Sprott Focused Global Dividend Class

October 2017 Commentary

Investment Team

Jeff Sayer, CFA
Vice President, Portfolio Manager

Year-to-date to October 31, the Sprott Focused Global Dividend Class generated a total return of 13.2% compared to the MSCI World Index, which generated a total return of 13.6%.

Returns in the month of October were excellent, with the Fund generating a total return of 4.9% while the benchmark generated a total return of 5.4%. Although slightly behind the index over the month, given the significant outperformance of the technology sector, investors should be generally pleased to have kept pace in a dividend-focused, broadly-diversified fund.

Returns in October were also positively impacted by a weakening CAD versus the USD. As we had suggested in prior commentary, modelling indicated that some of the recent Canadian dollar strength was unwarranted and was likely to reverse, which played out in October to our benefit.

Top contributors to the year-to-date performance of the Sprott Focused Global Dividend Class included Mastercard (+140 bps), Visa (+131 bps) and Alphabet (+120 bps). Top detractors year-to-date included Macquarie Infrastructure (-49 bps), Disney (-30 bps) and Nextdc (-26 bps). Note that we have eliminated all three of these securities due to stock-specific factors that led to the disappointing performance.

Looking to increase our European exposure in the portfolio, we recently added Siemens AG, a global leader in factory automation, electrification and digitalization. We built our position during a period of elevated concern regarding the outlook for the Company's Power & Gas and Renewable Energy segments, where orders have admittedly slowed. However management is in the midst of realigning the portfolio, fixing or divesting underperforming businesses (anything with a profit margin below 6%) and refocusing on profitable growth, which should drive better share price performance going forward.

In terms of catalysts, we are currently awaiting the initial public offering of Healthineers, Siemens' healthcare division offering medical imaging and laboratory diagnostics, in the first half of calendar 2018. This segment is not insignificant, generating €13.8 billion in revenue in fiscal 2017 at an 18.1% profit margin. With healthcare companies trading at elevated multiples compared to multi-industrials, initial estimates have valued the Healthineers business at up to €40 billion euros, or just over 30% of Siemens' enterprise value today.

At a forward price to earnings multiple of only 16x (US multi-industrials are currently trading at 20x forward earnings expectations) and a forward enterprise value to EBITDA multiple of only 11x (US multi-industrials are currently trading at 14x forward EBITDA expectations), we would expect an uplift once the Healthineers IPO is completed. In the meantime, the 2.9% dividend yield meets our income needs.

The Sprott Focused Global Dividend Class was concentrated in 28 positions as at October 31, 2017 with the top 10 holdings accounting for approximately 42% of the fund. Over the past year, 20 out of our 28 holdings have announced a dividend increase, with an average hike of 19.2%. We will continue to apply a disciplined investment process, balancing various quality and valuation metrics, in an effort to generate solid risk-adjusted returns.

Jeffrey Sayer, CFA

[1] All returns and fund details are a) based on Series F shares; b) net of fees; c) annualized if period is greater than one year; d) as at October 31, 2017; e) 2015 annual returns are from 11/25/15 to 12/31/15.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: ADR risk; Capital depletion risk; Capital gains risk; Class risk; Credit risk; Currency risk; Cybersecurity risk; Derivatives risk; Exchange traded funds risk; Foreign investment risk; In ation risk; Interest rate risk; Liquidity risk; Market risk; Securities lending, repurchase and reverse repurchase transactions risk; Series risk; Short selling risk; Speci c issuer risk; Tax risk.

issuers mentioned in this report.

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