SPROTT FOCUSED STRATEGY

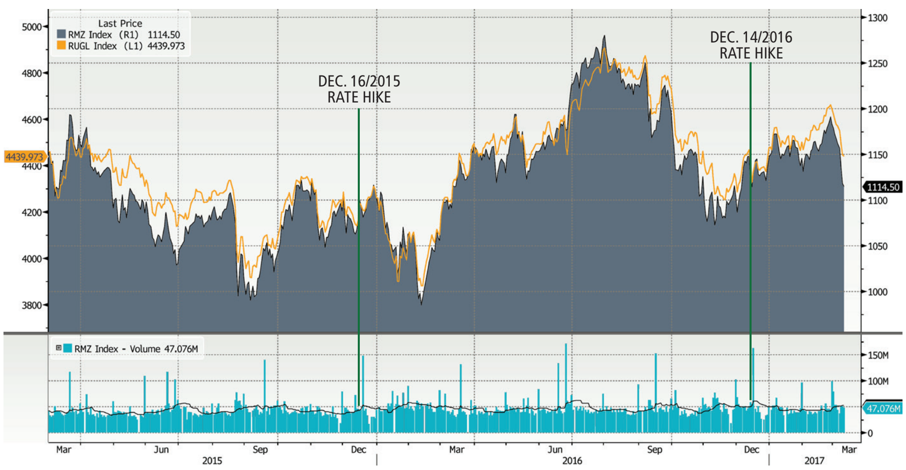
Global Real Estate Outlook 2017

Portfolio Re-Positioning

We assumed lead manager duties of this fund on October 11, 2016. One of the first things we did was rename the product the Sprott Global Real Estate Fund, to more accurately reflect the investment activity within the fund. This is NOT a REIT Fund, it is a Real Estate Fund – the differences will become clear as we outline the changes to the investment process and holdings.

When we took over the fund it had 60+ North American positions (almost exclusively REITs) and a small cash position. We believe in running concentrated portfolios of high quality businesses, purchased when they offer us enough return for the risk we are exposed to. So it should surprise no one that we immediately reduced the number of positions in the portfolio. At one point the fund was over 70% cash as we eliminated positions with low expected returns.

The Federal Reserve Bank ("Fed") was widely expected to hike the Federal Funds Rate ("Fed Rate") by 25bps at its meeting on December 16th 2015. However, global real estate troughed a full month before the rate hike and actually appreciated into the meeting date and rate hike. We expected similar behavior in the fall/winter of 2016 so we raised a significant amount of cash in October, prior to the trough. We added to our positions during the month of November and were rewarded in December as the same pattern emerged and real estate rallied into the rate hike.



Source: Bloomberg.

Dennis Mitchell
Senior Vice-President,
Senior Portfolio Manager

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Bloomberg had the odds of a hike to the Fed Rate on March 15th at 100%. However, the odds began to rise on February 27th, from 50% and continued to rise after the US President's speech to Congress. This coincided with the short term peak in global real estate prices (February 27th) and would establish February 1st as the short term trough. Again, more than a full month before the actual rate hike. Accordingly, we were putting capital to work ahead of what we now see as the first of three 25bps rate hikes in 2017 by the Federal Reserve. The table below captures the opportunities in the past and the one we feel we are currently in.

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GLOBAL REAL ESTATE TRADING ACTIVITY

DATE	MARKET ACTIVITY	GLOBAL REAL ESTATE	TROUGH TO RATE HIKE RETURN	US REAL ESTATE	TROUGH TO RATE HIKE RETURN
13-NOV-2015	Trough	4,112.41		1,657.26	
16-DEC-2015	Rate Hike	4,235.00	3.0%	1,743.06	5.2%
10-NOV-2016	Trough			1,764.90	
21-NOV-2016	Trough	4,253.03			
14-DEC-2016	Rate Hike	4,404.53	3.6%	1,851.14	4.9%
1-FEB-2017	Trough	4,465.84		1,879.67	
15-MAR-2017	Rate Hike	4,497.41	0.7%	1,899.86	1.1%

Note: Global Real Estate as measured by the FTSE EPRA NAREIT Global Developed Market Total Return Index in US $. US Real Estate as measured by the MSCI US REIT Total Return Index in US $.
Source: Bloomberg.

