

SPROTT FOCUS TRUST INC.

Form N-CSR

March 12, 2018

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF**

**REGISTERED MANAGEMENT INVESTMENT COMPANIES**

**Investment Company Act file number: 811-05379**

**SPROTT FOCUS TRUST, INC.**

**(Exact name of registrant as specified in charter)**

**Royal Bank Plaza, South Tower**

**200 Bay Street, Suite 2600**

**Toronto, Ontario, Canada M5J 2J1**

**(Address of principal executive offices)**

**The Prentice-Hall Corporation System, MA**

**7 St. Paul Street, Suite 820**

**Baltimore, MD 21202**

**(Name and address of agent for service)**

**Registrant's telephone number, including area code: (760) 444-5297**

**Date of fiscal year end: December 31, 2017**

**Date of reporting period: January 1, 2017 - December 31, 2017**

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**Item 1. Reports to Shareholders.**

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**December 31, 2017**

Sprott Focus Trust

**2017 Annual**

**Review and Report to Stockholders**

**[sprottfocustrust.com](http://sprottfocustrust.com)**

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Managed Distribution Policy

The Board of Directors of Sprott Focus Trust, Inc. (the Fund) has authorized a managed distribution policy (MDP). Under the MDP, the Fund pays quarterly distributions at an annual rate of 5% of the average of the prior four quarter-end net asset values, with the fourth quarter being the greater of this annualized rate or the distribution required by IRS regulations. With each distribution, the Fund will issue a notice to its stockholders and an accompanying press release that provides detailed information regarding the amount and composition of the distribution (including whether any portion of the distribution represents a return of capital) and other information required by the Fund’s MDP. You should not draw any conclusions about the Fund’s investment performance from the amount of distributions or from the terms of the Fund’s MDP. The Fund’s Board of Directors may amend or terminate the MDP at any time without prior notice to stockholders.

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Performance

**NAV Average Annual Total Returns**

As of December 31, 2017 (%)

<b>FUND</b>	<b>1-YR</b>	<b>3-YR</b>	<b>5-YR</b>	<b>10-YR</b>	<b>15-YR</b>	<b>20-YR</b>	<b>SINCE INCEPTION</b>	<b>INCEPTION DATE</b>
Sprott Focus Trust	18.46	9.54	9.56	5.39	11.31	9.27	9.93	11/1/96 <sup>2</sup>
<b>INDEX</b>								
Russell 3000 <sup>3</sup>	21.13	11.12	15.58	8.60	10.25	7.40	8.67	

<sup>1</sup> Not annualized, cumulative Year-to-Date.<sup>2</sup> Royce & Associates, LLC served as investment adviser of the Fund from November 1, 1996 to March 6, 2015. After the close of business on March 6, 2015, Sprott Asset Management LP and Sprott Asset Management USA Inc. became the investment adviser and investment sub-adviser, respectively, of the Fund.<sup>3</sup> Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell<sup>®</sup> is a trademark of Russell Investment Group. The Russell 3000 index measures the performance of the largest 3,000 U.S. companies. The performance of an index does not represent exactly any particular investment, as you cannot invest directly in an index.**Important Performance and Risk Information**

All performance information reflects past performance, is presented on a total return basis, net of the Fund's investment advisory fee, and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the most recent month-end may be obtained at [www.sprottfocustrust.com](http://www.sprottfocustrust.com). The market price of the Fund's shares will fluctuate, so shares may be worth more or less than their original cost when sold.

The Fund is a closed-end registered investment company whose shares of common stock may trade at a discount to their net asset value. Shares of the Fund's common stock are also subject to the market risks of investing in the underlying portfolio securities held by the Fund.

The Fund's shares of common stock trade on the Nasdaq Select Market. Closed-end funds, unlike open-end funds, are not continuously offered. After the initial public offering, shares of closed-end funds are sold on the open market through a stock exchange. For additional information, contact your financial advisor or call 1.203.656.2430. Investment policies, management fees and other matters of interest to prospective investors may be found in the closed-end fund prospectus used in its initial public offering, as revised by subsequent stockholder reports.



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**Table of Contents****MANAGER'S DISCUSSION**

Sprott Focus Trust

**Whitney George****DEAR FELLOW SHAREHOLDERS,**

We are pleased to report that Sprott Focus Trust performed well during 2017, fulfilling our investment objective of generating solid absolute returns. For the 12-month period, Focus Trust achieved an 18.46% increase in net asset value (NAV) and a 22.17% gain in market price (both figures reflect reinvestment of dividends). Our performance compared favorably to the 21.13% total return of our longstanding benchmark, the Russell 3000 Index. We were encouraged in 2017 by incremental narrowing of the discount-to-NAV at which Focus Trust shares trade in the marketplace. By year-end, Focus Trust traded at an 11.31% discount to NAV, compared to a discount of 14.40% just 18-months ago (6/30/16). Focus Trust's intermediate returns continue to improve relative to our benchmark, with our three- and five-year average annual returns of 9.54% and 9.56% comparing more favorably to respective Russell 3000 returns of 11.12% and 15.58% than they had in recent years. The further we separate from seven years of interest-rate suppression by central banks, which distorted traditional time preferences and rewards of capitalism, we expect our investment discipline to generate improving relative returns. Focus Trust's long-term results (15-year, 20-year and since inception) remain very solid. (Please see the Performance table on the previous page of this report for more details.)

Despite daily headlines of political angst, 2017 featured very few market-moving surprises. Little of consequence emanated from Washington this past year, until the December passage of the Tax Cuts and Jobs Act. The Federal Reserve raised rates three times as promised. There were no sovereign defaults or financial calamities, and markets became progressively desensitized to simmering geopolitical threats such as North Korea, Brexit and U.S. government shutdowns. In fact, all-time records for equity-market stability were set in 2017, with the S&P 500 experiencing no correction of 5%-or-more in well over a year (400 days and counting). Last year's historic market quiescence was calming to long-term investors such as ourselves, while proving challenging to volatility focused traders. Given that 2017 was such a remarkably benign year, it would be naïve to expect a repeat in 2018, however pleasant that prospect might seem. As we begin the new year, markets seem to be accelerating to the upside, with favored FANG-type stocks once again leading the way. Indeed, January felt a bit like a melt up, in which investors who have not participated in this mature bull market were finally jumping in, out of fear of missing out (FOMO). As we experienced in the late 1990s, the terminal phase of an aging bull market can persist for a long time, but often ends painfully, like the dot-com meltdown of 2000-2001. An ongoing trait of the current

advance has been that surface stability of broad equity averages has masked extreme volatility in individual stocks. Among Focus Trust portfolio companies, 10% swings on days without news items are becoming more common, and dislocations of 20% or more (up or down) are not unusual on days with significant news events. It is hard for us to reconcile how consensus opinions can change so abruptly on companies we have studied for years. Clearly, there is less market liquidity than commonly appreciated at the individual stock level. With fewer investors employing fundamental analysis and liquidity increasingly stretched, opportunities for profitable investment are sure to abound when market volatility returns to normal levels.

**Activity**



Sprott Focus Trust's portfolio turned over 29% in 2017, consistent with our historical average. We cannot stress enough how critical low turnover can be to achieving superior long-term performance. When individual stock liquidity is low, particularly with smaller companies, transaction frictions can be quite high. This means that every decision carries a high hurdle for success, and less movement can lower the odds for mistakes. Obviously, low turnover fosters longer holding periods and better tax outcomes for shareholders. This in turn, produces higher absolute returns after taxes, fees and inflation, which is our primary goal. Somewhat unusually, 2017 marked the second year running during which Focus Trust did not lose a key portfolio holding to acquisition. Our business-focused, value approach has traditionally resulted in annual mergers and acquisitions migration of 5% to 10% of portfolio NAV (even higher near market peaks). To us, the lack of natural takeover activity during the past couple of years only increases probabilities for pent-up transactions in 2018. Acquisitions of smaller companies have always served as an attractive alternative to painstaking capital expenditures by larger companies. With new tax laws in place, perhaps lower corporate rates, combined with repatriated capital, will help rekindle this important contributor to our historical success.

During 2017, Focus Trust's top-five performers were Apple, Sanderson Farms, Westlake Chemical, MKS Instruments and Lam Research. This was the second consecutive top-five performance for MKS Instruments, leading to a relative valuation motivating us to downsize the position to bottom-half portfolio status. The same is true of longtime favorite Westlake Chemical, which appreciated 91% in 2017. Interestingly both companies made strategic acquisitions in 2015 and were rewarded for their efforts with significant earnings accretion and expanded multiples.

During 2017, we eliminated positions in Century Communities, Nu Skin Enterprises, Jacobs Engineering Group, Ferroglobe and Kirby Corporation, after each achieved or exceeded our valuation targets.

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Our Myriad Genetics holding was liquidated (perhaps a bit prematurely) due to perceived deterioration in its business model. We swapped our small holding in Chico's FAS for shares of Williams-Sonoma, which we view as a stronger retailing format. Finally, oil and gas driller Unit Corporation and gold miner Roxgold were replaced by more compelling opportunities in their respective industries (Carbo Ceramics and Osisko Mining). Additional positions initiated in 2017 included Syntel, Marcus & Millichap, Amgen and Pretium Resources.

**Top Contributions to Performance**

Year-to-date through 12/31/17 (%)<sup>1</sup>

Apple, Inc.	2.13
Sanderson Farms, Inc.	2.05
Westlake Chemical Corporation	2.02
MKS Instruments, Inc.	1.93
Lam Research Corporation	1.15

<sup>1</sup> Includes dividends

**Top Detractors from Performance**

Year-to-date through 12/31/17 (%)<sup>1</sup>

GameStop Corp. Class A	-1.06
Birchcliff Energy Ltd.	-0.79
Unit Corporation	-0.65
Kennedy-Wilson Holdings, Inc.	-0.54
Chico's FAS, Inc.	-0.26

<sup>1</sup> Net of dividends

**(Figure 1)**

While our top five winners contributed a little more than half of our total portfolio performance in 2017 (+9.28%), our top five sinners only detracted 3.3%. During the year, GameStop contributed negative portfolio performance of 1.06%, earning Focus Trust status as our most perplexing disappointment. As a franchise with considerable brand equity, trading at five times current earnings with a 9% dividend yield, and with 36% of outstanding shares sold short, GameStop fits our methodologies to a tee. Chastened, we have reduced the position to a level unlikely to embarrass us in 2018. Energy holdings Unit and Birchcliff combined for negative portfolio contribution of 1.44%. Energy was one of the very few negative market sectors in 2017, and we took advantage of this weakness to add to our exposure over the course of the year. Finally, as previously mentioned, retail clothing chain Chico's FAS was eliminated from our portfolio, costing us 0.26%.

