SPROTT ASSET MANAGEMENT

SPROTT REAL ASSET CLASS

September 2016 Commentary

The last two years, growth in the advanced economies seemed to be moving "over the hump" of post-crisis deleveraging and fiscal adjustment. Since then, however, global growth has slowed anew to just 3%, fueling fears of continued stagnation, underutilization of resources, and "lowflation" or even deflation.

We see a different landscape in light of the fact that real GDP growth has continued to disappoint relative to consensus forecasts, but the labor market has continued to outperform. Even over the past year, with average growth rates in the advanced economies at the low end of the post-crisis range, employment has improved significantly further. Some regions—especially Southern Europe—still show significant labor market slack but others—especially the US—are now at or very close to full employment.

On average, core inflation in the major advanced economies remains in the same stable range that has now prevailed since the late 1990s. While it is too early to expect a significant acceleration in either the Euro area or Japan, US core inflation should continue to move higher on the back of tighter labor markets, diminishing pass-through effects, and higher healthcare costs.

We believe the growth slowdown of the past year was likely due to headwinds from the earlier tightening in financial conditions that have now passed, and to lingering fiscal restraint that is giving way to modest fiscal stimulus. As these impulses turn more positive and emerging markets start to recover, we expect a moderate pickup in global growth in 2017.

The biggest short-term risks are political, most importantly the impending US presidential election. Longer-term risks include a sharper adjustment in China, reemerging tensions in Europe, and a small but growing risk that the US economy will overheat.

Real Asset Fund Overview

Agriculture Allocation = 18%: Focus of the portfolio includes food producers and agribusiness focused holdings.

Infrastructure Allocation = 44%: Focus of the portfolio is on energy, transportation, utilities and social infrastructure.

Timber Allocation = 33%: Holdings focused on management of forests and wooded regions, and/or the processing, production, and distribution of timber and other products derived from wood.

Direct Investments Allocation = 5%: Direct investments currently focused on REIT securities.

COMPOUNDED RETURNS (%) AS AT SEPTEMBER 30, 2016[1]

	1 MTH	YTD	3 MTH	6 MTH	1 YR	ANNUALIZED INCEPTION (07/16/14)
SPROTT REAL ASSET CLASS, SERIES A	0.2	4.0	6.8	9.0	9.6	3.3

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[1] All returns and fund details are a) based on Series A shares; b) net of fees; c) annualized if period is greater than one year; d) as at September 30, 2016; e) 2014 annual returns are from 07/16/14 to 12/31/14.

The Fund is generally exposed to the following risks. See the Simplified Prospectus of the Fund for a description of these risks: capital depletion risk; capital gains risk; class risk; concentration risk; credit risk; currency risk; derivatives risk; exchange traded funds risk; foreign investment risk; income trust risk; inflation risk; interest rate risk; liquidity risk; market risk; real estate risk; regulatory risk; series risk; short selling risk; small company risk; specific issuer risk; tax risk.

The Sprott Real Asset Class is sub-advised by Capital Innovations, LLC of Wisconsin.

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