



# Sprott Real Asset Class

Sprott Corporate Class Inc.

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

# 2016

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The annual management report of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's financial statements. This report contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-866-299-9906, by visiting our website at [www.sprott.com](http://www.sprott.com) or SEDAR at [www.sedar.com](http://www.sedar.com) or by writing to us at: Sprott Asset Management LP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario M5J 2J1. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The investment objective of Sprott Real Asset Class (the “Fund”) is to seek to provide total return over the long term by investing primarily in a portfolio of mutual funds that are managed by the Manager, its associates or its affiliates in various real asset sectors of the global economy as well as direct investments. The Fund may also invest directly in equity securities and/or exchange-traded funds operating in, or providing exposure to, the real asset sector.

To achieve these objectives, the Fund’s sub-advisor allocates the Fund’s assets among the infrastructure, timber and agriculture sectors within specified ranges. These ranges are designed to allow the sub-advisor to vary the weighting of the Fund’s portfolio within the real asset sector to meet the investment objective as it considers appropriate in a variety of market environments.

### Risk

The Fund is primarily a fund-of-funds. As a result, the risks of investing in the Fund include both the risks of investing in the Fund and the risks of investing in the underlying funds, which the Fund takes on in proportion to its investment in those underlying funds. The risks of investing in the Fund are detailed in the Fund’s simplified prospectus. Refer to the prospectuses of the underlying funds for details of the risks of investing in those funds. The Fund is suitable for those investors seeking long-term capital growth with a medium tolerance for risk. There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period.

### Results of Operations and Recent Developments

The Fund, Series A, returned 6.6% in 2016.

At the end of the year, the Fund’s investment allocations were to the Sprott Global Real Estate Fund (formerly the Sprott Global REIT & Property Equity Fund), Sprott Global Infrastructure Fund, and cash. Throughout 2016, the Fund also held the Sprott Timber Fund and the Sprott Global Agriculture Fund. In December 2016, the Sprott Timber Fund and the Sprott Global Agriculture Fund were merged into the Sprott Global REIT & Property Equity Fund, and that fund’s name was changed to the Sprott Global Real Estate Fund, with a new team managing both that portfolio, and the Sprott Global Infrastructure Fund.

The largest contributor to the Fund’s performance, and the second largest allocation to the Fund, was the Sprott Global Infrastructure Fund. This fund benefited from consolidation among Energy players and their stronger pricing power, particularly in pipelines, due to its overweight position in the sector. The Sprott Global Infrastructure Fund held a market weight position in Industrials, which advanced broadly. Positions in Waste Connections and Waste Management were significant positive contributors. The fund’s investments in Utilities underperformed, due to their negative correlation in a tightening interest rate environment, however they were nevertheless net contributors, on an absolute basis.

Over the year, Sprott Global Agriculture Fund also contributed positively to Fund performance, with top performers including Deere & Co., a manufacturer agricultural, construction and forestry machinery, and Archer Daniels Midland Company, a global food processing and commodities trading company. Sprott Timber Fund was another net contributor, driven by growth in Potlatch Corp., a diversified forest products company, and Westrock Company, a manufacturer of containerboard and packaging materials.

The Sprott Global Real Estate Fund represented the Fund’s largest portfolio allocation, and that fund’s mandate shifted from a U.S. to a global focus, with a strategy of investing in more cyclical REITs, REOCs, and real estate-related companies in the U.S., combined with traditional REITs and REOCs outside of the U.S. The objective was to help insulate the portfolio from rising rates in the U.S. should the new U.S. administration’s policies drive inflation and rates higher. Industrial and Specialized REITs contributed the most to the Sprott Global Real Estate Fund’s performance during 2016. The latter category consisted primarily of data centers which continued to benefit from the rise of e-commerce, social media, the cloud and the general demand for more data and storage.

The net asset value of the Fund remained flat at \$20.5 million from December 31, 2015 to December 31, 2016. The management expense ratio increased from the prior period.

## Related Party Transactions

### MANAGEMENT AND INCENTIVE FEES

The annual management fee payable by the Fund to the Manager is 2.25% for Series A shares, 1.25% for Series F and as negotiated by the shareholders of Series I. To the extent that an underlying fund that is a Sprott mutual fund and pays a management fee to the Manager, the Fund does not duplicate management fees with respect to the investment in the underlying Sprott funds. The management fee is calculated and accrued daily and payable monthly based on the daily net asset value of the Fund. For the year ended December 31, 2016, the Fund incurred management fees of \$338,274 (including taxes). The breakdown of the services received in consideration of the management fees, as a percentage of management fees, is as follows:

	Portfolio Advisory	Trailing Commissions
Sprott Real Asset Class – Series A	59%	41%
Sprott Real Asset Class – Series F	100%	–

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$2,083 during the year ended December 31, 2016, to Sprott Private Wealth LP, an affiliate of the Manager.