In 2017, we experienced positive contributions from all industry sectors other than Energy, which declined by 1.7%. Information Technology added 6.1%, Materials (thanks to Westlake Chemical) were up 5.0% and Financials, mostly asset managers, gained 4.1%. We took considerable profits in Information Technology and added to our Energy exposure.

## Positioning

Sprott Focus Trust began 2018 nearly fully invested, with a cash position of only 6.3%. It is somewhat unusual for us to maintain such a low cash position immediately following such a strong two-year advance for broad equity averages. Our fully invested status is a reflection of a mercurial market environment in which steep premiums are paid for growth-and-momentum equities and cyclical

industries are viewed with harsh skepticism. Throughout 2017, we were able to find compelling values and keep our portfolio's risk/reward ratios favorable. At the end of 2017, Focus Trust held 47 positions, which is about average. Our top sector weightings were Information Technology (17.4%), Materials (15.9%, primarily gold and silver miners), Financials (15.3%) and Consumer Discretionary (15.2%). We ended the year overweight Energy at 11.5% and underweight Industrials and Health Care at 2.0% and 1.5%, respectively.

Those tracking Focus Trust's portfolio will notice that four of our top 10 positions have changed since year-end 2016, and three of these rotations occurred in the second half of 2017. MKS Instruments, Sanderson Farms, GameStop and Westlake Chemical have been replaced by Helmerich & Payne, Pason Systems, Thor Industries and Federated Investors. All four of these top-10 newcomers were existing portfolio holdings which have been upsized, and all four of our top-10 deletions remain in Focus Trust at reduced weightings. In other words, price and fundamental changes during 2017 were responsible for this reweighting.

## Portfolio Sector Breakdown

(% of Net Assets)

Information Technology	17.4
Materials	15.9
Financials	15.3
Consumer Discretionary	15.2
Energy	11.5
Consumer Staples	8.4
Real Estate	6.6
Cash and Cash Equivalents	6.3
Industrials	2.0
Health Care	1.5

## Top 10 Positions

(% of Net Assets)

Apple Inc.	4.6
Western Digital Corp.	4.2
Franklin Resources, Inc.	4.2
Cal-Maine Foods, Inc.	3.9
Gentex Corp.	3.9
Kennedy-Wilson Holdings, Inc.	3.7
Helmerich & Payne, Inc.	3.5
Pason Systems Inc.	3.2
Thor Industries, Inc.	3.0
Federated Investors, Inc.	2.8

**(Figure 2)**

The portfolio diagnostics in Figure 3 support our contention that Focus Trust is exceptionally well-positioned for outperformance in 2018. During 2017 many of Focus Trust's relevant portfolio metrics actually *improved* despite solid nominal performance. Our weighted

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## MANAGER'S DISCUSSION

average price-earnings ratio (P/E) increased from 17.9 to 18.1. The weighted average yield remained at 2.1% while the price-to-book ratio (P/B) rose to an undemanding 2.4x, from 2.1x. Even more encouraging was a modest decline in Focus Trust's weighted average leverage ratio (1.89x versus 1.91x a year earlier) coincident with a dramatic increase in weighted average return on investment (ROIC) from 14.3% at year-end 2016 to 20.2% at year-end 2017. We view all of these metrics as superior to our Russell 3000 benchmark.

**Portfolio Diagnostics**

Fund Net Assets	\$228 million
Number of Holdings	47
2017 Annual Turnover Rate	29%
Net Asset Value	\$8.93
Market Price	\$7.92
Average Market Capitalization <sup>1</sup>	\$6,325 million
Weighted Average P/E Ratio <sup>2,3</sup>	18.1x
Weighted Average P/B Ratio <sup>2</sup>	2.4x
Weighted Average Yield	2.08%
Weighted Average ROIC	20.16%
Weighted Average Leverage Ratio	1.89x
Holdings <sup>3</sup> 75% of Total Investments	29
U.S. Investments (% of Net Assets)	84.4
Non-U.S. Investments (% of Net Assets)	15.6

(Figure 3)

<sup>1</sup> **Geometric Average.** This weighted calculation uses each portfolio holding's market cap in a way designed to not skew the effect of very large or small holdings; instead, it aims to better identify the portfolio's center, which Sprott believes offers a more accurate measure of average market cap than a simple mean or median.

<sup>2</sup> **Harmonic Average.** This weighted calculation evaluates a portfolio as if it were a single stock and measures it overall. It compares the total market value of the portfolio to the portfolio's share in the earnings or book value, as the case may be, of its underlying stocks.

<sup>3</sup> The Fund's P/E ratio calculation excludes companies with zero or negative earnings.

**Outlook**

At the time of this writing (February 1, 2018), major equity market indices had been setting all-time records. The good news is that we are beginning the year with a new, surprisingly pro-business U.S. tax code. The offset is that lower corporate tax rates come with the potential cost of a \$1.5 trillion increase to the federal budget deficit during the next decade. Deficit hawks are about as out of favor in Washington as active managers are on Wall Street. Two quotes

come to mind. The first is from my branch manager at Oppenheimer in 1980, "If you don't change directions you're going to end up where you're headed." (No, Yogi Berra was not my branch manager.) A paraphrase of the second quote, used by folks from Warren Buffett to Jim Grant observes, "debt does not matter until the day it does, and then it's all that matters." These two simple adages, combined with our current leader's propensity to accelerate problems to a crisis point as a strategy for solving them, promise to make 2018 an interesting year. Yields on 10-year Treasuries are testing a 35-year downtrend.

The U.S. dollar has fallen to three-year lows. Oil and other commodity prices are rising. And decades of U.S. trade deals are up for renegotiation.

What could possibly go wrong? Thankfully, we are not in the market prediction business. We just try to identify great businesses and buy them when they go on sale. Given the current backdrop, we expect our disciplined approach to be rewarded with attractive opportunities for investment throughout 2018. We are encouraged that corporate credit spreads remain tight and that our new tax bill may spur a round of competitive tax cuts around the globe. With the Focus Trust portfolio, we own a collection of highly profitable, unlevered companies. Because we have always employed operating income (pre-tax earnings) as our valuation metric, our models required no adjustment to factor in lower corporate tax rates. However, we believe investor consensus is more focused on after-tax earnings, and post-tax-bill adjustments to modeled valuations may re-rate our holdings more favorably in the marketplace. Additionally, some of our largest positions hold significant, offshore cash balances which are likely to be repatriated, increasing probabilities for shareholder-friendly activities such as dividends, share buybacks and acquisitions. In conclusion, Focus Trust's risk/reward profile looks quite favorable, but we maintain our over-exposure to hard-assets in case the long-sought return of inflation appears with a vengeance.

### **Sprott Inc. Update**

Sprott Inc. benefitted from significant corporate developments in 2017, especially here in our Darien, Connecticut office. This past summer Sprott completed the divestiture of its Canadian mutual fund business to a management-led group. This transaction streamlined the Sprott organization and allowed us to focus on our core strengths as an alternatives manager specializing in precious metals and real assets. The new Sprott is smaller, more nimble and focused. As a firm, we are contrarian, innovative and aligned, ready to respond rapidly to changes and new opportunities in our markets.

This past September, Heather MacLeod joined us in our Connecticut office as Vice President of Marketing. Heather joins Sprott from one of our largest competitors, VanEck. Prior to that, Heather and I worked together for a decade at Royce Associates. Not only is Heather a good friend, but she is a talented professional with deep experience in the world of effective communications, especially in the digital realm. Focus Trust shareholders will notice a distinct uptick in the quality of both our Fund's reporting and the user experience at our new corporate website (Sprott.com). Together with strong portfolio performance, clear and effective communications are essential for Focus Trust to achieve its goal of narrowing the market price discount-to-NAV. We are excited and lucky to have Heather on our team.

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MANAGER'S DISCUSSION

In April, Basia Dworak joined the Darien office as my assistant. Her help has allowed me to dedicate more of my time to portfolio management. Additionally, Basia's arrival has allowed my former assistant, Debby Smicka, to devote all of her time to assisting current and prospective shareholders of Focus Trust. Ed Coyne, as Head of National Sales, continues his capable leadership in developing a marketing and client-service team (which now includes Debby).

Trey Reik, Sprott's Senior Portfolio Manager and Gold Strategist has been of great assistance in writing articulate and sobering commentary on the gold investment thesis. As my glass half empty partner, Trey tempers my natural optimism with a steady stream of data points about troubling monetary and financial imbalances. As a side note, it is interesting to note that gold has outperformed the S&P 500 Index *significantly* since 2000.<sup>4</sup> Trey's reports are certainly worth a look and can be viewed on the new Sprott website under the Insights tab.

Greg Caione joined our Darien office in 2016 as a Partner with Sprott Resource Lending, which provides private credit to the mining sector globally. Greg has more than 25 years of investment banking experience lending to and advising clients on a range of project and corporate financings, mergers, acquisitions, divestitures, and restructuring transactions. His expertise in the transportation, telecommunications, construction services and light manufacturing sectors is helpful in analyzing potential opportunities.

I also have some glass half full friends to address my skeptical side. Don Luskin, of Trend Macro, has provided many valuable insights, often very contrarian. His correct early calls on the 2016 Election, buy the dip on Brexit, 2017 Tax reform and oil's return to \$65 have all contributed to Focus Trust's positive results.

Joel Litman of Valens Securities does unique and original accounting work. His Uniform Adjusted Financial Reporting Standards (UAFRS) analysis suggests that we are still far from the type of credit event that would cause a bear market. Further, the alternative accounting assessments that Joel's team does for the Focus Trust portfolio lead to many helpful insights that traditional analysis overlooks. Valens provides us with a set of tools for stock screening and monitoring and is a valuable partner.

