



Sprott Global Real Estate Fund

November 2017 Commentary

Year-to-date to November 30, the Sprott Global Real Estate Fund generated a total return of 15.9% compared to the FTSE EPRA/NAREIT Developed Index (in CAD), which generated a total return of 5.3%.

Returns in the month of November were very good, with the Fund generating a total return of 3.5% while the benchmark generated a total return of 2.9%. The outperformance over the month was primarily driven by Immobiliare Grande Distribuzione (which reported solid financial results) and a takeover offer for General Growth Properties (known as GGP), which we discuss below.

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 Real Estate Fund included Immobiliare Grande Distribuzione (+213 bps), Aroundtown Property Holdings (+212 bps) and Interxion Holdings (+1.06). Top detractors year-to-date included GGP (-36 bps), Nextdc (-33 bps) and Simon Property Group (-26 bps). Note that we eliminated our positions in both Nextdc and Simon Property Group earlier in the year, after a relatively brief holding period.

The only US retail position currently in the portfolio is GGP, the second largest mall operator in America, given its significant discount to net asset value and a supportive parent entity (note that Brookfield Asset Management owns approximately 35% of the REIT).

On November 13, our patience was rewarded when management confirmed that they had received an unsolicited proposal from Brookfield Property Partners (an entity related to Brookfield Asset Management) to acquire all of the outstanding shares of GGP. According to the press release, GGP shareholders would be entitled to receive either cash consideration of \$23 per share or 0.9656 units of BPY, subject to proration based on a maximum cash component of 50% and a maximum stock component of 50% of the aggregate offer.

The proposal represented a 21% premium to the closing price of GGP on November 6, the day before takeover speculation hit the newswires. With GGP currently trading slightly above the takeover bid price (but still below our estimate of net asset value), it seems that the market expects Brookfield to improve its offer, as they have done in similar situations in the past. Although we are supportive of the transaction, we plan to continue to hold our position pending additional details or a superior offer.

The Sprott Global Real Estate Fund was concentrated in 27 positions as at November 30, 2017 with the top 10 holdings accounting for approximately 49% of the fund. Over the past year, 13 out of our

Investment Team



Jeff Sayer, CFA
Vice President, Portfolio
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27 holdings have announced a dividend increase, with an average hike of 9.3%. Using a total real estate 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

¹All 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) 2015 annual returns are from 08/04/15 to 12/31/15. The index is 100% MSCI World IMI Core Real Estate NR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information

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