Sprott Global Infrastructure Fund

November 2017 Commentary

Investment Team

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Year-to-date to November 30, the Sprott Global Infrastructure Fund generated a total return of 15.6% compared to the S&P Global Infrastructure Index, which generated a total return of 16.5%.

Returns in the month of November were decent, with the Fund generating a total return of 1.4% while the benchmark generated a total return of 1.8%. European airports drove the benchmark performance for the month, however we are underweight this specific sub-industry due to peak valuation concerns.

Although we had hedged 50% of our USD exposure in November, we removed the hedges at the end of the month, returning to a neutral position relative to our benchmark. Our modelling indicates that the Canadian dollar is likely to weaken through the end of the year, with the US Federal Reserve expected to hike rates on December 13, while the Bank of Canada remains on hold into 2018.

Top contributors to the year-to-date performance of the Sprott Global Infrastructure Fund included Vinci (+139 bps), Visa (+122 bps) and Atlantia (+120 bps). Top detractors year-to-date included PG&E (-71 bps), Keyera (-53 bps) and Macquarie Infrastructure (-50 bps). Note that we have eliminated our positions in both PG&E and Macquarie due to stock-specific factors that led to the disappointing performance.

In November, Interxion Holdings (INXN US) had the greatest positive contribution to the performance of the Fund. The Company is a US-listed, Netherlands-based data center operator that supports over 1,600 customers across eleven European countries. Located in major cities, Interxion ensures its customers have the power and connectivity to deliver cloud-based applications and content to end consumers.

The release of the Company's third quarter operating and financial results on November 1 provided the catalyst to lift the shares 8% over the course of the month. Highlights in the quarter included 18% year over year revenue growth to €124.6 million and 24% year over year adjusted net income growth to €10.7 million. Adjusted earnings per diluted share increased to €0.15 in the third quarter from €0.12 in the comparable period a year ago. Based on completed expansions in Frankfurt, Stockholm and Zurich and strong bookings in the quarter, management boosted full year revenue guidance by 2.4% at the mid-point and full year adjusted EBITDA guidance by 1.8% at the mid-point, relative to prior guidance.

We had originated a position in Interxion at a discount to its US peers (based on EV to EBITDA) under the premise that the valuation gap would narrow as the Company delivered on its expansion initiatives. Although the shares have rallied strongly through 2017 and the discount has narrowed, we believe INXN remains an attractive investment and potentially a beneficiary of M&A in the sector.

The Sprott Global Infrastructure Fund was concentrated in 27 positions as at November 30, 2017 with the top 10 holdings accounting for approximately 42% of the fund. Over the past year, 21 out of our 27 holdings have announced a dividend increase, with an average hike of 14.0%. Using a total infrastructure 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

[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 November 30, 2017; e) 2011 annual returns are from 09/01/11 to 12/31/11.

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