Finally, we would like to acknowledge Matt Haynes, of 1949 Value Advisors, for his continued research support. Matt is a seasoned global value investor just starting his own firm in a very difficult time. Impressed by Matt, I asked him to handle some personal investments in the summer of 2015. I have not been disappointed. Matt has become an important sounding board and collaborator on investment ideas.

As a result of Sprott's restructuring this summer, Focus Trust has two new team members. Tom Ulrich, Managing Director of Sprott Inc. and Chief Compliance Officer of Sprott Asset Management USA, is our new President of Focus Trust. He has been an important resource

and good friend since my start at Sprott. Additionally, Varinder Bhathal (Vinny), a Managing Director of Finance & Investment Operations at Sprott, has become our new Treasurer and is a pleasure.

I would like to thank our directors for their support and guidance since assuming responsibility for Sprott Focus Trust in March 2015. They are an engaged group and remain in close contact with me between our quarterly meetings. Lastly, many thanks to you, my fellow shareholders, many of whom have been invested in Focus Trust for more than a decade, and a few even from before my involvement began 22 years ago. It is truly an honor to be your partner.

Sincerely,

Whitney George

February 1, 2018

<sup>4</sup> Source: Sprott Gold Report. For the period 1/1/2001 – 12/31/2017, Spot gold has posted positive annual performance during 14 of the past 17 years, amassing a compound return of 9.65%, significantly exceeding the 6.32% compound return of the S&P 500 Index (including reinvestment of dividends).

*The views expressed above reflect those of Mr. George only through the end of the period as stated on the cover of this report and do not necessarily represent the views of Sprott Asset Management USA, Inc. or any other person in the Sprott organization. Any such views are subject to change at any time based upon market or other conditions and Sprott disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for the Sprott Focus Trust are based on numerous factors, may not be relied on as an indication of trading intent on behalf of the Sprott Focus Trust.*

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PERFORMANCE AND PORTFOLIO REVIEW

**SYMBOLS MARKET PRICE FUND NAV  
XFUNX**

Average Annual Total Return (%) Through 12/31/17

	1-YR	3-YR	5-YR	10-YR	15-YR	20-YR	SINCE INCEPTION (11/1/96)
FUND (NAV)	18.46	9.54	9.56	5.39	11.31	9.27	9.93

**Relative Returns: Monthly Rolling Average Annual Return Periods<sup>1</sup>**

15 Years through 12/31/17

On a monthly rolling basis, the Fund outperformed the Russell 3000 in 70% of all 10-year periods; 65% of all 5-year periods; 56% of all 3-year periods; and 55% of all 1-year periods.

\*Average of monthly rolling average annual total returns over the specified periods.

**Market Price Performance History Since Inception (11/1/96)<sup>1</sup>**

Cumulative Performance of Investment<sup>2</sup>

Description	1 Month	QTD	YTD	1 Year	2 Year	3 Year	5 Year	10 Year	15 Year	20 Year	SINCE INCEPTION
Sprott Focus Trust (MKT TR)	2.06	5.36	22.17	22.17	55.34	32.44	62.50	49.13	398.80	522.78	693.40
Sprott Focus Trust (MKT Price)	(0.75)	2.46	14.12	14.12	36.55	8.94	20.00	(11.71)	42.45	56.44	81.03

<sup>1</sup> Royce & Associates, LLC served as investment adviser of the Fund from November 1, 1996 to March 6, 2015. After the close of business on March 6, 2015, Sprott Asset Management LP and Sprott Asset Management USA Inc. became the investment adviser and investment sub-adviser, respectively, of the Fund.

<sup>2</sup> Reflects the cumulative performance experience of a continuous common stockholder who reinvested all distributions and fully participated in the primary subscription of the Fund's 2005 rights offering.

<sup>3</sup> Reflects the actual month-end market price movement of one share as it has traded on Nasdaq.

### Calendar Year Total Returns (%)

YEAR	FUND (NAV)
2017	18.5
2016	24.8
2015	-11.1
2014	0.3
2013	19.7
2012	11.4
2011	-10.5
2010	21.8
2009	54.0
2008	-42.7
2007	12.2
2006	15.8
2005	13.7
2004	29.3
2003	54.3
2002	-12.5
2001	10.0
2000	20.9
1999	8.7

### Important Performance and Risk Information

All performance information reflects past performance, is presented on a total return basis, and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the most recent month-end may be obtained at [www.SprottFocusTrust.com](http://www.SprottFocusTrust.com). The market price of the Fund's shares will fluctuate, so shares may be worth more or less than their original cost when sold. The Fund normally invests primarily in small/mid cap companies, which may involve considerably more risk than investing in a larger-cap companies. The Fund also generally invests a significant portion of its assets in a limited number of stocks, which may involve considerably more risk than a broadly diversified portfolio because a decline in the value of any one of these stocks would cause the Fund's overall value to decline to a greater degree. Regarding the Top Contributors and Top Detractors tables shown on page 3, the sum of all contributors to, and all detractors from, performance for all securities in the portfolio would approximate the Fund's performance for 2017.



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## History Since Inception

The following table details the share accumulations by an initial investor in the Funds who reinvested all distributions and participated fully in primary subscriptions for each of the rights offerings. Full participation in distribution reinvestments and rights offerings can maximize the returns available to a long-term investor. This table should be read in conjunction with the Performance and Portfolio Reviews of the Funds.

<b>HISTORY</b>	<b>AMOUNT REINVESTED</b>	<b>ACQUISITION PRICE</b>	<b>SHARES</b>	<b>NAV VALUE</b>	<b>MARKET VALUE<sup>2</sup></b>	
10/31/96	Initial Purchase	\$ 4,375	\$ 4.375	1,000	\$ 5,280	\$ 4,375
12/31/96					5,520	4,594
12/5/97	Distribution \$0.53		5.250	101	6,650	5,574
12/31/98					6,199	5,367
12/6/99	Distribution \$0.145		4.750	34	6,742	5,356
12/6/00	Distribution \$0.34		5.563	69	8,151	6,848
12/6/01	Distribution \$0.145		6.010	28	8,969	8,193
12/6/02	Distribution \$0.09		5.640	19	7,844	6,956
12/8/03	Distribution \$0.62		8.250	94	12,105	11,406
2004	Annual distribution total \$1.74		9.325	259	15,639	16,794
5/6/05	Rights offering	2,669	8.340	320		
2005	Annual distribution total \$1.21		9.470	249	21,208	20,709
2006	Annual distribution total \$1.57		9.860	357	24,668	27,020
2007	Annual distribution total \$2.01		9.159	573	27,679	27,834
2008	Annual distribution total \$0.47 <sup>3</sup>		6.535	228	15,856	15,323
3/11/09	Distribution \$0.09 <sup>3</sup>		3.830	78	24,408	21,579
12/31/10					29,726	25,806
2011	Annual distribution total \$0.41 <sup>3</sup>		6.894	207	26,614	22,784
2012	Annual distribution total \$0.46		6.686	255	29,652	25,549
2013	Annual distribution total \$0.40		7.222	219	35,501	31,166
2014	Annual distribution total \$0.42		7.890	222	35,617	31,348
2015	Annual distribution total \$0.44		6.655	296	31,657	26,726
2016	Annual distribution total \$0.40		6.609	287	36,709	31,423
2017	Annual distribution total \$0.52		7.603	345	46,794	41,502
<b>12/31/2017</b>		<b>\$ 7,044</b>		<b>5,240</b>		

- <sup>1</sup> The purchase price used for annual distribution totals is a weighted average of the distribution reinvestment prices for the year.
- <sup>2</sup> Values are stated as of December 31 of the year indicated, after reinvestment of distributions.
- <sup>3</sup> Includes a return of capital.

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### Distribution Reinvestment and Cash Purchase Options

#### **Why should I reinvest my distributions?**

By reinvesting distributions, a stockholder can maintain an undiluted investment in the Fund. The regular reinvestment of distributions has a significant impact on stockholder returns. In contrast, the stockholder who takes distributions in cash is penalized when shares are issued below net asset value to other stockholders.

#### **How does the reinvestment of distributions from the Fund work?**

The Fund automatically issues shares in payment of distributions unless you indicate otherwise. The shares are generally issued at the lower of the market price or net asset value on the valuation date.

#### **How does this apply to registered stockholders?**

If your shares are registered directly with the Fund, your distributions are automatically reinvested unless you have otherwise instructed the Fund's transfer agent, Computershare, in writing, in which case you will receive your distribution in cash. A registered stockholder also may have the option to receive the distribution in the form of a stock certificate.

#### **What if my shares are held by a brokerage firm or a bank?**

If your shares are held by a brokerage firm, bank, or other intermediary as the stockholder of record, you should contact your brokerage firm or bank to be certain that it is automatically reinvesting distributions on your behalf. If they are unable to reinvest distributions on behalf, you should have your shares registered in your name in order to participate.

#### **What other features are available for registered stockholders?**

The Distribution Reinvestment and Cash Purchase Plan also allows registered stockholders to make optional cash purchases of shares of the Fund's common stock directly through Computershare on a monthly basis, and to deposit certificates representing your FUND shares with Computershare for safekeeping. Plan participants are subject to a \$0.75 service fee for each voluntary cash purchase under the Plans.

#### **How does the Plan work for registered stockholders?**

Computershare maintains the accounts for registered stockholders in the Plan and sends written confirmation of all transactions in the account. Shares in the account of each participant will be held by Computershare in non-certificated form in the name of the participant, and each participant will be able to vote those shares at a stockholder meeting or by proxy. A participant may also send stock certificates for FUND held by them to Computershare to be held in non-certificated form. There is no service fee charged to participants for reinvesting distributions. If a participant elects to sell shares from a Plan account, Computershare will deduct a \$2.50 service fee from the sale transaction. If a nominee is the registered owner of your shares, the nominee will maintain the accounts on your behalf.

