



# Sprott Global Real Estate Fund

*(formerly, Sprott Global REIT and Property Equity Fund)*

---

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2016

---

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.

---

---

## Management Discussion of Fund Performance

### Investment Objective and Strategies

The objective of the Sprott Global Real Estate Fund (formerly Sprott Global REIT and Property Equity Fund) (the “Fund”) is to provide stable monthly cash distribution and long-term total return through capital appreciation by providing exposure to the global real estate securities market. The Fund invests primarily in real estate investment trusts (“REITs”), equity-based securities of companies in the global real estate sectors (residential and commercial) and structured products that hold real estate related investments.

As part of its investment strategy, the Fund may:

- invest across all geographical sectors; and
- engage in short selling up to 20% of the Fund’s total net asset value as a result of special relief it obtained from Canadian securities regulators.

### Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus. This Fund is suitable for those investors seeking a regular monthly target distribution and long-term capital appreciation through exposure to the global real estate industry and has a medium risk tolerance and who are prepared to invest for medium to long periods of time.

### Results of Operations and Recent Developments

The Fund, Series A gained 2.0% during 2016, compared to its benchmark FTSE EPRA/NAREIT Developed Total Return Index, which returned 1.9% for the same period.

The Fund’s performance was driven in large part by changes in bond yields. Bond yields decreased during the first six months, which drove up the relative value of real estate. Bond yields reversed course during the latter part of 2016, as the benchmark U.S. 10-year Treasury rebounded from a trough of 1.36% in July, to close the year at 2.44%.

As a result, the portfolio’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 administration’s policies drive inflation and rates higher.

Industrial and Specialized REITs contributed the most to the 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.

Detractors included Health Care REITs, which suffered due in part to uncertainty over the future of the Affordable Care Act. This trend was aggravated by the fact that Health Care REITs are largely structured as “triple net” leases, which have greater sensitivity to rising interest rates.

Digital Realty Trust and DuPont Fabros Technology – both data center REITs which saw secular growth and increased valuations – were major individual contributors to the Fund’s performance. Prologis, an industrial REIT which benefitted from strong industrial fundamentals and income growth, also contributed.

Performance detractors included Public Storage, which came under pressure due to supply growth in the sector. HCP and Welltower, both Healthcare REITs, also caused some drag, due to rising interest rates and uncertainty related to U.S. Healthcare reform.

At the end of 2016, the Sprott Timber Fund and the Sprott Global Agriculture Fund were merged into the Sprott Global REIT & Property Equity Fund, and Fund's name was changed to the Sprott Global Real Estate Fund with a new team managing the portfolio.

The Fund’s net asset value increased from \$349 thousand as at December 31, 2015 to \$17.6 million as at December 31, 2016. This change was predominantly due to net share issuances of \$17.2 million. The management expense ratio increased compared to the prior period.

# Sprott Global Real Estate Fund

December 31, 2016

---

## Related Party Transactions

### MANAGEMENT FEES

The Fund pays a management fee to the Manager, at an annual rate of 2.0% for Series A units, 1.0% for Series F units and as negotiated by the unitholders for Series I. The management fee is calculated and accrued daily and is paid monthly based on the daily net asset value of that series of the Fund. For the year ended December 31, 2016, the Fund incurred management fees of \$12,492 (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 Global Real Estate Fund – Series A	49%	51%
Sprott Global Real Estate Fund – Series F	87%	13%
Sprott Global Real Estate Fund – Series I	100%	–

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$2,412 during the year ended December 31, 2016 to Sprott Private Wealth LP, an affiliate of the Manager.

### OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, trustee, filing and administrative expenses. At its sole discretion, the Manager may waive or absorb a portion of the operating expenses of certain Funds. Amounts waived or absorbed by the Manager are reported in the Statements of Comprehensive Income. Waivers or absorptions are at the manager's discretion and can be terminated at any time without notice. For the year ended December 31, 2016, the Manager absorbed \$85,382 of expenses.

### OTHER RELATED PARTY TRANSACTIONS

For related party transactions, the Fund relied on the approval, positive recommendation or standing instruction from the Fund's Independent Review Committee.

# Sprott Global Real Estate Fund

December 31, 2016

## 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 Unit<sup>1</sup>

	Dec 31, 2016	Dec 31, 2015 <sup>4</sup>
	\$	\$
Series A		
Net assets, beginning of period	10.87	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.20	0.10
Total expenses	(0.42)	(0.09)
Realized gains (losses) for the period	0.45	0.06
Unrealized gains (losses) for the period	0.46	1.13
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.69</b>	<b>1.20</b>
<b>Distributions:</b>		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	0.04
Return of capital	0.38	0.10
<b>Total annual distributions<sup>3</sup></b>	<b>0.38</b>	<b>0.14</b>
<b>Net assets, end of period</b>	<b>10.70</b>	<b>10.87</b>
	Dec 31, 2016	Dec 31, 2015 <sup>4</sup>
	\$	\$
Series F		
Net assets, beginning of period	10.92	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.22	0.10
Total expenses	(0.24)	(0.05)
Realized gains (losses) for the period	0.35	0.14
Unrealized gains (losses) for the period	0.25	0.62
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.58</b>	<b>0.81</b>
<b>Distributions:</b>		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	0.04
Return of capital	0.38	0.10
<b>Total annual distributions<sup>3</sup></b>	<b>0.38</b>	<b>0.14</b>
<b>Net assets, end of period</b>	<b>10.84</b>	<b>10.92</b>

