SPROTT
FOCUSED
STRATEGY

Global Infrastructure Outlook 2017

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Portfolio Re-Positioning

We assumed lead manager duties of this fund on October 11, 2016. When we took over the fund it held 40+ primarily North American positions and had a small cash weighting. The fund closely mimicked the S&P Global Infrastructure Index in that it was approximately 43% Energy, 34% Industrials and 21% Utilities. We believe in an expanded definition of Infrastructure so we turned over the fund holdings and expanded the number of sectors that are represented in the fund. Today the fund holds 31 positions across eight different sectors and the Energy and Utilities weightings have been reduced to 16% and 15% respectively.

Infrastructure is one of those terms that is widely used to describe a number of services, structures and businesses. A quick Google search (ironically, one of our holdings!) reveals several definitions that aggregate to "…the basic physical and organizational structures and facilities (e.g. buildings, roads, and power supplies) needed for the operation of a society or enterprise…". We agree with this definition but would add several qualifications to ensure that the "infrastructure" companies that we invest in have the ability to deliver the consistent returns we seek.

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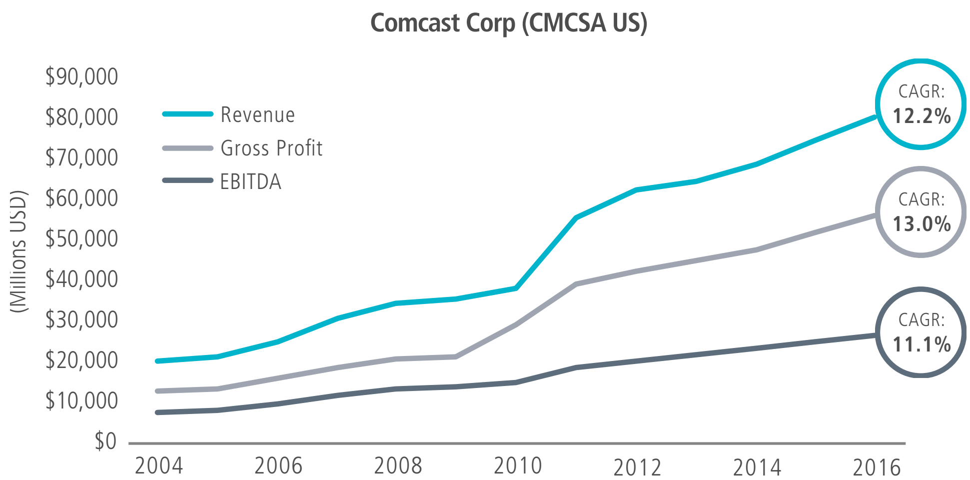
First, these firms should provide an essential, largely non-discretionary service to large groups of users (electricity, water, transportation). The supply of this service should be limited in some fashion (regulated monopoly, oligopoly, abnormally high barriers to entry, public good) to ensure consistent returns. For our purposes, there should be some ability for management to drive higher returns in the business to protect against rising inflation and interest rates (regulated asset base growth, sensitivity to inflation, demand or volume growth, development). Using this framework we have expanded the traditional infrastructure investment candidates (regulated utilities, toll roads, airports, pipelines, telecom, railroads) to include companies in many non-traditional industries (stock exchanges, payments networks, REITs, digital search, logistics, solid waste disposal).

The greater sectoral diversification should increase the fund's leverage to rising growth and help insulate it from rising rates and inflation. The resulting change in risk-return should also see the Sharpe ratio of the fund increase. The Sprott Global Infrastructure Fund is now more of a concentrated global dividend fund as opposed to a sector fund (eight sectors up from three) and so a better choice as part of the core allocation of an investor's portfolio.

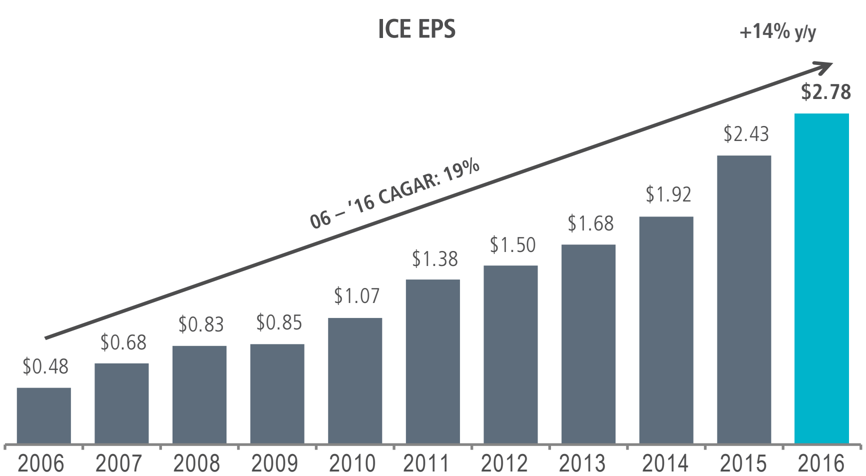
Portfolio Overview

The capital in the Sprott Global Infrastructure Fund has been diversified into eight of the eleven Global Industry Classification Sectors. In Consumer Discretionary we have added Comcast Corp, a global media and technology firm with two primary businesses – Comcast Cable and NBCUniversal. Comcast is one of the largest providers of video, high-speed internet and telephony services to residential and business customers through its XFINITY platform. Few would argue that in 2017 high speed internet is a vital component of a nation's communications and technology infrastructure.



Source: Bloomberg

In Financials we have added Intercontinental Exchange Inc., the owner and operator of the New York Stock Exchange and numerous futures exchanges and clearing houses globally. We would make the case that the NYSE remains the dominant exchange for global companies to source equity capital. While other exchanges exist and have taken share, Intercontinental continues to provide a vital piece of financial service infrastructure, connecting businesses and investors.