#### **How can I get more information on the Plan?**

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You can call an Investor Services Representative at (203) 656-2430 or you can request a copy of the Plan for your Fund from Computershare. All correspondence (including notifications) should be directed to: Sprott Focus Trust Distribution Reinvestment and Cash Purchase Plan, c/o Computershare, PO Box 30170, College Station, TX 77842-3170, telephone (800) 426-5523 (from 9:00 A.M. to 5:00 P.M.).

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Sprott Focus Trust

December 31, 2017

**Schedule of Investments**

Common Stocks 93.8%

	SHARES	VALUE
<b>CONSUMER DISCRETIONARY 15.2%</b>		
AUTO COMPONENTS 3.9%		
Gentex Corp. <sup>1</sup>	420,000	\$ 8,799,000
AUTOMOBILES 3.0%		
Thor Industries, Inc. <sup>1</sup>	45,000	6,782,400
HOUSEHOLD DURABLES 1.8%		
Garmin Ltd. <sup>1</sup>	70,000	4,169,900
SPECIALTY RETAIL 6.5%		
Buckle, Inc. (The) <sup>1</sup>	260,000	6,175,000
GameStop Corp. Cl. A <sup>1</sup>	270,000	4,846,500
Williams-Sonoma, Inc. <sup>1</sup>	75,000	3,877,500
		<b>14,899,000</b>
<b>Total (Cost \$28,230,775)</b>		<b>34,650,300</b>
<b>CONSUMER STAPLES 8.4%</b>		
FOOD PRODUCTS 8.4%		
Cal-Maine Foods, Inc. <sup>1,2</sup>	200,000	8,890,000
Industrias Bachoco SAB de CV ADR <sup>1</sup>	70,000	4,011,000
Sanderson Farms, Inc. <sup>1</sup>	45,000	6,245,100
		<b>19,146,100</b>
<b>Total (Cost \$11,381,502)</b>		<b>19,146,100</b>
<b>ENERGY 11.5%</b>		
ENERGY EQUIPMENT & SERVICES 8.4%		
CARBO Ceramics, Inc. <sup>1,2</sup>	135,000	1,374,300
Helmerich & Payne, Inc. <sup>1</sup>	125,000	8,080,000
Pason Systems Inc. <sup>1</sup>	500,000	7,235,482
TGS Nopec Geophysical Co. ASA <sup>1</sup>	100,000	2,365,488
		<b>19,055,270</b>
OIL, GAS & CONSUMABLE FUELS 3.1%		
Birchcliff Energy Ltd. <sup>1</sup>	500,000	1,750,199
Exxon Mobil Corp. <sup>1</sup>	65,000	5,436,600
		<b>7,186,799</b>
<b>Total (Cost \$23,240,992)</b>		<b>26,242,069</b>
<b>FINANCIALS 15.3%</b>		

<b>CAPITAL MARKETS 13.8%</b>		
Artisan Partners Asset Management, Inc. Cl. A <sup>1</sup>	150,000	5,925,000
Ashmore Group plc	1,100,000	6,015,106
Federated Investors, Inc. Cl. B <sup>1</sup>	180,000	6,494,400
Franklin Resources, Inc. <sup>1</sup>	220,000	9,532,600
Value Partners Group Ltd.	3,300,000	3,492,216
		<b>31,459,322</b>
<b>DIVERSIFIED FINANCIAL SERVICES 1.5%</b>		
Berkshire Hathaway, Inc. Cl. B <sup>2</sup>	17,500	<b>3,468,850</b>
<b>Total (Cost \$26,794,753)</b>		<b>34,928,172</b>
<b>HEALTH CARE 1.5%</b>		
<b>BIOTECHNOLOGY 1.5%</b>		
Amgen, Inc.	20,000	<b>3,478,000</b>
<b>Total (Cost \$3,219,745)</b>		<b>3,478,000</b>
<b>INDUSTRIALS 2.0%</b>		
<b>MARINE 2.0%</b>		
Clarkson plc	120,000	<b>4,633,280</b>
<b>Total (Cost \$3,631,814)</b>		<b>4,633,280</b>
<b>Schedule of Investments</b>		
	<b>SHARES</b>	<b>VALUE</b>
<b>INFORMATION TECHNOLOGY 17.4%</b>		
<b>COMPUTERS &amp; PERIPHERALS 8.8%</b>		
Apple Inc.	61,500	\$ 10,407,645
Western Digital Corp. <sup>1</sup>	120,000	9,543,600
		<b>19,951,245</b>
<b>IT SERVICES 2.4%</b>		
Syntel, Inc. <sup>1,2</sup>	240,000	<b>5,517,600</b>
<b>SEMICONDUCTORS &amp; SEMICONDUCTOR EQUIPMENT 6.2%</b>		
Cirrus Logic, Inc. <sup>2</sup>	110,000	5,704,600
Lam Research Corp. <sup>1</sup>	30,000	5,522,100
MKS Instruments, Inc. <sup>1</sup>	30,000	2,835,000
		<b>14,061,700</b>
<b>Total (Cost \$22,445,808)</b>		<b>39,530,545</b>
<b>MATERIALS 15.9%</b>		
<b>CHEMICALS 1.4%</b>		
Westlake Chemical Corp. <sup>1</sup>	30,000	<b>3,195,900</b>
<b>METALS &amp; MINING 14.5%</b>		
Agnico Eagle Mines Ltd.	80,000	3,694,400
Fortuna Silver Mines, Inc. <sup>2</sup>	480,000	2,505,600
Franco-Nevada Corp.	40,000	3,198,000
Fresnillo plc	195,000	3,764,855
Hochschild Mining plc <sup>1</sup>	1,000,000	3,564,233

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Major Drilling Group International, Inc. <sup>2</sup>	380,000	2,134,288
Osisko Mining, Inc. <sup>2</sup>	300,000	809,069
Pan American Silver Corp. <sup>1</sup>	190,000	2,956,400
Pretium Resources, Inc. <sup>1,2</sup>	270,000	3,080,700
Randgold Resources Ltd. ADR <sup>1</sup>	40,000	3,955,600
Seabridge Gold, Inc. <sup>1,2</sup>	295,000	3,333,500
		<b>32,996,645</b>
<b>Total (Cost \$25,888,333)</b>		<b>36,192,545</b>
<b>REAL ESTATE 6.6%</b>		
<b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT 6.6%</b>		
FRP Holdings, Inc. <sup>2</sup>	75,000	3,318,750
Kennedy-Wilson Holdings, Inc. <sup>1</sup>	485,000	8,414,750
Marcus & Millichap, Inc. <sup>2</sup>	100,000	3,261,000
		<b>14,994,500</b>
<b>Total (Cost \$12,214,376)</b>		<b>14,994,500</b>
<b>TOTAL COMMON STOCKS</b>		
<b>(Cost \$157,048,098)</b>		<b>213,795,511</b>

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Sprott Focus Trust (continued)

**Schedule of Investments (continued)**

	SHARES	VALUE
Miscellaneous 0.0%		
<b>CONSUMER DISCRETIONARY 0.0%</b>		
Ferroglobe Representation & Warranty Insurance Trust <sup>2</sup>	400,000	\$ 0
<b>Total (Cost \$0)</b>		<b>0</b>
<b>TOTAL MISCELLANEOUS (Cost \$0)</b>		<b>0</b>
<b>REPURCHASE AGREEMENT 6.3%</b>		
Fixed Income Clearing Corporation, 0.2% dated 12/29/17, due 1/2/18, maturity value \$14,281,317 (collateralized by obligations of a U.S. Government Agency Security, 1.250% due 10/02/19, valued at \$14,568,685)		14,281,000
<b>Total (Cost \$14,281,000)</b>		<b>14,281,000</b>
	FACE	VALUE
<b>SECURITIES LENDING COLLATERAL 14.3%</b>		
State Street Navigator Securities Lending Government Money Market Portfolio <sup>3</sup>	32,641,271	32,641,271
<b>Total (Cost \$32,641,271)</b>		<b>32,641,271</b>
<b>TOTAL INVESTMENTS 114.4%</b> (Cost \$203,970,369)		260,717,782
<b>LIABILITIES LESS CASH AND OTHER ASSETS (14.4)%</b>		(32,725,800)
<b>NET ASSETS 100.0%</b>		<b>\$ 227,991,982</b>

<sup>1</sup> Security (or a portion of the security) is on loan. As of December 31, 2017, the market value of securities loaned was \$58,213,281. The loaned securities were secured with cash collateral of \$32,641,271 and non-cash collateral with a value of \$27,528,347. The non-cash collateral received consists of equity securities, and is held for the benefit of the Fund at the Fund's custodian. The Fund cannot repledge or resell this collateral. Collateral is calculated based on prior day's prices.

<sup>2</sup> Non-Income producing.

<sup>3</sup> Represents an investment of securities lending cash collateral.

