Board. Audited financials are made available on the secured website of the Adviser or outsource provider and/or sent to the Funds annually, and unaudited financials quarterly, as well as each limited partner of such Funds.

Investors in the DDA Fund and Sprott Hathaway Fund will also receive GAAP audited financial statements annually and unaudited financial statements quarterly. Investors in the RED Fund will receive GAAP audited financial statements annually and unqualified financial statements semi-annually.

### **Item 16. Investment Discretion**

SAM USA generally provides investment advisory services on a discretionary basis to Clients. Prior to assuming full discretion in managing a client's assets, SAM USA enters into an Advisory Agreement that sets forth the scope of its discretion. There may be situations where a specific investor requests a non-discretionary account, in which case the portfolio manager would have to receive permission from the investor prior to entering any trades for the Managed Account Client.

For most Clients, SAM USA has the authority to determine (i) the securities to be purchased and sold for the relevant Managed Account Client (subject to restrictions on its activities set forth in the applicable Advisory Agreement) and (ii) the amount of securities to be purchased or sold for the Managed Account Client. Because of the differences in investment objectives and strategies and other criteria among the accounts advised by SAM USA, there may be differences among the accounts in invested positions and securities held. SAM USA submits an allocation statement to SGRIL for trades to be entered in the accounts. SAM USA may consider the following factors, among others, in allocating securities among accounts: (i) investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a portfolio; (iv) size of the account; (v)

nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows.

### **Item 17. Voting Client Securities**

With the exception of client accounts on the IB platform, SAM USA exercises voting authority over securities held by Client accounts. SAM USA has adopted proxy voting policies and procedures (the “Proxy Policy”) to address how it votes proxies for client accounts. The Proxy Policy seeks to ensure that the Adviser votes proxies in the best interest of clients, including where there may be material conflicts of interest. Pursuant to the Proxy Policy, SAM USA generally makes proxy decisions using the following guidelines:

- SAM USA will generally vote in favor of routine corporate housekeeping proposals including, but not limited to the following:
  - election of directors (where there are no related corporate governance issues);
  - selection or reappointment of auditors; or
  - an increase in or reclassification of common stock.
- SAM USA generally will vote in favor of proposals by management or shareholders concerning compensation and stock option plans that will make management and employee compensation more dependent on long-term stock price performance.
- SAM USA will generally vote against proposals that make it more difficult to replace members of the issuer’s board of directors or board of managers, introduce unequal voting and make it more difficult for an issuer to be taken over by outsiders (and in favor or proposals to do the opposite).

SAM USA will generally vote against any proposal relating to stock option plans that: (i) exceed 10% of the common shares issued and outstanding at the time of grant over a three-year period (on a non-diluted basis); (ii) provide that the maximum number of common shares issuable pursuant to such plan be a “rolling” maximum equal to 10% of the outstanding common shares at the date of the grant of applicable options; or (iii) re-prices the stock option. SAM USA will also vote against any proposal giving directors discretion to exceed 25% or more dilution annually without shareholder approval.

In certain cases, proxy votes may not be cast when SAM USA determines that it is not in the best interests of the Client to vote such proxies. In the event a proxy raises a potential material conflict of interest between the interests of a Client and SAM USA, the conflict will be resolved by SAM USA in favor of that Client.

SAM USA retains the discretion to depart from the guidelines in the Proxy Policy on any particular proxy vote depending upon the facts and circumstances.

SAM USA’s Proxy Policy is available on request, free of charge, by contacting SAM USA at 1-866-531-8746 and is available on the Adviser’s website at [www.sprottusa.com](http://www.sprottusa.com). SAM USA will maintain and prepare an annual proxy voting record for each Client. The proxy voting record for each annual period ending December 31 for each Client will be available free of charge to

investors in such Client upon request at any time after January 31 of the following year, or at any time by contacting SAM USA at the above telephone numbers.

SAM USA will not vote and will not accept authority to vote proxies for client accounts on the IB platform. SAM USA may, in its discretion, provide advice to clients regarding the voting of proxies for securities held in client accounts on the IB platform.

**Item 18. Financial Information**

SAM USA does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.