



Ninepoint Global Real Estate Fund

August 2019 Commentary

Year-to-date to August 30, the Ninepoint Global Real Estate Fund generated a total return of 18.94% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 14.35%. For the month, the Fund generated a total return of 6.86% while the Index generated a total return of 3.38%. Despite an extremely volatile month, with President Trump continuing to escalate the US-China trade war, plunging bond yields were generally supportive for the Real Estate sector.

The month of August, typically a quiet period for the equity markets, began with a mid-afternoon tweet from Trump threatening to impose 10% tariffs on a third tranche of Chinese imports worth approximately \$300 billion. Details were later clarified by the US Trade Representative, with tariffs on about \$112 billion worth of goods effective September 1 but tariffs on the remaining \$160 billion worth of goods delayed until December 15 because of "health, safety, national security and other factors". In the days that followed, the vicious cycle continued. China retaliated with tariffs on \$75 billion worth of US imports and Trump petulantly announced incremental tariffs of 5% on all three tranches of Chinese imports, impacting almost \$550 billion worth of goods.

The broad equity markets were obviously unimpressed and promptly plunged in thin trading, with the S&P 500 down almost 5% from the close on July 31 to the lows of the move on August 5. However, fear of an imminent recession was most evident in the bond market, with panic buying rapidly pushing the US 10-year Treasury yield below 1.45%. Importantly, the US 2-year to 10-year Treasury yield curve briefly inverted, which historically has been a good predictor of an economic downturn within one to two years, assuming a normal interest rate and inflationary environment.

In response, both the ECB and the US Fed reiterated their willingness to ease monetary conditions and support economic growth. Based on US Fed funds futures, we expect at least another 50 bps of interest rate cuts by December 2019 but continue to believe that the current environment will prove to be a mid-cycle slowdown. However, accommodative monetary policy and easing trade tensions will now be required for robust economic growth. At this stage of the cycle, we will be watching the US consumer extremely closely but, if signs of stress don't materialize, US economic growth should remain positive.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Residential REITs (+452 bps), Industrial REITs (+409 bps) and Specialized REITs (+406 bps) while top detractors by sub-industry included Real Estate Services (-76 bps), Hotel & Resort REITs (-58 bps) and Leisure Facilities (-46 bps) on an absolute basis. On a relative basis, positive return contributions from the Retail REITs, Industrial REITs, Residential REITs and Specialized REITs sub-industries more than offset negative contributions from the Real Estate Operating Companies, Diversified REITs, Real Estate Services and Hotel & Resort REITs sub-