# Sprott Global Real Estate Fund

December 31, 2016

Series I	Dec 31, 2016 \$	Dec 31, 2015 <sup>5</sup> \$
Net assets, beginning of period	10.67	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.11	0.08
Total expenses	(0.06)	–
Realized gains (losses) for the period	0.47	(0.01)
Unrealized gains (losses) for the period	0.44	0.73
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.96</b>	<b>0.80</b>
<b>Distributions:</b>		
From income (excluding dividends)	–	–
From dividends	–	–
From capital gains	–	0.04
Return of capital	0.37	0.09
<b>Total annual distributions<sup>3</sup></b>	<b>0.37</b>	<b>0.13</b>
<b>Net assets, end of period</b>	<b>10.66</b>	<b>10.67</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 units outstanding over the financial period. Net assets and distributions are based on the actual number of units outstanding at the relevant time. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 Distributions were reinvested in additional units of the Fund.

4 Information provided is for the period from August 5, 2015 (launch date) to December 31, 2015.

5 Information provided is for the period from August 18, 2015 (launch date) to December 31, 2015.

# Sprott Global Real Estate Fund

December 31, 2016

## Ratios and Supplemental Data

	<b>Dec 31, 2016</b>	Dec 31, 2015
<b>Series A</b>		
Total net asset value (000s) <sup>1</sup>	<b>\$5,523</b>	\$194
Number of units outstanding <sup>1</sup>	<b>516,251</b>	17,820
Management expense ratio <sup>2</sup>	<b>2.43%</b>	2.11%
Management expense ratio before waivers or absorptions <sup>3</sup>	<b>10.92%</b>	43.45%
Trading expense ratio <sup>3</sup>	<b>0.63%</b>	0.06%
Portfolio turnover rate <sup>4</sup>	<b>177.99%</b>	–
Net asset value per unit <sup>1</sup>	<b>\$10.70</b>	\$10.87
<b>Series F</b>		
Total net asset value (000s) <sup>1</sup>	<b>\$2,559</b>	\$78
Number of units outstanding <sup>1</sup>	<b>236,198</b>	7,115
Management expense ratio <sup>2</sup>	<b>1.37%</b>	1.19%
Management expense ratio before waivers or absorptions <sup>3</sup>	<b>8.56%</b>	40.53%
Trading expense ratio <sup>3</sup>	<b>0.63%</b>	0.06%
Portfolio turnover rate <sup>4</sup>	<b>177.99%</b>	–
Net asset value per unit <sup>1</sup>	<b>\$10.84</b>	\$10.92
<b>Series I</b>		
Total net asset value (000s) <sup>1</sup>	<b>\$9,577</b>	\$78
Number of units outstanding <sup>1</sup>	<b>898,504</b>	7,293
Management expense ratio <sup>2</sup>	<b>0.34%</b>	–
Management expense ratio before waivers or absorptions <sup>3</sup>	<b>2.73%</b>	40.21%
Trading expense ratio <sup>3</sup>	<b>0.63%</b>	0.06%
Portfolio turnover rate <sup>4</sup>	<b>177.99%</b>	–
Net asset value per unit <sup>1</sup>	<b>\$10.66</b>	\$10.67

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

2 Management expense ratio ("MER") is based on total expenses (including incentive fees, if any; excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

3 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.

