Sprott Global Real Estate Fund

January 2018 Commentary

Investment Team

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In January 2018, the Sprott Global Real Estate Fund generated a total return of 0.02% (Series F) compared to the FTSE EPRA/NAREIT Developed Index, which generated a total return of -2.27% in CAD.

Returns in the first month of the year were disappointing on an absolute basis but good on a relative basis. From a broader perspective, the traditional interest rate-sensitive sectors (telecommunications, real estate and utilities) have been under pressure since last December, as the US 10-year Treasury yield rallied above 2.40%. By late January, with the US 10-year Treasury yield approaching 2.85% driven by fears of rising inflation and accelerated FED tightening, the broader equity markets had joined the correction. However, it is important to remember that global economic data remains positive and 2018 expected earnings growth looks to be exceptional. Therefore, we don't expect anything more than a sharp but normal mid-cycle correction to play out in the markets.

At the beginning of the year, 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 accelerating global growth has led to US dollar weakness. On counter-trend rallies we have begun to add USD/CAD hedges in order to reduce currency-related volatility in the Fund in 2018.

Top contributors to the January performance of the Sprott Global Real Estate Fund included Pure Industrial REIT (+58 bps), Icade (+30 bps) and Interxion Holdings (+21 bps). Top detractors in January included Hudson Pacific Properties (-32 bps), Brookfield Asset Management (-21 bps) and Killam Apartment REIT (-19 bps). As we discussed last month, Pure Industrial was the target of a takeover offer from Blackstone Property Partners and we have subsequently sold our position into the open market.

Our total real estate approach allows the purchase of real estate and real estate-related equities, not just traditional real estate investment trusts. This mandate gives us the flexibility to construct a differentiated real estate portfolio that is less sensitive to rising rates unlike many of our peers.

We recently added shares of MGM Resorts International (MGM US), the well-known casino owner and operator, with a total of 14 resorts in the United States. In addition to the gaming and non-gaming services revenue, MGM has retained direct ownership of the MGM Grand Las Vegas, the Bellagio and the Circus Circus Las Vegas resorts and therefore clearly falls within our real estate mandate. Further, MGM controls MGM Growth Properties, a publically traded REIT, through its 76% stake in the REIT's operating partnership.   Finally, MGM owns a 56% stake in MGM China and is set to open MGM Cotai in time for the 2018 Chinese New Year's celebrations, which should act as a positive catalyst for the stock.

The Sprott Global Real Estate Fund was concentrated in 25 positions as at January 31, 2018 with the top 10 holdings accounting for approximately 45.1% of the fund. Over the past year, 16 out of our 25 holdings have announced a dividend increase, with an average hike of 26.2%. Using a total real estate 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

Effective February 7, 2017 the Sprott Global REIT & Property Equity Fund's name was changed to Sprott Global Real Estate Fund, subsequently on August 1, 2017 becoming Ninepoint Global Real Estate Fund.

[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 January 31, 2018; e) 2015 annual returns are from 08/04/15 to 12/31/15. The index is 100% MSCI World IMI Core Real Estate NR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information.

The Fund is generally exposed to the following risks. See the Simplified Prospectus of the Fund for a description of these risks: capital depletion risk, concentration risk, credit risk, currency risk, cybersecurity risk; derivatives risk, emerging markets risk, equity real estate investment trust (REIT) risk, exchange traded funds risk, foreign investment risk, income trust risk, inflation risk, interest rate risk, liquidity risk, market risk, real estate risk, regulatory risk, series risk, short selling risk, specific issuer risk, tax risk.

than normal course investment advisory or trade execution services from the issuers mentioned in this report.

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