Investment Team

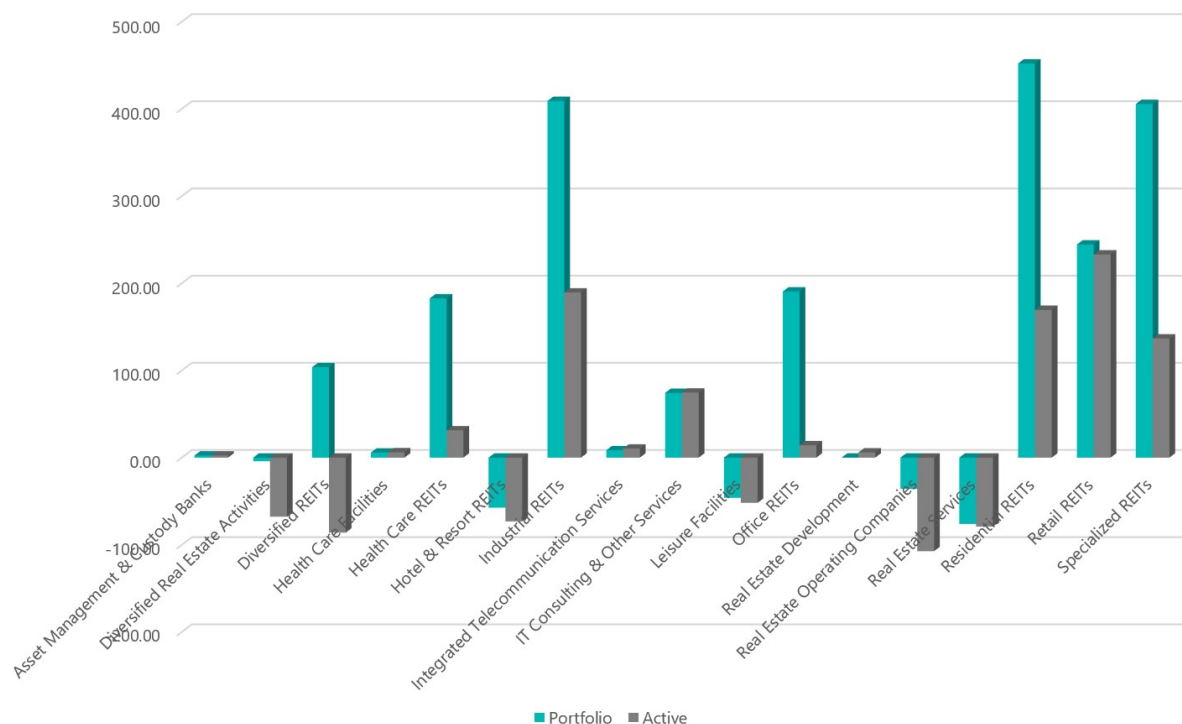


Jeff Sayer, CFA
Vice President, Portfolio
Manager

industries.

After a strange, disappointing two-day period during the final week of June, we are pleased to have gained a tremendous amount of ground relative to our benchmark in July and August. With interest rates expected to remain at favourable levels, Real Estate will likely continue to be one of the top performing sectors in the market over the balance of the year.

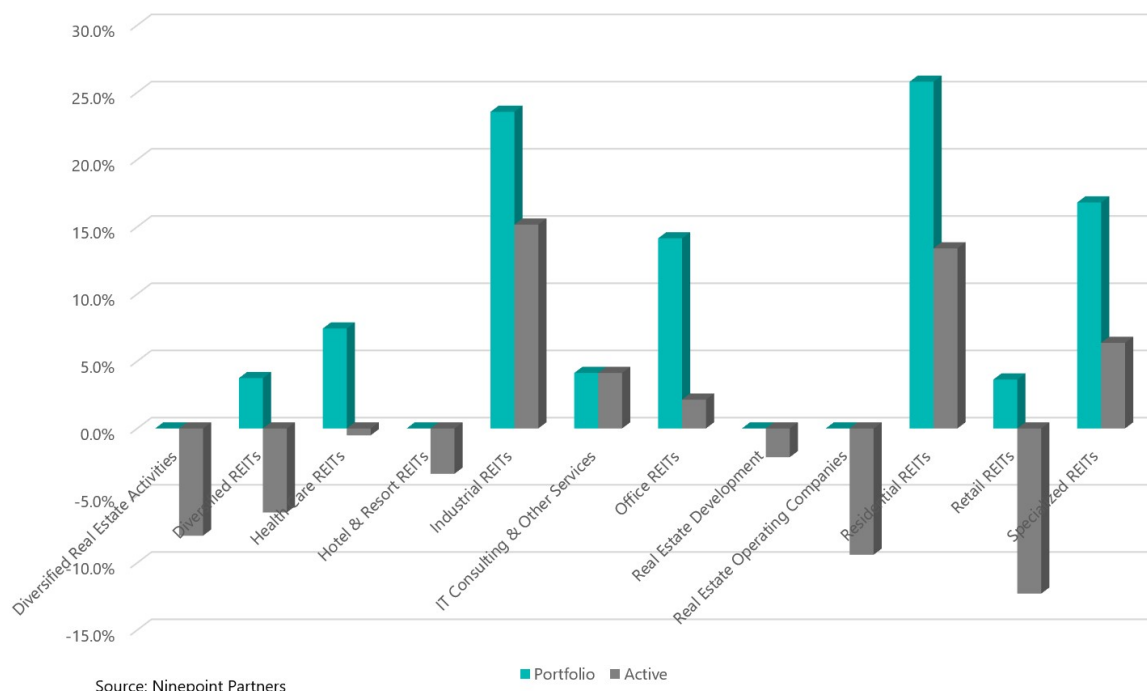
Total Return Contribution - YTD



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Residential REITs and Specialized REITs while underweight Retail REITs, Real Estate Operating Companies and Diversified Real Estate Activities. This positioning is consistent with strong demand for real estate tied to technology-driven businesses involved in ecommerce (distribution and logistics warehouses), communication (cell phone towers) and cloud services (data centers). Further, solid fundamentals for multi-family and single-family housing are reflected in our overweight positioning in the Residential REITs sub-industry.

