



# Sprott Global Real Estate Fund

## October 2017 Commentary

Year-to-date to October 31, the Sprott Global Real Estate Fund generated a total return of 12.0% compared to the FTSE EPRA/NAREIT Developed Index, which generated a total return of 2.4%.

Returns in the month of October were very good, with the Fund generating a total return of 3.4% while the benchmark generated a total return of 2.7%. The outperformance over the month was primarily driven by our underweight positioning in the US retail sector and overweight positioning in industrials and specialized sectors, which has worked consistently throughout the year.

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 Global Real Estate Fund included Aroundtown Property Holdings (+172 bps), Immobiliare Grande Distribuzione (+151 bps) and American Tower (+100 bps). Top detractors year-to-date included GGP (-72 bps), SL Green Realty (-39 bps) and Gazit-Globe (-39 bps).

In 2017, two distinct investment strategies have worked very well for us: underweight positioning in US retail versus overweight positioning in industrials/specialized real estate plays and purchasing discounted European equivalents to specific US stocks that had been outperforming. Cellnex, the Spanish operator of wireless telecommunication towers, fit both of those themes nicely. As part of a specialized sector demonstrating above average growth, the Company is the largest tower operator in Europe, with more than 24,000 sites across Italy, Netherlands, the UK, France, Switzerland and Spain. Solid organic growth has been supplemented with various acquisitions over time and in 2017 alone the Company added 6,500 towers through M&A.

Forward guidance implies a free cash flow growth rate greater than 10%, which translates into dividend growth of 10% in 2017 and beyond. Surprisingly and despite solid operational and stock price performance year-to-date, Cellnex trades at a three-point discount to its most comparable US-based peer American Tower, based on enterprise value to forward EBITDA.

When thinking about potential catalysts to narrow the discount, remember that Cellnex was created in 2015 via a secondary offering of shares from Abertis Infraestructuras, who retained 34%. With Abertis currently the subject of a takeover battle, an acquirer could use the sale of Cellnex shares (perhaps to a strategic buyer at a premium) to partially fund the acquisition of the Spanish toll road operator.

The Sprott Global Real Estate Fund was concentrated in 27 positions as at October 31, 2017 with the top 10 holdings accounting for approximately 47% of the fund. Over the past year, 14 out of our 27

### Investment Team

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**Jeff Sayer, CFA**  
Vice President, Portfolio  
Manager

holdings have announced a dividend increase, with an average hike of 15.6%. 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**

Effective February 7, 2017 the Sprott Global REIT & Property Equity Fund's name was changed to Sprott Global Real Estate Fund, subsequently on August 1, 2017 becoming Ninepoint Global Real Estate Fund.

<sup>1</sup>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 October 31, 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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