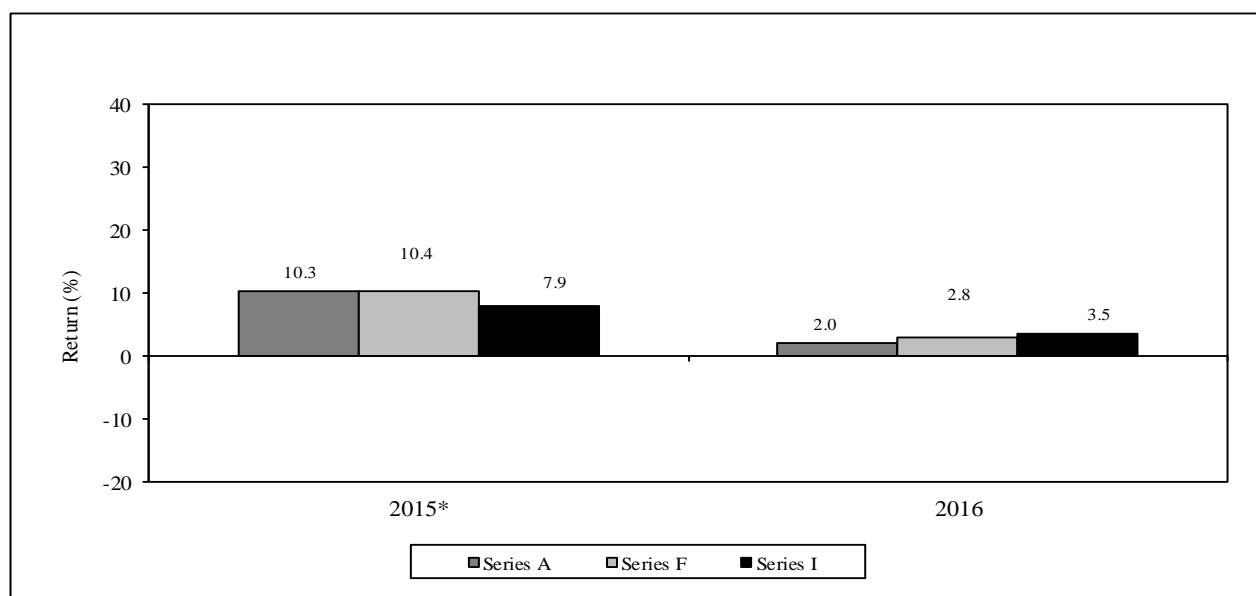
4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio 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 unit values and assume reinvestment of all distributions in additional units 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 unitholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of return 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 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 August 5, 2015 to December 31, 2015 for Series A and F, (not annualized) and from August 18, 2015 to December 31, 2015 for Series I (not annualized).

### Annual Compound Returns

The following table illustrates the annual compound total return for Series A, F and I 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 FTSE EPRA/NAREIT Developed Total Return Index (the "Index"). The Index track the performance of listed real estate companies and REITs that covers Global, Developed and Emerging indices, as well the UK's AIM market.. The Fund's former benchmark was the FTSE NAREIT Equity REITs Total Return Index. The benchmark was changed because the new index is more global in scope which better reflects the investment objectives of the Fund. 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 Global Real Estate Fund – Series A	2.0%	8.7%
Sprott Global Real Estate Fund – Series F	2.8%	9.6%
FTSE EPRA/NAREIT Developed Total Return Index	1.9%	4.7%
FTSE NAREIT Equity REITs Total Return Index	5.3%	10.7%
Sprott Global Real Estate Fund – Series I	3.5%	8.3%
FTSE EPRA/NAREIT Developed Total Return Index	1.9%	4.4%
FTSE NAREIT Equity REITs Total Return Index	5.3%	9.4%

\* Since launch date of August 5, 2015 for Series A and F and August 18, 2015 for Series I.

## Summary of Investment Portfolio

As at December 31, 2016

Portfolio Allocation	% of Net Asset Value	Top 25 Long Positions Issuer	% of Net Asset Value
Long Positions		Cash	73.7
Retail REITs	5.6	Aroundtown Property Holdings PLC	1.6
Specialized REITs	4.4	General Growth Properties Inc.	1.5
Real Estate Operating Companies	4.4	Simon Property Group Inc.	1.5
Office REITs	4.2	American Tower Corp.	1.4
Diversified REITs	3.2	Unibail-Rodamco SE	1.4
Residential REITs	3.1	Cyrusone Inc.	1.3
Information Technology	1.2	Kleppierre	1.3
Financials	1.0	ADO Properties SA	1.3
<u>Total Long Positions</u>	<u>27.1</u>	Milestone Apartments REIT	1.3
Cash	73.3	Crown Castle International Corp.	1.2
Other Net Liabilities	(0.4)	Equinix Inc.	1.2
<u>Total Net Asset Value</u>	<u>100.0</u>	Merlin Properties SOCIMI, S.A.	1.2
		Hudson Pacific Properties Inc.	1.1
		Pure Multi-Family REIT LP	1.0
		Bank of America Corp.	1.0
		Killam Apartment Real Estate Investment Trust	1.0
		First Capital Realty Inc.	1.0
		SL Green Realty Corp.	0.9
		CubeSmart	0.9
		Global Logistic Properties Ltd.	0.9
		Digital Realty Trust Inc.	0.9
		Boston Properties Inc.	0.9
		American Campus Communities Inc.	0.8
		Brookfield Property Partners LP	0.6
		<u>Top 25 long positions as a percentage of net asset value</u>	<u>100.9</u>

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).



---

## Corporate Information

### Corporate Address

Sprott Asset Management LP  
Royal Bank Plaza, South Tower  
200 Bay Street, Suite 2700, P.O. Box 27  
Toronto, Ontario M5J 2J1  
T 416.943.6707  
TOLL-FREE 866.299.9906  
F 416.943.6497  
E invest@sprott.com

For additional information visit our website:

[www.sprott.com](http://www.sprott.com)

Call our mutual fund information line for daily closing prices:

416.943.6707 or 866.299.9906

### Auditors

KPMG LLP  
Bay Adelaide Centre  
333 Bay Street  
Suite 4600  
Toronto, Ontario M5H 2S5

### Legal Counsel

Borden Ladner Gervais LLP  
Scotia Plaza  
40 King Street West  
Toronto, Ontario M5H 3Y4