Sector Exposure



At the individual security level, top contributors to the year-to-date performance included Equinix (+171 bps), American Tower (+146 bps) and Prologis (+135). Top detractors year-to-date included Digital Realty (-61 bps), Colliers International (-59 bps) and Braemar Hotel & Resorts (-58 bps).

In August, our top performing investments included CyrusOne (+96 bps), Minto Apartment (+47 bps) and Equinix (+45 bps) while Stag Industrial (-19 bps), Hudson Pacific Properties (-19 bps) and AvalonBay Communities (-10 bps) underperformed.

CyrusOne moved onto our top ten holdings list in August after a rallying approximately 28% during the month. A member of the Specialized REIT sub-industry, the Company is the owner, operator and developer of enterprise-class, carrier-neutral, multi-tenant data centers and provides information technology infrastructure through approximately 48 data centers for approximately 1,000 customers in the United States, Europe (Germany, Ireland, Netherlands and UK) and Asia (Singapore).

The REIT began its amazing rally after reporting operating and financial results on August 1, which alleviated concerns that the hyperscale cloud provider slowdown that some had seen in the first half of 2019 would similarly impact the Company's results. Highlights of the quarter included revenue growth of 28% to \$252 million, adjusted EBITDA growth of 20% to \$127 million, normalized FFO growth of 30% to \$102 million and normalized FFO per diluted share growth of 14% to \$0.90 per diluted share.

Based on the solid operating and financial results year-to-date and the subsequent completion of several new data centers, management increased guidance for the remainder of the year. Normalized FFO per diluted share estimates were increased by \$0.20 at the midpoint of the new range, which is on top of a \$0.20 guidance bump in the prior quarter and now represents a 10% increase versus 2018 normalized FFO per diluted share. In turn, the Company's board of directors rewarded shareholders directly and announced a 9% increase in the quarterly dividend for Q3 to

\$0.50 per share, up from \$0.46 per share in Q2 (impressively, the quarterly dividend has more than tripled since 2013).

Although the shares responded positively to the quarterly release, CONE spiked dramatically on August 16, when news of a rumoured takeover offer began to circulate on Bloomberg. Although the Company has not commented on the story, we believe that the report is credible since it contained specific details and suggested that the Company had retained an advisor to evaluate its options. Further, a transaction would make good financial sense, since CyrusOne was trading at only 16x forward FFO compared to EQIX (its larger, global peer) trading at 22x forward FFO, prior to the news release. Because CONE is more highly exposed to hyperscale cloud providers relative to EQIX (45% compared to 28% respectively), a slightly discounted multiple of perhaps around 20x would be warranted, implying a deal price in the mid to high-\$70 range.

The Ninepoint Global Real Estate Fund was concentrated in 27 positions as at August 31, 2019 with the top 10 holdings accounting for approximately 40.5% of the fund. Over the prior fiscal year, 20 out of our 27 holdings have announced a dividend increase, with an average hike of 12.9%. 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

NINEPOINT GLOBAL REAL ESTATE FUND - COMPOUNDED RETURNS¹ AS OF JUNE 30, 2022 (SERIES F NPP132) | INCEPTION DATE: AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCE
Fund	-6.7%	-22.2%	-14.7%	-22.2%	-6.5%	5.2%	6.0%	7
MSCI World IMI Core Real Estate NR (CAD)	-7.0%	-19.4%	-15.1%	-19.4%	-9.9%	-1.0%	2.0%	2

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 August 30, 2019; 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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