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
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Sprott Focus Trust

December 31, 2017

**Statement of Assets and Liabilities**

<b>ASSETS:</b>	
Investments at value	\$ 246,436,782
Repurchase agreements (at cost and value)	14,281,000
Foreign currencies at value	57,550
Cash	698
Receivable for dividends and interest	328,021
Prepaid expenses and other assets	3,461
<b>Total Assets</b>	<b>261,107,512</b>
<b>LIABILITIES:</b>	
Obligation to return securities lending collateral	32,641,271
Payable for investment advisory fee	176,994
Accrued expenses	297,265
<b>Total Liabilities</b>	<b>33,115,530</b>
<b>Net Assets</b>	<b>\$ 227,991,982</b>
<b>ANALYSIS OF NET ASSETS:</b>	
Paid-in capital - \$0.001 par value per share; 25,518,762 shares outstanding (150,000,000 shares authorized)	\$ 167,042,477
Undistributed net investment income (loss)	2,130,165
Accumulated net realized gain (loss) on investments and foreign currency	2,069,701
Net unrealized appreciation (depreciation) on investments and foreign currency	56,749,639
<b>Net Assets (net asset value per share \$8.93)</b>	<b>\$ 227,991,982</b>
Investments (excluding repurchase agreements) at identified cost	\$ 189,689,369
Foreign Currencies at Cost	\$ 57,547
Market Value of securities on loan	\$ 58,213,281

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**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
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Sprott Focus Trust

December 31, 2017

**Statement of Operations****INVESTMENT INCOME:****INCOME:**

Dividends	\$ 4,311,223
Foreign withholding tax	(65,342)
Interest	17,403
Securities lending	640,528
<b>Total Income</b>	<b>4,903,812</b>

**EXPENSES:**

Investment advisory fees	2,126,046
Stockholders reports	60,509
Custody and transfer agent fees	67,111
Directors fees	27,001
Audit fees	37,200
Legal fees	209,917
Administrative and office facilities	91,339
Other expenses	58,386
<b>Total expenses</b>	<b>2,677,509</b>

Expense reimbursement	(126,254)
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<b>Net expenses</b>	<b>2,551,255</b>
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<b>Net investment income (loss)</b>	<b>2,352,557</b>
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**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY:****NET REALIZED GAIN (LOSS):**

Investments	13,072,407
Foreign currency transactions	(23,293)

**NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):**

Investments and foreign currency translations	20,122,230
Other assets and liabilities denominated in foreign currency	12,803

<b>Net realized and unrealized gain (loss) on investments and foreign currency</b>	<b>33,184,147</b>
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<b>NET INCREASE (DECREASE) IN NET ASSETS FROM INVESTMENT OPERATIONS</b>	<b>\$ 35,536,704</b>
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Sprott Focus Trust

December 31, 2017

**Statement of Changes in Net Assets**

	<b>YEAR ENDED DEC. 31, 2017</b>	<b>YEAR ENDED DEC. 31, 2016</b>
<b>INVESTMENT OPERATIONS:</b>		
Net investment income (loss)	\$ 2,352,557	\$ 3,261,686
Net realized gain (loss) on investments and foreign currency	13,049,114	7,390,437
Net change in unrealized appreciation (depreciation) on investments and foreign currency	20,135,033	28,390,151
<b>Net increase (decrease) in net assets from investment operations</b>	<b>35,536,704</b>	<b>39,042,274</b>
<b>DISTRIBUTIONS:</b>		
Net investment income	(2,123,800)	(2,124,377)
Net realized gain on investments and foreign currency	(10,849,950)	(7,438,658)
<b>Total Distributions</b>	<b>(12,973,750)</b>	<b>(9,563,035)</b>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Reinvestment of distributions	8,122,566	5,710,681
<b>Total capital stock transactions</b>	<b>8,122,566</b>	<b>5,710,681</b>
<b>Net increase (decrease) in Net Assets</b>	<b>30,685,520</b>	<b>35,189,920</b>
<b>NET ASSETS</b>		
<b>Beginning of period</b>	<b>197,306,462</b>	<b>162,116,542</b>
<b>End of period (including undistributed net investment income (loss) of \$2,130,165 at 12/31/17 and \$1,924,702 at 12/31/16)</b>	<b>\$ 227,991,982</b>	<b>\$ 197,306,462</b>

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**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
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Sprott Focus Trust

December 31, 2017

**Financial Highlights**

This table is presented to show selected data for a share of Common Stock outstanding throughout each period, and to assist stockholders in evaluating the Fund's performance for the periods presented.

	YEAR ENDED DEC. 31, 2017		YEAR ENDED DEC. 31, 2016		YEAR ENDED DEC. 31, 2015		YEAR ENDED DEC. 31, 2014		YEAR ENDED DEC. 31, 2013	
<b>Net Asset Value, Beginning of Period</b>	\$	<b>8.07</b>	\$	<b>6.87</b>	\$	<b>8.26</b>	\$	<b>8.68</b>	\$	<b>7.66</b>
<b>INVESTMENT OPERATIONS:</b>										
Net investment income (loss) <sup>1</sup>		0.09		0.14		0.11		0.07		0.05
Net realized and unrealized gain (loss) on investments and foreign currency		1.33		1.50		(1.02)		(0.04)		1.40
<b>Total investment operations</b>		<b>1.42</b>		<b>1.64</b>		<b>(0.91)</b>		<b>0.03</b>		<b>1.45</b>
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>										
Net investment income		(0.09)		(0.10)		(0.10)		(0.08)		(0.05)
Net realized gain on investments		(0.43)		(0.30)		(0.34)		(0.34)		(0.35)
<b>Total distributions to Common Stockholders</b>		<b>(0.52)</b>		<b>(0.40)</b>		<b>(0.44)</b>		<b>(0.42)</b>		<b>(0.40)</b>
<b>CAPITAL STOCK TRANSACTIONS:</b>										
Effect of reinvestment of distributions by Common Stockholders		(0.04)		(0.04)		(0.04)		(0.03)		(0.03)
<b>Total capital stock transactions</b>		<b>(0.04)</b>		<b>(0.04)</b>		<b>(0.04)</b>		<b>(0.03)</b>		<b>(0.03)</b>
<b>Net Asset Value, End of Period</b>	\$	<b>8.93</b>	\$	<b>8.07</b>	\$	<b>6.87</b>	\$	<b>8.26</b>	\$	<b>8.68</b>
<b>Market Value, End of Period</b>	\$	<b>7.92</b>	\$	<b>6.94</b>	\$	<b>5.80</b>	\$	<b>7.27</b>	\$	<b>7.62</b>
<b>TOTAL RETURN:<sup>2</sup></b>										
Net Asset Value		18.46%		24.83%		(11.12)%		0.32%		19.73%
Market Value		22.17%		27.16%		(14.74)%		0.58%		21.99%
<b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>										
Investment Advisory fee expense		1.00%		1.00%		1.00%		1.00%		1.00%
Other operating expenses		0.26%		0.28%		0.26%		0.15%		0.17%
Net expenses		1.20%		1.20%		1.19%		1.15%		1.17%
Expenses prior to balance credits		1.26%		1.28%		1.26%		1.15%		1.17%
Net investment income (loss)		1.11%		1.82%		1.41%		0.78%		0.63%
<b>SUPPLEMENTAL DATA:</b>										

Net Assets Applicable to Common Stockholders, End of Period (in thousands)	\$ 227,992	\$ 197,306	\$ 162,117	\$ 187,749	\$ 191,436
Portfolio Turnover Rate	29%	35%	34%	29%	23%

<sup>1</sup> Calculated using average shares outstanding during the period.

<sup>2</sup> The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period. Dividends and distributions are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
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Sprott Focus Trust

## **Notes to Financial Statements**

### **Summary of Significant Accounting Policies:**

Sprott Focus Trust, Inc. (the Fund) is a diversified closed-end investment company incorporated under the laws of the State of Maryland. The Fund commenced operations on March 2, 1988, and Sprott Asset Management LP and Sprott Asset Management USA Inc. (collectively, Sprott) assumed investment management responsibility for the Fund after the close of business on March 6, 2015. Royce & Associates, LLC was the Fund's previous investment manager.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 Financial Services-Investment Companies .

At December 31, 2017, officers, employees of Sprott, Fund directors, and other affiliates owned 31% of the Fund.

### **USE OF ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the period. Actual results could differ from these estimates.

### **VALUATION OF INVESTMENTS:**

Securities are valued as of the close of trading on the New York Stock Exchange (NYSE) (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange, and securities traded on Nasdaq's Electronic Bulletin Board, are valued at their last reported sales price or Nasdaq official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their highest bid price. Other over-the-counter securities for which market quotations are readily available are valued at their highest bid price, except in the case of some bonds and other fixed income securities which may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services. The Fund values its non-U.S. dollar denominated securities in U.S. dollars daily at the prevailing foreign currency exchange rates as quoted by a major bank. Securities for which market quotations are not readily available are valued at their fair value in accordance with the provisions of the 1940 Act, under procedures approved by the Fund's Board of Directors, and are reported as Level 3 securities. As a general principle, the fair value of a security is the amount which the Fund might reasonably expect to receive for the security upon its current sale. However, in light of the judgment involved in fair valuations, there can be no assurance that a fair value assigned to a particular security will be the amount which the Fund might be able to receive upon its current sale. In addition, if, between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. The Fund uses an independent pricing service to provide fair value estimates for relevant non-U.S. equity securities on days when the U.S. market volatility exceeds a

certain threshold. This pricing service uses proprietary correlations it has developed between the movement of prices of non-U.S. equity securities and indices of U.S.-traded securities, futures contracts and other indications to estimate the fair value of relevant non-U.S. securities. When fair value pricing is employed, the prices of securities used by the Fund may differ from quoted or published prices for the same security. Investments in money market funds are valued at net asset value per share.

Various inputs are used in determining the value of the Fund's investments, as noted above. These inputs are summarized in the three broad levels below:

- Level 1** quoted prices in active markets for identical securities.
- Level 2** other significant observable inputs (including quoted prices for similar securities, foreign securities that may be fair valued and repurchase agreements).
- Level 3** significant unobservable inputs (including last trade price before trading was suspended, or at a discount thereto for lack of marketability or otherwise, market price information regarding other securities, information received from the company and/or published documents, including SEC filings and financial statements, or other publicly available information).

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Sprott Focus Trust

**Notes to Financial Statements (continued)**

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the Fund's investments as of December 31, 2017 based on the inputs used to value them. For a detailed breakout of common stocks by sector classification, please refer to the Schedule of Investments.

	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 189,960,332	\$ 23,835,179	\$	\$ 213,795,511
Cash Equivalents		14,281,000		14,281,000
Miscellaneous			*	
Securities Lending Collateral	32,641,271			32,641,271
Total	\$ 222,601,603	\$ 38,116,179	\$	\$ 260,717,782

\*Level 3 amount shown includes securities determined to have no value at December 31, 2017.

On December 31, 2017, foreign common stocks in the Fund were valued at the last reported sale price or official closing price as the Fund's fair value pricing procedures did not require the use of the independent statistical fair value pricing service. There were no transfers between levels for investments held at the end of the period.

**REPURCHASE AGREEMENTS:**

The Fund may enter into repurchase agreements with institutions that the Fund's investment adviser has determined are creditworthy. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of the counter-party, including possible delays or restrictions upon the ability of the Fund to dispose of its underlying securities. The maturity associated with these securities is considered continuous.

