



Sprott Global Infrastructure Fund

December 2017 Commentary

In 2017, the Sprott Global Infrastructure Fund generated a total return of 13.6% compared to the S&P Global Infrastructure Index, which generated a total return of 12.4%.

Returns in the month of December were disappointing on an absolute basis but decent on a relative basis, with the Fund generating a total return of -1.8% while the benchmark generated a total return of -3.5%. Canadian dollar strength in the final week of the year was the primary driver of weakness over the course of the month.

Through the end of calendar 2017, our USD exposure was unhedged, in line with our benchmark. Our modelling continues to indicate that the Canadian dollar is likely to weaken in 2018. However, recent oil price strength and rising expectations for interest rate hikes from the Bank of Canada has led to Canadian dollar strength. We are looking to add USD/CAD hedges early in 2018, perhaps as rhetoric surrounding NAFTA negotiations heats up, in order to reduce currency-related volatility in the Fund.

Top contributors to the 2017 performance of the Sprott Global Infrastructure Fund included Vinci (+125 bps), Visa (+114 bps) and Atlantia (+102 bps). Top detractors in 2017 included PG&E (-70 bps), Keyera (-60 bps) and Macquarie Infrastructure (-50 bps). Note that we have eliminated our positions in both PG&E and Macquarie due to stock-specific factors that led to the disappointing performance.

We have rebuilt a position in Comcast Corporation (CMCSA US), the media/content creator, cable broadcaster and broadband provider in the Sprott Global Infrastructure Fund. After releasing weaker than expected guidance at an investor conference last September, where an executive suggested that the Company expected to lose up to 150,000 video subscribers in the third quarter, the shares declined sharply, eventually falling to a level where the valuation simply became too attractive to ignore.

When the Company reported its full Q3 2017 financial results more than a month later, revenue met the adjusted expectations but earning per share came in significantly better than consensus estimates. Essentially, the financials demonstrated that Comcast was willing to give up video subscribers in a competitive environment to focus on more profitable broadband subscribers, thus boosting margins.

The results helped to alleviate investor fears related to the risk of accelerated cord-cutting and shifted the focus back toward positive tailwinds for the stock. Remember, as a full tax payer in the US (with an effective rate of 37% in fiscal 2016) Comcast is a prime beneficiary of the corporate tax reduction that has recently been passed by the current administration. Free cash flow growth could be significant in 2018, which bodes well for shareholder friendly initiatives such as share buybacks and dividend hikes.

Investment Team



Jeff Sayer, CFA
Vice President, Portfolio
Manager

The Sprott Global Infrastructure Fund was concentrated in 30 positions as at December 31, 2017 with the top 10 holdings accounting for approximately 41.6% of the fund. Over the past year, 24 out of our 30 holdings have announced a dividend increase, with an average hike of 13.4%. Using a total infrastructure approach, we will continue to apply a disciplined investment process, balancing valuation, growth and yield in an effort to generate solid risk-adjusted returns.

Jeffrey Sayer, CFA

¹ All returns and fund details are a) based on Series F units; b) net of fees; c) annualized if period is greater than one year; d) as at December 29, 2017; e) 2011 annual returns are from 09/01/11 to 12/31/11. The index is 100% MSCI World Core Infrastructure NR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information.

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