There is no incentive fees charged to the Fund directly; however, the underlying Sprott funds may pay the Manager annually an incentive fee, calculated in accordance with the simplified prospectus of the underlying funds.

### OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, filing and administrative expenses as well as shareholder reporting costs. The Manager pays certain of these expenses on behalf of the Fund and then is reimbursed by the Fund. At its sole discretion, the Manager may waive or absorb a portion of the operating expenses of the Fund. Amounts waived or absorbed by the Manager are reported in the Statements of Comprehensive Income. Waivers or absorptions can be terminated at any time without notice. The Manager did not absorb any expenses during the year ended December 31, 2016.

### OTHER RELATED PARTY TRANSACTIONS

The Fund relied on the approval, positive recommendation or standing instruction from the Fund's Independent Review Committee with respect to any related party transactions.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years shown.

The Fund's Net Assets per Share<sup>1</sup>

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014 <sup>4</sup>
	\$	\$	\$
<b>Series A</b>			
Net assets, beginning of period	9.84	10.45	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	1.80	0.32	0.14
Total expenses	(0.33)	(0.30)	(0.12)
Realized gains (losses) for the period	(0.38)	(0.02)	–
Unrealized gains (losses) for the period	(0.63)	(0.74)	0.61
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.46</b>	<b>(0.74)</b>	<b>0.63</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
Return of capital	0.32	0.34	0.16
<b>Total annual distributions<sup>3</sup></b>	<b>0.32</b>	<b>0.34</b>	<b>0.16</b>
<b>Net assets, end of period</b>	<b>10.15</b>	<b>9.84</b>	<b>10.45</b>
<b>Series F</b>			
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014 <sup>4</sup>
	\$	\$	\$
Net assets, beginning of period	9.99	10.49	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	1.33	0.31	0.14
Total expenses	(0.22)	(0.19)	(0.07)
Realized gains (losses) for the period	(0.39)	(0.00)	–
Unrealized gains (losses) for the period	(0.31)	(0.48)	0.59
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.41</b>	<b>(0.36)</b>	<b>0.66</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
Return of capital	0.32	0.34	0.16
<b>Total annual distributions<sup>3</sup></b>	<b>0.32</b>	<b>0.34</b>	<b>0.16</b>
<b>Net assets, end of period</b>	<b>10.42</b>	<b>9.99</b>	<b>10.49</b>

1 This information is derived from the Fund's audited annual financial statements.

2 The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. Net assets and distributions are based on the actual number of shares outstanding at the relevant time. This table is not intended to be a reconciliation of beginning to ending net assets per share.

3 Distributions were reinvested in additional shares of the Fund.

4 Information provided is for the period from July 17, 2014 (launch date) to December 31, 2014.

# Sprott Real Asset Class

December 31, 2016

## Ratios and Supplemental Data

	<b>Dec 31, 2016</b>	Dec 31, 2015	Dec 31, 2014
<b>Series A</b>			
Total net asset value (000s) <sup>1</sup>	<b>\$16,258</b>	\$12,072	\$5,564
Number of shares outstanding <sup>1</sup>	<b>1,602,237</b>	1,227,132	532,632
Management expense ratio <sup>2</sup>	<b>4.23%</b>	3.25%	3.07%
Management expense ratio before waivers or absorptions <sup>3</sup>	<b>4.23%</b>	3.25%	3.81%
Trading expense ratio <sup>4</sup>	<b>0.05%</b>	0.02%	0.02%
Portfolio turnover rate <sup>5</sup>	<b>28.62%</b>	40.12%	–
Net asset value per share <sup>1</sup>	<b>\$10.15</b>	\$9.84	\$10.45
<b>Series F</b>			
Total net asset value (000s) <sup>1</sup>	<b>\$4,198</b>	\$8,421	\$10,866
Number of shares outstanding <sup>1</sup>	<b>402,815</b>	843,265	1,035,841
Management expense ratio <sup>2</sup>	<b>2.99%</b>	2.12%	2.06%
Management expense ratio before waivers or absorptions <sup>3</sup>	<b>2.99%</b>	2.12%	3.09%
Trading expense ratio <sup>4</sup>	<b>0.05%</b>	0.02%	0.02%
Portfolio turnover rate <sup>5</sup>	<b>28.62%</b>	40.12%	–
Net asset value per share <sup>1</sup>	<b>\$10.42</b>	\$9.99	\$10.49

1 The information is provided as at December 31 of the years shown.

2 Management expense ratio (“MER”) is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The Fund’s MER includes proportionate share of the MER of each underlying fund in which the Fund has invested.

3 The Manager may waive or absorb a portion of the operating expenses of the Fund. Waivers and absorption can be terminated at any time.