This chart and our trading activity also highlight the opportunity to put capital to work now as opposed to waiting for the rate hikes and weakness afterwards. We have the ability and the willingness to tactically manage our cash positions to take advantage of this market volatility and preserve capital in difficult environments.

Portfolio Overview

The capital in the Sprott Global Real Estate Fund has effectively been segregated into two distinct buckets – the US and the Rest of the World. In the US, greater growth and inflation expectations are driving up short and long rates and impacting valuations. The only offset to rising rates is growth, whether the company is a REIT, Utility, Financial or Consumer Staple. So-called "bond proxies" underperform because of their lack of growth and so in the US, we seek real estate businesses with superior growth potential to offset rising rates. Datacentre and Tower REITs are a prime example of Specialized REITs with stronger growth potential. Both sectors are exposed to several global macro trends (digitization, social media, e-commerce, cloud computing) that drive utilization and pricing for datacenters and cell towers. Accordingly, we expect these REITs to generate strong growth and superior fundamental operating performance in a rising growth and rate environment.

American Tower ("AMT") is a great example of this phenomenon. As the largest, publicly-traded tower REIT, it is exposed to all of the global macro trends I mentioned earlier. The portfolio is 30% global (Latin America, South America, Africa and Asia) which also enhances its growth rate. The diagram below shows the long term growth rate of AMT's key operating metrics. There is nothing "bond-like" about a 15.6%, 10 year AFFO/share growth rate and it is this level of growth that should insulate AMT from much of the damage caused by rising rates. Indeed, if economic activity is set to accelerate, then AMT's growth rate should also accelerate on increased business investment and consumer spending.

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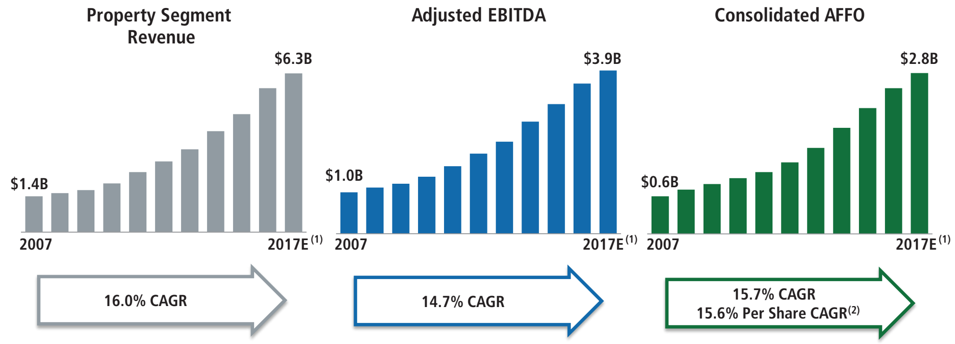


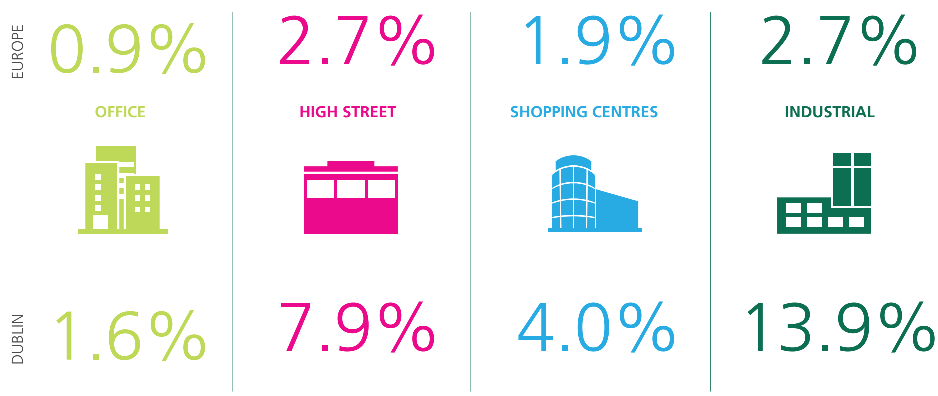
Source: American Tower.