**FOREIGN CURRENCY:**

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, expiration of currency forward contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, including investments in securities at the end of the reporting period, as a result of changes in foreign currency exchange rates.

**TAXES:**

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year.

The cost of total investments for Federal income tax purposes was \$204,199,783. At December 31, 2017, net unrealized appreciation for all securities was \$56,517,999, consisting of aggregate gross unrealized appreciation of \$59,310,835 and aggregate gross unrealized depreciation of \$(2,792,836).

#### DISTRIBUTIONS:

The Fund pays quarterly distributions on the Fund's Common Stock at the annual rate of 5% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 1.25% of the rolling average or the distribution required by IRS regulations. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

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Sprott Focus Trust

**Notes to Financial Statements (continued)**

**INVESTMENT TRANSACTIONS AND RELATED INVESTMENT INCOME:**

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on an accrual basis. Premium and discounts on debt securities are amortized using the effective yield-to-maturity method. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

**EXPENSES:**

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one fund managed by Sprott are allocated equitably.

**COMPENSATING BALANCE CREDITS:**

The Fund has an arrangement with its custodian bank, whereby a portion of the custodian's fee is paid indirectly by credits earned on the Fund's cash on deposit with the bank. This deposit arrangement is an alternative to purchasing overnight investments. Conversely, the Fund pays interest to the custodian on any cash overdrafts, to the extent they are not offset by credits earned on positive cash balances.

**CAPITAL STOCK:**

The Fund issued 1,070,002 and 866,081 shares of Common Stock as reinvestments of distributions for the years ended December 31, 2017 and the year ended December 31, 2016, respectively.

**INVESTMENT ADVISORY AGREEMENT:**

The Investment Advisory Agreement between Sprott and the Fund provides for fees to be paid at an annual rate of 1.0% of the Fund's average daily net assets. The Fund accrued and paid investment advisory fees totaling \$2,126,046 to Sprott for the period ended December 31, 2017. Sprott reimbursed \$126,254 of the Fund's operating expenses for the period ended December 31, 2017. Sprott is not entitled to recoup any fees waived.

**PURCHASES AND SALES OF INVESTMENT SECURITIES:**

For the year ended December 31, 2017, the costs of purchases and proceeds from sales of investment securities, other than short-term securities, amounted to \$57,914,801 and \$59,163,781, respectively.

**DISTRIBUTIONS TO STOCKHOLDERS:**

The tax character of distributions paid to common stockholders during 2017 and 2016 were as follows:

**DISTRIBUTIONS  
PAID FROM  
INCOME:**

	<b>2017</b>	<b>2016</b>
Ordinary Income	\$ 2,123,800	\$ 2,319,832
Long-term capital gain	10,849,950	7,243,203
	<b>\$ 12,973,750</b>	<b>\$ 9,563,035</b>

As of December 31, 2017, the tax basis components of distributable earnings included in stockholder's equity were as follows:

Net unrealized appreciation (depreciation)	\$ 56,520,225
Post October loss*	
Undistributed ordinary income	2,329,263
Undistributed capital gains	2,100,017
	<b>\$ 60,949,505</b>

\*Under current tax law, capital losses and foreign currency losses after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. As of December 31, 2017, the Fund did not have any post October capital or currency losses.

The difference between book and tax basis unrealized appreciation (depreciation) is attributable primarily to deferral of losses on wash sales and the realization for tax purposes of unrealized gains on investments in passive foreign investment companies. For financial reporting purposes, capital accounts and distributions to stockholders are adjusted to reflect the tax character of permanent book/tax differences. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences and different



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Sprott Focus Trust

**Notes to Financial Statements (continued)**

characterization of distributions made by the Fund. For the year ended December 31, 2017, the Fund recorded the following permanent reclassifications. Results of operations and net assets were not affected by these reclassifications.

<b>UNDISTRIBUTED NET INVESTMENT INCOME</b>	<b>ACCUMULATED NET REALIZED GAIN (LOSS)</b>
\$ (23,294)	\$ 23,294

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (2014-2017) and has concluded that as of December 31, 2017, no provision for income tax is required in the Fund's financial statements.

**Lending of Portfolio Securities:**

The Fund, using State Street Bank and Trust Company (State Street) as its lending agent, may loan securities to qualified brokers and dealers in exchange for negotiated lenders' fees. The Fund receives cash collateral, which may be invested by the lending agent in short-term instruments, in an amount at least equal to 102% (for loans of U.S. securities) or 105% (for loans of non-U.S. securities) of the market value of the loaned securities at the inception of each loan. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. As of December 31, 2017, the cash collateral received by the Fund was invested in the State Street Navigator Securities Lending Government Money Market Portfolio, which is a 1940 Act money market fund. To the extent that advisory or other fees paid by the State Street Navigator Securities Lending Government Money Market Portfolio are for the same or similar services as fees paid by the Fund, there will be a layering of fees, which would increase expenses and decrease returns. Information regarding the value of the securities loaned and the value of the collateral at period end is included in the Schedule of Investments. The Fund could experience a delay in recovering its securities, a possible loss of income or value and record realized gain or loss on securities deemed sold due to a borrower's inability to return securities on loan. These loans involve the risk of delay in receiving additional collateral in the event that the collateral decreases below the value of the securities loaned and the risks of the loss of rights in the collateral should the borrower of the securities experience financial difficulties.

As of December 31, 2017, the Fund had outstanding loans of securities to certain approved brokers for which the Fund received collateral:

<b>Market Value of Loaned Securities</b>	<b>Market Value of Cash Collateral</b>	<b>Market Value of Non Cash Collateral</b>	<b>Total Collateral</b>
\$58,213,281	\$ 32,641,271	\$ 27,528,347	\$ 60,169,618

Other information regarding the Fund is available in the Fund's most recent Report to Stockholders. This information is available through Sprott Asset Management's website [www.sprott.com](http://www.sprott.com) and on the Securities and Exchange Commission's website ([www.sec.gov](http://www.sec.gov)).

The following table presents financial instruments that are subject to enforceable netting arrangements as of December 31, 2017.

**Gross Amounts Not Offset in the Statement of Assets and Liabilities**

**Gross Asset Amounts  
Presented in**

**Statement of Assets and**

<b>Liabilities<sup>(a)</sup></b>	<b>Financial Instrument</b>	<b>Collateral Received<sup>(b)</sup></b>	<b>Net Amount (not less than \$0)</b>
\$58,213,281		(\$ 58,213,281)	

<sup>(a)</sup>Represents market value of loaned securities at year end.

<sup>(b)</sup>The actual collateral received is greater than the amount shown here due to collateral requirements of the security lending agreement.

All securities on loan are classified as Common Stock in the Fund's Schedule of Investments as of December 31, 2017, with a contractual maturity of overnight and continuous.

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**Report of Independent Registered Public Accounting Firm**

**To the Shareholders and The Board of Trustees of**

**Sprott Focus Trust, Inc.**

**Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities of Sprott Focus Trust Inc., (the Fund ), including the schedule of investments, as of December 31, 2017, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the five years in the period then ended, and the related notes (collectively referred to as the financial statements ). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Fund s management. Our responsibility is to express an opinion on the Fund s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ( PCAOB ) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We have served as the Fund s auditor since 1998.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania

March 1, 2018



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Directors and Officers

**All Directors and Officers may be reached c/o Sprott Asset Management LP, 200 Bay Street, Suite 2600, Toronto, Ontario, Canada M5J2J1.**

**W. Whitney George, Director<sup>1</sup>, Senior Portfolio Manager**

Age: 59 | Number of Funds Overseen: 1 | Tenure: Director since 2013; Term expires 2018 | Other Directorships: None

**Principal Occupation(s) During Past Five Years:** Senior Portfolio Manager of Sprott Asset Management USA Inc. a registered investment adviser since March 2015; Executive Vice President of Sprott Inc. since 2016. Prior thereto, Managing Director and Vice President of Royce & Associates, LLC, having been employed by Royce since October 1991.

**Michael W. Clark, Director**

Age: 57 | Number of Funds Overseen: 1 | Tenure: Director since 2015; Term expires 2016 | Other Directorships: None

**Principal Occupation(s) During Past Five Years:** President, Chief Operating Officer, Chief Risk Officer, Head of Executive Committee, and member of Board of Directors of Chilton Investment Company since 2005.

**Barbara Connolly Keady, Director**

Age: 55 | Number of Funds Overseen: 1 | Tenure: Director since 2015; Term expires 2017 | Other Directorships: None

**Principal Occupation(s) During Past Five Years:** Director of New Business Development at Ceres Partners since 2010.

**Peyton T. Muldoon, Trustee\***

Age: 48 | Number of Funds Overseen: 1 | Tenure: Director since 2017; Term expires 2017 | Other Directorships: None

**Principal Occupation(s) During Past 5 Years:** Licensed salesperson, Sotheby's International Realty, a global real estate brokerage firm (since 2011).

**James R. Pierce, Jr., Director**

Age: 60 | Number of Funds Overseen: 1 | Tenure: Director since 2015; Term expires 2018 | Other Directorships: None

**Principal Occupation(s) During Past Five Years:** Chairman of JLT Specialty Insurance Services, Inc. since September, 2014. Global Lead in Marine and Energy Operations at Marsh from 2006 to 2014.

**Thomas W. Ulrich, President\*, Secretary, Chief Compliance Officer**

Age: 53 | Tenure: Since 2015

**Principal Occupation(s) During Past Five Years:** Chief Compliance Officer of the Fund (since March, 2015); In-House Counsel and Chief Compliance Officer of Sprott Asset Management USA Inc. (since October, 2012); In-House Counsel and Chief Compliance Officer of Sprott Global Resource Investments Ltd. (since October, 2012); Chief Compliance Officer, Altegris Advisors, L.L.C. (from July, 2011 to October, 2012); Principal, General Counsel and Chief Compliance Officer of Geneva Advisors (March, 2005 to July, 2011).

**Varinder Bhathal, Treasurer\***

Age: 46 | Tenure: since 2017 | Other Directorships: None

**Principal Occupation(s) During Past 5 Years:** Treasurer of the Fund (since 2017); Sprott Asset Management Inc. (since 2007 and Controller and Vice President, Finance since 2015); Chief Financial Officer of Sprott Private Wealth LP (since 2016).