4 The trading expense ratio (“TER”) represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The TER includes dividend expense and securities borrowing expense paid by the Fund in connection with securities sold short. As a result of the Fund’s investment in the Underlying Funds, the TER includes costs that are indirectly incurred by the Fund attributable to its investment in each of the Underlying Funds.

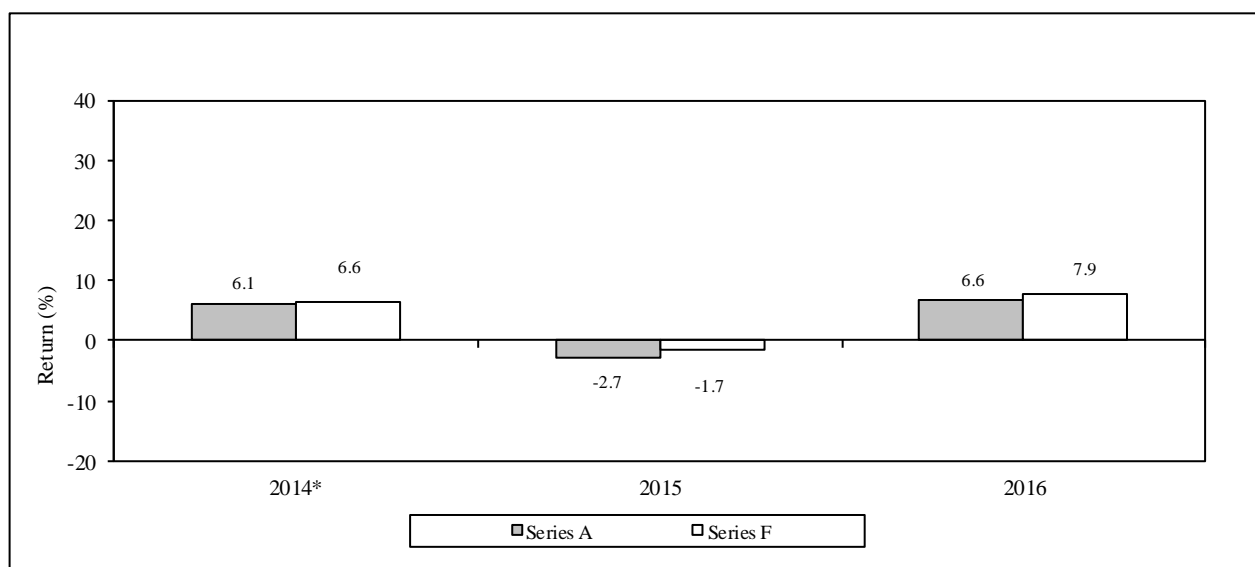
5 The Fund’s portfolio turnover rate indicates how actively the Fund’s portfolio advisor trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund’s portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

## Past Performance

The indicated rates of return are the historical total returns including changes in share values and assume reinvestment of all distributions in additional shares of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any shareholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of returns are calculated based on the Net Asset Value of the particular Series of the Fund.

### Year-by-Year Returns

The following chart indicates the performance of each Series of the Fund for each of the previous twelve-month periods ended December 31 shown, unless otherwise noted. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each period.



\* Return from July 17, 2014 to December 31, 2014 (not annualized).

### Annual Compound Returns

The following table illustrates the annual compound total return for Series A and F shares of the Fund for the periods shown. As a basis of performance comparison, the annual compound return of the Fund is compared to that of Consumer Price Index plus 3%. The Consumer Price Index tracks the changes in the prices paid by urban consumers for a representative basket of goods and services. Since the Fund does not necessarily invest in the same securities or in the same proportion as the index, the performance of the Fund is not expected to equal its performance.

	1-Year	Since Inception*
Sprott Real Asset Class – Series A	6.6%	4.0%
Sprott Real Asset Class – Series F	7.9%	5.1%
Consumer Price Index plus 3%	5.2%	3.9%

\* Since launch date of July 17, 2014. The annual compound return for Series I shares is not shown as no shares of that series were held as of December 31, 2016.

## Summary of Investment Portfolio

As at December 31, 2016

Portfolio Allocation	% of Net Asset Value	All Long Positions	% of Net Asset Value
Long Positions		Sprott Global Real Estate Fund, Series I	46.8
Mutual Funds	62.8	Cash	36.9
Total Long Positions	62.8	Sprott Global Infrastructure Fund, Series I	16.0
Cash	36.9	All long positions as a percentage of net asset value	99.7
Other Net Assets	0.3		
Total Net Asset Value	100.0		

The Fund held no short positions as at December 31, 2016.

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available on the Internet at [www.sprott.com](http://www.sprott.com). In addition, the simplified prospectus and other information about the underlying funds are available on the internet at [www.sprott.com](http://www.sprott.com) or [www.sedar.com](http://www.sedar.com)

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## Corporate Information

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