Source: Intercontinental Exchange Inc., March 2017

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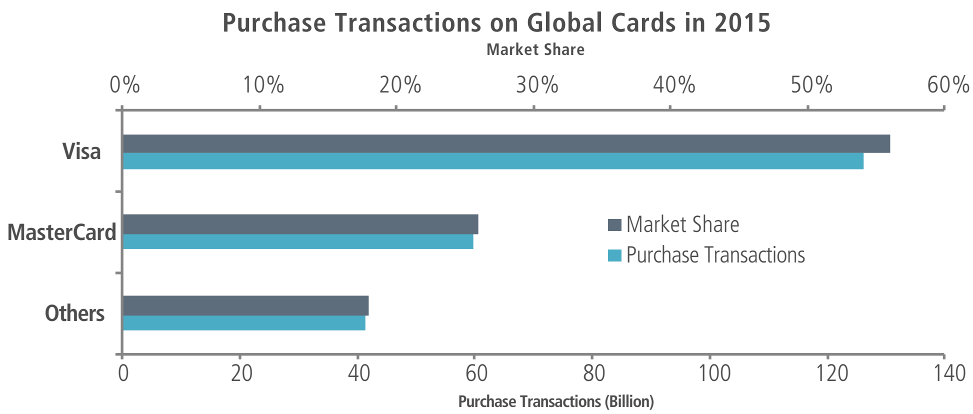
Many investors are surprised to learn that Visa Inc. and MasterCard Inc. are Information Technology firms and not Financials firms. When a consumer pays for a good or service with a Visa or MasterCard, the consumer is not borrowing from Visa or MasterCard. They are borrowing from the financial institution which issued the card. The transaction is then executed over the VisaNet or MasterCard networks. Combined, Visa and MasterCard accounted for approximately 82% of all global purchase transactions in 2015. Most consumers in developed markets have made the switch from cash to plastic, ironically making Visa and MasterCard vital components of the global financial services infrastructure network.



Source: The Nilson Report, May 9, 2016

Equinix Inc. is the largest owner, operator and manager of data centres in the world. Data centres are vital pieces of infrastructure for companies from numerous industries that require secure storage of data. Equinix tenants include Facebook, Amazon, Google, Verizon, Oracle, AT&T, Comcast, Salesforce.com, Caterpillar, GE, NASDAQ, Bloomberg and the NYSE. As social media, e-commerce, machine learning, the internet-of-things, big data and other macro trends drive the need for more data storage, Equinix will continue to provide essential technology infrastructure for companies across the globe.

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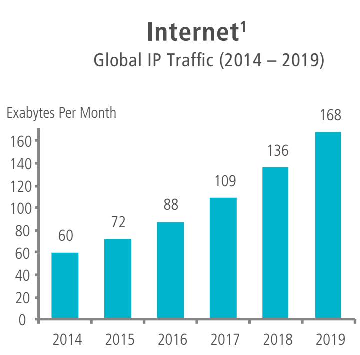

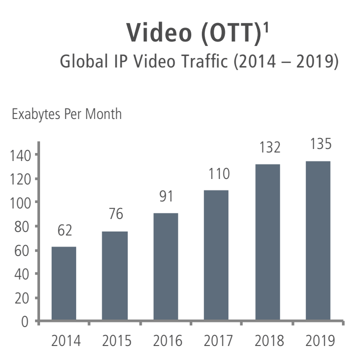

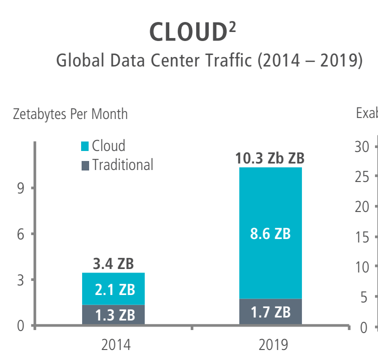

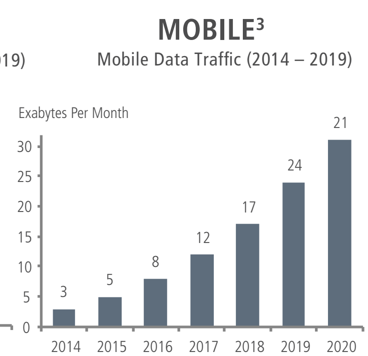

[1] Source: Cisco Visual Networking Index; Forecast and Methodology, 2014-2019
[2] Source: Cisco Global Cloud Index, 2015
[3] Source: Cisco Visual Networking Index; Global Mobile Data Traffic Forecast Update, 2015-2020

Portfolio Outlook

As a concentrated global dividend fund, the Sprott Global Infrastructure Fund should generate returns that approximate that of the S&P Global Infrastructure Index (our benchmark) and the MSCI World Index (our global equity benchmark). As such, the outlook for the fund in 2017 is robust as US and European corporate earnings inflect out of a recession in 2016, and recover on the back of fiscal stimulus, de-regulation and political stability.

The Sprott Global Infrastructure Fund is concentrated into 31 names with the top 10 accounting for approximately 35% of the fund. In the last 12 months, 29 of these companies have increased their dividend or distribution with a mean increase of 11%. At 15% of the portfolio, we are significantly underweight Utilities which should underperform in a rising rate environment.

The Federal Reserve Bank is poised to raise rates three times for a total increase of 75bps in 2017. The resulting volatility will create attractive opportunities to allocate capital for strong, long term returns. We will continue to tactically manage our cash positions and overweight global infrastructure businesses with proven leverage to global growth in order to generate superior risk-adjusted returns.

Thanks and **Stay Focused**.

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