Ninepoint Global Real Estate Fund

April 2018 Commentary

Investment Team

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Year-to-date at April 30, the Ninepoint Global Real Estate Fund generated a total return of -1.13% compared to the FTSE EPRA/NAREIT Index, which generated a total return of -0.28%.

Returns in the month of April were positive on an absolute basis but disappointing on a relative basis, with the Fund generating a total return of 0.34% while the benchmark generated a total return of 1.75%. Although the US 10-year bond yield rallied to 3.0% in April, the real estate sector rallied in the month lead by strong performance from the industrial sector culminating in Prologis' takeout of DCT Industrial Trust on the final day of the month.

Our modelling indicates that the Canadian dollar should continue to weaken in 2018. However, with some form of a resolution to the ongoing NAFTA negotiations expected shortly, we have hedged approximately half of our USD exposure in order to reduce currency-related volatility in the Fund.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund included Pure Industrial REIT (+58 bps), Interxion (+51 bps) and Merlin Properties (+39 bps). Top detractors year-to-date included Immobiliare Grande Distribuzione (-61 bps), Gazit-Globe (-41 bps) and GGP (-40 bps).

We have talked about the attractiveness of logistics and distribution assets in the past (recall our investment in Pure Industrial REIT, which was subsequently acquired by Blackstone Property Partners) as a way to benefit from the growing importance of ecommerce in the current retail environment. Accordingly, we have a long-standing investment in Prologis (PLD US), the global leader in the sector with a current market cap of almost US $35 billion. We like that the Company is actively working to strengthen its presence in core, high-growth markets with its pending acquisition of DCT for $8.4 billion.

Prologis currently operates 3,260 modern facilities with approximately 683 million square feet across 19 countries, and the acquisition of DCT will add an incremental 414 locations and 71 million square feet in the United States. Combined, Prologis will remain focused on business-to-business and online retail fulfillment for its 5,000+ customers, including Amazon, DHL, GEODIS, XPO Logistics and FedEx.

Once the deal closes, Prologis is forecasting approximately $80 million in synergies and an increase in the forecasted annual core funds from operations (FFO) run-rate from $0.06 to $0.08 per share or 2% to 3%. Debt is manageable, with a pro forma debt-to-adjusted EBITDA of 4.3x or 24% of total market capitalization. The Company has also clearly indicated that its dividend payout will not be impacted and the 2018 annual dividend of $1.92 per share (which was bumped 9% this past February) will be maintained, implying a yield of approximately 3.0%. Given its stronger competitive position, PLD should continue to outperform.

The Ninepoint Global Real Estate Fund held 31 positions as at April 30, 2018 with the top 10 holdings accounting for approximately 41% of the fund. Over the past year, 20 out of our 31 holdings have announced a dividend increase, with an average hike of 20.2%. 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

[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 April 30, 2018; e) 2015 annual returns are from 08/04/15 to 12/31/15.

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, concentration risk, credit risk, currency risk, cybersecurity risk; derivatives risk, emerging markets risk, equity real estate investment trust (REIT) 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, specific issuer risk, tax risk.

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