(1) 2017E reflects midpoint of 2017 outlook, as reported in the Company's 8 -K, dated February 27, 2017.

(2) Assumes 2017 weighted average share count equal to the Q4 2016 weighted average diluted share count of 429.9 million shares.

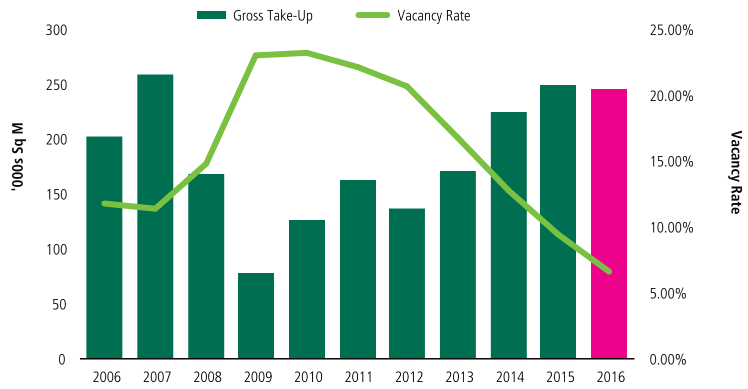
The Rest of the World portion of our portfolio is more traditional since every other Central Bank appears to be easing or holding policy rates flat. In such an environment, traditional REITs (retail, office, industrial) tend to deliver strong results and the potential for outperformance exists where property fundamentals are robust. The European Central Bank ("ECB") continues to purchase €80B of bonds each month, providing material monetary stimulus and keeping long bond yields low. In this accommodative monetary policy environment, Ireland has rolled out material fiscal stimulus to attract investment and jobs. The result has been Real GDP growth of 3% to 4% and a strong recovery in the commercial real estate market.

PRIME RENTAL GROWTH FORECASTS 2017



Source: CBRE Research.

DUBLIN OFFICE TAKE-UP & VACANCY RATE 2006 – 2016



Source: CBRE Research, Q4 2016.

"In 2016 Green REIT delivered 37% EPRA EPS growth driven by rent growth, yield compression, acquisitions and development."

Green REIT is Ireland's largest REIT with 93% of its assets in Dublin. Its assets are 79% office and 12% retail with 93% of the assets classified as Prime quality. The strong recovery in the Irish economy has seen office vacancy fall below pre-crisis levels. There is still room for vacancy to fall further and several financial institutions in the UK have mentioned Dublin as a possible destination for employees they relocate after Brexit. In 2016 Green REIT delivered 37% EPRA EPS growth driven by rent growth, yield compression, acquisitions and development. Trading at an approximate 16% discount to NAV means that despite this strong operating performance, there is still material upside to the stock.

Portfolio Outlook

"According to UBS, global developed market real estate is trading at a 7% discount to NAV. Combined with the 3.7% yield, global real estate appears to offer 10%+ total returns for 2017."

According to UBS, global developed market real estate is trading at a 7% discount to NAV. Combined with the 3.7% yield, global real estate appears to offer 10%+ total returns for 2017. This assumes no additional rate hikes, inflation or political upheaval.

The Sprott Global Real Estate Fund is concentrated into 24 names, with the top 10 accounting for approximately 42% of the fund. In the last 12 months, 19 of these companies have increased their dividend or distribution with a mean increase of 9.1%. At 36.9% of the portfolio, we are underweight US real estate yet still overweight in Specialized REITs with superior growth potential. The rest of the portfolio is split between more traditional REITs and REOCs in Canada (25.6%) and Europe (27.2%).

The Fed is poised to raise rates three times for a total increase of 75bps in 2017. This will create volatility in the US real estate market, and global real estate ETFs will spread this to other global real estate companies. This volatility will create attractive opportunities to allocate capital for strong, long term returns. We will continue to tactically manage our cash positions and overweight small and mid-cap real estate businesses to benefit from this volatility and enhance returns.

Thanks and **Stay Focused**.

www.sprott.com

Sprott Asset Management LP: Toll Free: 1.866.299.9906. DEALER SERVICES: RBC Investor & Treasury Services: Tel: 416.955.5885; Toll Free: 1.877.874.0899.

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