<sup>1</sup> Mr. George is an interested person, as defined in Section 2(a)(19) of the 1940 Act, of the Fund due to his position as Senior Portfolio Manager at Sprott Asset Management USA Inc., the Fund's sub-adviser.

\*Appointed on June 9, 2017

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Board Approval of Investment Advisory Agreements

### **Board Approval of Investment Advisory and Subadvisory Agreements**

The Board of Directors (the Board) of Sprott Focus Trust, Inc. (the Fund) met in person at a regularly scheduled meeting on June 9, 2017, in Watch Hill, Rhode Island, for purposes of, among other things, considering whether it would be in the best interests of the Fund and its stockholders for the Board to approve the existing Investment Advisory Agreement by and between the Fund and Sprott Asset Management L.P. and the existing Investment Subadvisory Agreement by and among the Fund, Sprott Asset Management L.P., and Sprott Asset Management USA Inc. (the Subadvisory Agreement and, together with the Investment Advisory Agreement, the Agreements).

In connection with the Board's review of the Agreements, the directors who were not interested persons of the Fund within the meaning of the Investment Company Act of 1940 (collectively, the Independent Directors) requested, and Sprott Asset Management L.P. (Sprott Asset) and Sprott Asset Management USA Inc. (Sprott USA and, together with Sprott Asset, the Advisers) provided the Board with, information about a variety of matters, including, without limitation, the following information:

- nature, extent and quality of services to be provided by the Advisers, including background information on the qualifications and experience of key professional of the Advisers personnel that provide services to the Fund;
- investment performance of the Fund, including comparative performance information for registered investment companies similar to the Fund;
- fees charged to and expenses of the Fund, including comparative fee and expense information for registered investment companies similar to the Fund;
- costs of the services provided and profits realized by the Advisers; and
- economies of scale.

In connection with the Board's review of the Agreements, the Independent Directors considered the matters set forth above along with the following information:

- Whitney George's, the Fund's portfolio manager, long portfolio management tenure with the Fund and its historical investment performance;

- Mr. George's significant ownership and, thus, stake in the Fund; and
- the Advisers' experience in managing pooled investment vehicles and accounts.

At the June 9, 2017 meeting, the Board and the Independent Directors determined that the Agreements continue to be in the best interests of the Fund in light of the services, personnel, expenses and such other matters as the Board considered to be relevant in the exercise of its reasonable business judgment and approved them.

To reach this determination, the Board considered its duties under the Investment Company Act of 1940 (the 1940 Act) as well as under the general principles of state law in reviewing and approving advisory contracts; the requirements of the 1940 Act in such matters; the fiduciary duty of investment advisers with respect to advisory agreements and the receipt of investment advisory compensation; the standards used by courts in determining whether investment company boards have fulfilled their duties; and the factors to be considered by the Board in voting on such agreements. To assist the Board in its evaluation of each of the Agreements, the Independent Directors received

materials in advance of the Board meeting from the Advisers. The Independent Directors also met with Mr. George. The Board applied its business judgment to determine whether the arrangements by and among the Fund, Spott Asset and Spott USA are reasonable business arrangements from the Fund's perspective as well as from the perspective of its stockholders.

### **Nature, Extent and Quality of Services Provided by Spott Asset and Spott USA**

The Board considered the following factors to be of fundamental importance to its consideration of whether to approve the Agreements: (i) Mr. George's long tenure as the portfolio manager of the Fund; (ii) Mr. George's 34 years of value investing experience and related track record; (iii) background information on the qualifications and experience of the Advisers' senior management and the key professional personnel that provide services to the Fund; (iv) the Advisers' experience in managing pooled investment vehicles and accounts and its related organizational capabilities; and (v) the financial soundness of Spott Inc., each Adviser's ultimate parent company, including the cash infusion into the company after the proposed sale of one of its business units. The Board noted and took into account a recent sale of a non-U.S. business unit by the parent company of the Advisers, including certain proposed personnel changes.

### **Investment Performance**

The Board noted that 2016 was an excellent year for the Fund in terms of performance. The Board found noted the Fund's Net Asset Value including distributions advanced 24.83% for the 12 months ended December 2016 and the share price including distributions rose 27.16%, for the same period. These performances compare to a 12.74% advance for the Russell 3000 Index during 2016. The Board further noted the longer term performance of the Fund with returns of 3.64% for 3 years, 8.23% for 5 years and 4.82% for 10 years as of December 31, 2016, which trailed the performance of Russell 3000 Index for the same periods.

Individual stock selection led to the Fund's strong performance. The Board also noted the disciplined and



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### Board Approval of Investment Advisory Agreements (continued)

long-term investment approach of Sprott USA and its portfolio manager.

Although the Board recognized that past performance is not necessarily an indicator of future results, it found that Mr. George, Sprott Asset, and Sprott USA had the necessary qualifications, experience and track record to manage the Fund. In light of the foregoing, the Directors determined that Sprott Asset continued to be the appropriate investment adviser for the Fund and that Sprott USA continue to be the appropriate investment subadviser for the Fund.

### **Fees and Expenses**

The Board discussed with the Advisers the level of the advisory fee for the Fund relative to comparable funds. In addition to the management fee, the Board also reviewed the Fund's total expense ratio and compared it to the Fund's peers. The Board noted that the fees were within range of closed-end funds with similar investment objectives and strategies.

### **Profitability**

With respect to profitability, the Board found the Advisers' profits earned by managing the Fund to be reasonable.

### **Economies of Scale**

The Board considered the existence of any economies of scale in the provision of services by the Advisers and whether those economies were shared with the Fund through breakpoints in its management fees or other means, such as expense caps or fee waivers. The Board noted that the assets of the Fund were too small to meaningfully consider economies of scale and the necessity of breakpoints. The Board concluded that the current fee structure for the Fund was reasonable and that no changes were currently necessary.

### **Conclusion**

It was noted that no single factor was cited as determinative to the decision of the Directors. Rather, after weighing all of the considerations and conclusions discussed above, the entire Board, including all of the Independent Directors, approved the Investment Advisory Agreement and the Subadvisory Agreement, concluding that having the Fund continue to receive services from the Advisers under the Agreements was in the best interest of the stockholders of the Fund and that the investment advisory fee rate was reasonable in relation to the services provided.

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Notes to Performance and Other Important Information

The thoughts expressed in this *Review and Report* concerning recent market movements and future prospects for small company stocks are solely the opinion of Sprott at December 31, 2017, and, of course, historical market trends are not necessarily indicative of future market movements. Statements regarding the future prospects for particular securities held in the Fund's portfolio and Sprott's investment intentions with respect to those securities reflect Sprott's opinions as of December 31, 2017 and are subject to change at any time without notice. There can be no assurance that securities mentioned in this *Review and Report* will be included in the Fund in the future. Investments in securities of micro-cap, small-cap and/or mid-cap companies may involve considerably more risk than investments in securities of larger-cap companies. All publicly released material information is always disclosed by the Fund on the website at [www.sprottfocusfund.com](http://www.sprottfocusfund.com).

Sector weightings are determined using the Global Industry Classification Standard (GICS). GICS was developed by, and is the exclusive property of, Standard & Poor's Financial Services LLC (S&P) and MSCI Inc. (MSCI). GICS is the trademark of S&P and MSCI. Global Industry Classification Standard (GICS) and GICS Direct are service marks of S&P and MSCI.

All indexes referred to are unmanaged and capitalization weighted. Each index's returns include net reinvested dividends and/or interest income. Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. The performance of an index does not represent exactly any particular investment, as you cannot invest directly in an index. Returns for the market indexes used in this report were based on information supplied to Sprott by Russell Investments.

The Price-Earnings, or P/E, Ratio is calculated by dividing a fund's share price by its trailing 12-month earnings-per share (EPS). The Price-to-Book, or P/B, Ratio is calculated by dividing a fund's share price by its book value per share. The Sharpe Ratio is calculated for a specified period by dividing a fund's annualized excess returns by its annualized standard deviation. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. Standard deviation is a statistical measure within which a fund's total returns have varied over time. The greater the standard deviation, the greater a fund's volatility.

**Forward-Looking Statements**

This material contains forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve risks and uncertainties, including, among others, statements as to:

- the Fund's future operating results
- the prospects of the Fund's portfolio companies
- the impact of investments that the Fund has made or may make
- the dependence of the Fund's future success on the general economy and its impact on the companies and industries in which the Fund invests, and

the ability of the Fund's portfolio companies to achieve their objectives.

This *Review and Report* uses words such as anticipates, believes, expects, future, intends, and similar expressions to identify forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements for any reason.

The Fund has based the forward-looking statements included in this *Review and Report* on information available to us on the date of the report, and we assume no obligation to update any such forward-looking statements. Although the Fund undertakes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make through future stockholder communications or reports.

### **Authorized Share Transactions**

The Fund may repurchase up to 5% of the issued and outstanding shares of its common stock during the year. Any such repurchase would take place at then prevailing prices in the open market or in other transactions. Common stock repurchases would be effected at a price per share that is less than the share's then current net asset value.

The Fund is also authorized to offer its common stockholders an opportunity to subscribe for additional shares of its common stock through rights offerings at a price per share that may be less than the share's then current net asset value. The timing and terms of any such offerings are within the Board's discretion.

### **Proxy Voting**

A copy of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available, without charge, on the Fund's website at [www.sprottfocusfund.com](http://www.sprottfocusfund.com), by calling (203) 656-2430 (toll-free) and on the website of the Securities and Exchange Commission (SEC), at [www.sec.gov](http://www.sec.gov).

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Notes to Performance and Other Important Information (continued)

**Form N-Q Filing**

The Fund files its complete schedule of investments with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's holdings are also on the Fund's website ([www.sprottfocustrust.com](http://www.sprottfocustrust.com)) approximately 15 to 20 days after each calendar quarter end and remain available until the next quarter's holdings are posted. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at (800) 732-0330.

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## Results of Stockholders Meeting

At an annual meeting of stockholders held on September 20, 2017 (the Annual Meeting), the Fund's stockholders voted to elect Barbara Connolly Keady and Peyton Tansill Muldoon as Class II directors. W. Whitney George, James R. Pierce, Jr. and Michael W. Clark remained directors after the Annual Meeting. The Fund's stockholders at the Annual Meeting also voted to appoint Tait Weller & Baker as the independent registered public accounting of the Fund.

The following table sets forth the votes cast with respect to each matter voted on at the Annual Meeting:

<b>MATTER</b>	<b>FOR</b>	<b>AGAINST/ WITHHELD</b>	<b>ABSTAIN</b>	<b>BROKER NON-VOTES</b>
Barbara Connolly Keady	22,201,350.111	347,676.329	0.000	0.000
Peyton Tansill Muldoon	22,187,905.111	361,121.329	0.000	0.000

<b>MATTER</b>	<b>FOR</b>	<b>AGAINST/ WITHHELD</b>	<b>ABSTAIN</b>	<b>BROKER NON-VOTES</b>
Appointment of Tait Weller & Baker	22,222,924.260	252,794.863	73,307.317	0.000

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**Item 2. Code(s) of Ethics.** As of the end of the period covered by this report, the Registrant had adopted a code of ethics, as defined in Item 2 of Form N-CSR, applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of this code of ethics is filed as an exhibit to this Form N-CSR. No substantive amendments were approved or waivers were granted to this code of ethics during the period covered by this report.

**Item 3. Audit Committee Financial Expert.**

(a)(1) The Board of Directors of the Registrant has determined that it has an audit committee financial expert.

(a)(2) Michael W. Clark is designated by the Board of Directors as the Registrant's Audit Committee Financial Expert. Mr. Clark is independent as defined under Item 3 of Form N-CSR.

**Item 4. Principal Accountant Fees and Services.**

(a) Audit Fees:

Year ended December 31, 2017 \$37,200

Year ended December 31, 2016 \$30,000

(b) Audit-Related Fees:

Year ended December 31, 2017 \$0

Year ended December 31, 2016 \$0

(c) Tax Fees:

Year ended December 31, 2017 \$7,200 Preparation of tax returns

Year ended December 31, 2016 \$7,200 Preparation of tax returns

(d) All Other Fees:

Year ended December 31, 2017 \$0

Year ended December 31, 2016 \$0



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(e)(1) The Registrant has adopted policies and procedures requiring the pre-approval by the Audit Committee of audit and non-audit services provided to the Registrant by the Registrant's independent registered public accounting firm, and the pre-approval of all audit and non-audit services provided to the Registrant's investment adviser and any and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant, to the extent that such services are directly related to the operations or financial reporting of the Registrant.

(e)(2) Not Applicable

(f) Not Applicable

(g) Year ended December 31, 2017 \$7,200

Year ended December 31, 2016 \$7,200

(h) No such services were rendered during 2017 or 2016.

**Item 5. Audit Committee of Listed Registrants.** The Registrant has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. Michael W. Clark, Peyton T. Muldoon and James R. Pierce, Jr. are members of the Registrant's audit committee.

**Item 6. Investments.**

(a) See Item 1.

(b) Not applicable.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.** The Registrant's Board has delegated all proxy voting decisions to Sprott Asset Management LP, the investment adviser to the Registrant (the Adviser). The Adviser has adopted written proxy voting policies and procedures for itself, the Fund, and any other client accounts for which the Adviser is responsible for voting proxies. From time to time, a vote may present a conflict between the interests of the Registrant's shareholders, on the one hand, and those of the Adviser, or any affiliated person of the Registrant or the Adviser, on the other. If the Adviser becomes aware of any material conflict of interest in voting proxies with respect to the Registrant, the Adviser shall notify the Board of Directors of the Registrant and request the Board's recommendations for protecting the best interests of Registrant's shareholders.

**PROXY VOTING POLICY AND PROCEDURES**

**I. STATEMENT OF POLICY**

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. When the Adviser has discretion to vote the proxies of its clients, it will vote those proxies in the best interest of its clients and in accordance with these policies and procedures.

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**II. VOTING GUIDELINES**

In the absence of specific voting guidelines from the client, the Adviser will vote proxies in the best interests of each particular client, which may result in different voting results for proxies for the same issuer. The Adviser believes that voting proxies in accordance with the following guidelines is in the best interests of its clients.

Generally speaking, the Adviser will vote in favor of the following proxy proposals:

- (i) electing and fixing number of directors
- (ii) appointing auditors
- (iii) ratifying director actions
- (iv) approving private placements exceeding a 25% threshold
- (v) changing a registered address
- (vi) authorizing directors to fix remuneration of auditors
- (vii) approving private placements to insiders exceeding a 10% threshold
- (viii) approving special resolutions to change the authorized capital of the company to an unlimited number of common shares without par value.

The Adviser will generally vote against any proposal relating to stock option plans that:

- (i) exceed 5% 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 that exceed 5% of the outstanding common shares at the date of the grant of applicable options; or
- (iii) reprices the stock option.

In certain cases, proxy votes may not be cast when the Adviser determines that it is not in the best interests of the client to vote such proxies.

The Adviser retains the discretion to depart from these policies on any particular proxy vote depending upon the facts and circumstances.

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(a)(1) Portfolio Managers of Closed-End Management Investment Companies (information as of December 31, 2017)

<b>Name</b>	<b>Title</b>	<b>Length of Service</b>	<b>Principal Occupation(s) During Past 5 Years</b>
W. Whitney George	Senior Portfolio Manager of Sprott Asset Management USA Inc.; Director of the Registrant	Since July 2002	Senior Portfolio Manager of Sprott Asset Management USA Inc. a registered investment adviser since March 2015; Senior Managing Director of Sprott Inc. since 2017. Prior thereto, Managing Director and Vice President of Royce & Associates, LLC.

(a)(2) Other Accounts Managed by Portfolio Manager and Potential Conflicts of Interest (information as of December 31, 2017)

**Other Accounts**

<b>Type of Account</b>	<b>Number of Accounts Managed</b>	<b>Total Assets Managed</b>	<b>Number of Accounts Managed for which Advisory Fee is Performance-Based</b>	<b>Value of Managed Accounts for which Advisory Fee is Performance Based</b>
Registered investment companies	0	\$ 0	0	\$ 0
Private pooled investment vehicles	1	\$ 55,048,932	1	\$ 55,048,932
Other accounts	0	\$ 0	0	0

**Conflicts of Interest**

The Portfolio Manager has day-to-day management responsibility for more than one account. This may create actual, potential or apparent conflicts of interest, as the Portfolio Manager may not be able to devote the same amount of time and attention to each account, or may give preferential treatment of one account over others in terms of allocation of resources or investment opportunities. The Portfolio Manager is subject to the policies and procedures of Sprott Asset Management USA Inc., the sub-adviser to the Registrant (the Sub-Adviser), that are intended to address conflicts of interest relating to the management of multiple accounts, including accounts that have different fee arrangements, and the allocation of investment opportunities. The Sub-Adviser reviews investment decisions of its investment personnel, including the Portfolio Manager, for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also compared to determine whether there are any unexplained significant discrepancies. In addition, the Sub-Adviser's procedures relating to the allocation of investment opportunities require that similar client accounts that are managed using the same investment

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strategy participate in investment opportunities generally based on available cash as a percentage of total assets under management in the account, subject to certain considerations and clients' respective investment guidelines and restrictions. The Portfolio Manager's compensation is generally not based on, or linked to, the specific performance of a particular client or the level of assets under management.

(a)(3) Description of Portfolio Manager Compensation Structure (information as of December 31, 2017)

The Portfolio Manager receives a fixed salary, plus a discretionary bonus that is determined based on a variety of factors, including the Portfolio Manager's contribution to the overall growth of the Sub-Adviser and its affiliates, leadership and other contributions to the Sub-Adviser. The Portfolio Manager's compensation is not specifically linked to the performance of the Registrant or any other particular client account, or the value of the assets held in the portfolio of the Registrant or any other particular client account.

(a)(4) Dollar Range of Equity Securities in Registrant Beneficially Owned by Portfolio Manager (information as of December 31, 2017)

The following table shows the dollar range of the Registrant's shares owned beneficially and of record by the Portfolio Manager, including investments by his immediate family members sharing the same household and amounts invested through any retirement and deferred compensation plans.

**Dollar Range of Registrant's Shares Beneficially Owned**

Over \$1,000,000

(b) Not Applicable.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.** Not applicable.

**Item 10. Submission of Matters to a Vote of Security Holders.** There have been no material changes to the procedures by which shareholders may recommend nominees to the Registrant's Board implemented after the Registrant last provided disclosure in response to this Item.

**Item 11. Controls and Procedures.**

(a) Disclosure Controls and Procedures. The Principal Executive and Financial Officers concluded that the Registrant's Disclosure Controls and Procedures are effective based on their evaluation of the Disclosure Controls and Procedures as of a date within 90 days of the filing date of this report.

(b) Internal Control over Financial Reporting. There was no change in the Registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

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**Item 12. Exhibits.** Attached hereto.

(a)(1) The Registrant's code of ethics pursuant to Item 2 of Form N-CSR.

(a)(2) Separate certifications by the Registrant's Principal Executive Officer and Principal Financial Officer as required by Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) Not applicable

(b) Separate certifications by the Registrant's Principal Executive Officer and Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and required by Rule 30a-2(b) under the Investment Company Act of 1940.

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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**SPROTT FOCUS TRUST, INC.**

By: /s/ Tom W. Ulrich

**Tom W. Ulrich**  
**President**

Date: March 12, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

**SPROTT FOCUS TRUST, INC.**

By: /s/ Tom W. Ulrich \_\_\_\_\_

\_\_\_\_\_  
**Tom W. Ulrich**  
**(Principal Executive Officer)**

Date: March 12, 2018

**SPROTT FOCUS TRUST, INC.**

/s/ Varinder Bhathal \_\_\_\_\_

By: \_\_\_\_\_  
**Varinder Bhathal**  
**(Principal Financial Officer)**

Date: March 12, 2018