Ninepoint Global Real Estate Fund

August 2021 Commentary

Ninepoint Partners,

Year-to-date to August 31, the Ninepoint Global Real Estate Fund generated a total return of 23.34% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 20.63%. For the month, the Fund generated a total return of 2.95% while the Index generated a total return of 2.76%.

Since the Covid-19 pandemic induced collapse in 2020, the broad equity markets have continued to grind higher in an almost linear fashion. In addition to the tremendous amount of fiscal stimulus and monetary support that have powered the rally, the Q2 2021 earnings season was exceptional. From the depths of the downturn, the blended year-over-year earnings growth rate for the S&P 500 came in at 90.9%, the highest year-over-year growth rate since Q4 2009, according to FactSet. Although the earnings growth rate is widely expected to trend back toward more normal levels over the next few years, consensus estimates still imply 43% earnings growth in 2021 and 9% in 2022. Unsurprisingly, we have seen several equity strategists boost their 2021 S&P 500 targets in recent weeks. From an investor's perspective, the only downside of the unrelenting march higher is that is has been difficult to find attractive entry points for new positions.

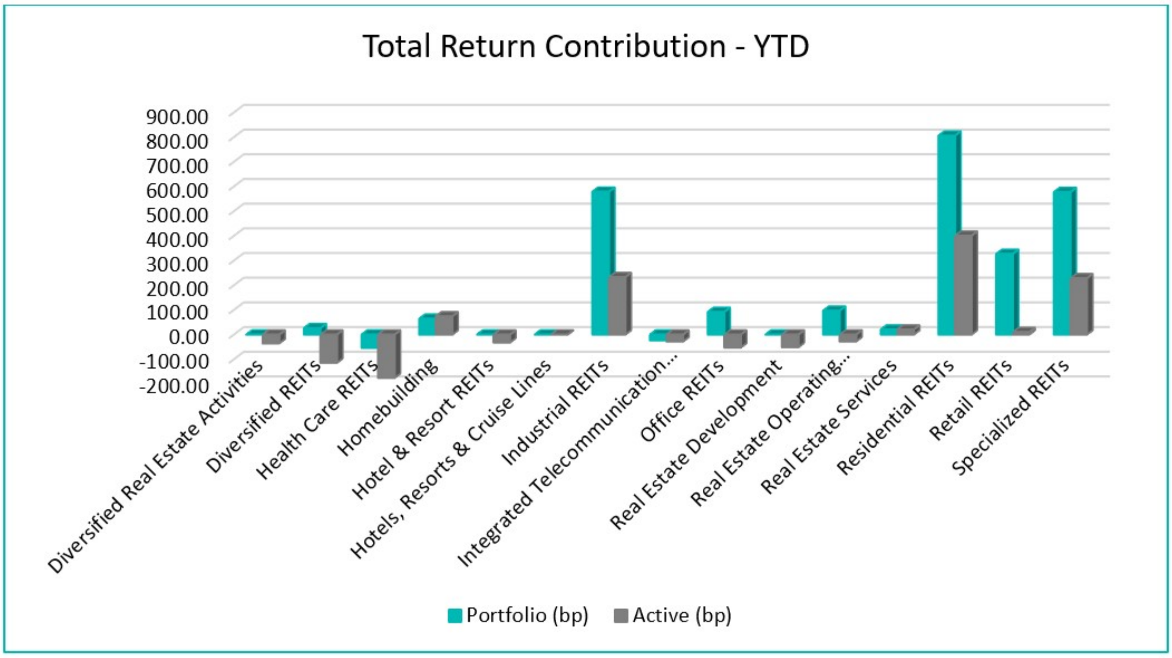
As we head into September and October, traditionally a tricky period for the markets, the debate regarding the path of monetary policy normalization has not yet been resolved. Although Chairman Powell's speech at the Jackson Hole Economic Policy Symposium was quite dovish, other members of the FOMC have suggested that tapering discussions are now appropriate, and we expect an announcement during one of the remaining two FOMC meetings before the end of 2021. However, it is worth noting that Chairman Powell took the time to clearly articulate that a reduction in asset purchases is not intended to signal impending rate hikes, essentially confirming the Fed's strategic view that tapering is not tightening. With policy normalization well-telegraphed, solid investment returns should continue through at least 2023 since we are likely several years away from real tight monetary policy.

Recent economic data points still seem to support Chairman Powell's patient approach, particularly given the unusual dynamics of the Covid-19 induced recession. The mismatch in job openings and job seekers (perhaps at least partially caused by direct stimulus payments and extended payroll support) will take time to normalize. This was evident in the most recent US non-farm payrolls report, that showed the creation of only 235,000 new jobs in August compared to expectations of between 725,000 and 750,000 new jobs. Further, although absolute US retail sale are well above pre-pandemic levels, retail sales declined in July, down 1.1% month-over-month, weaker than the expected decline of 0.2% month-over-month as supply chain issues persisted and consumers apparently shifted some consumption from goods to services. Finally, although inflation measures are elevated, with CPI up 0.5% in July on a seasonally adjusted basis after rising 0.9% in June and up 5.4% over the last 12 months, much of the price increases in shelter, new vehicles, recreation, medical care and personal care should trend lower as spending patterns return to normal.

Broadly speaking, we remain generally optimistic regarding the investment outlook. In terms of valuation, with long-term interest rates still well below 2.0% (the US 10-year Treasury bond yield is pinned below 1.50%) and above trend earnings growth in 2021 and 2022 (again according to FactSet), forward earnings multiples should be expected gently trend lower over time but remain elevated relative to historic levels. We would therefore characterize the current environment as mid-cycle, where positive investment returns depend on identifying companies with accelerating earnings, cash flow and dividend growth. Essentially, we think this environment bodes well for the relative performance of our dividend and real asset strategies over the medium term.

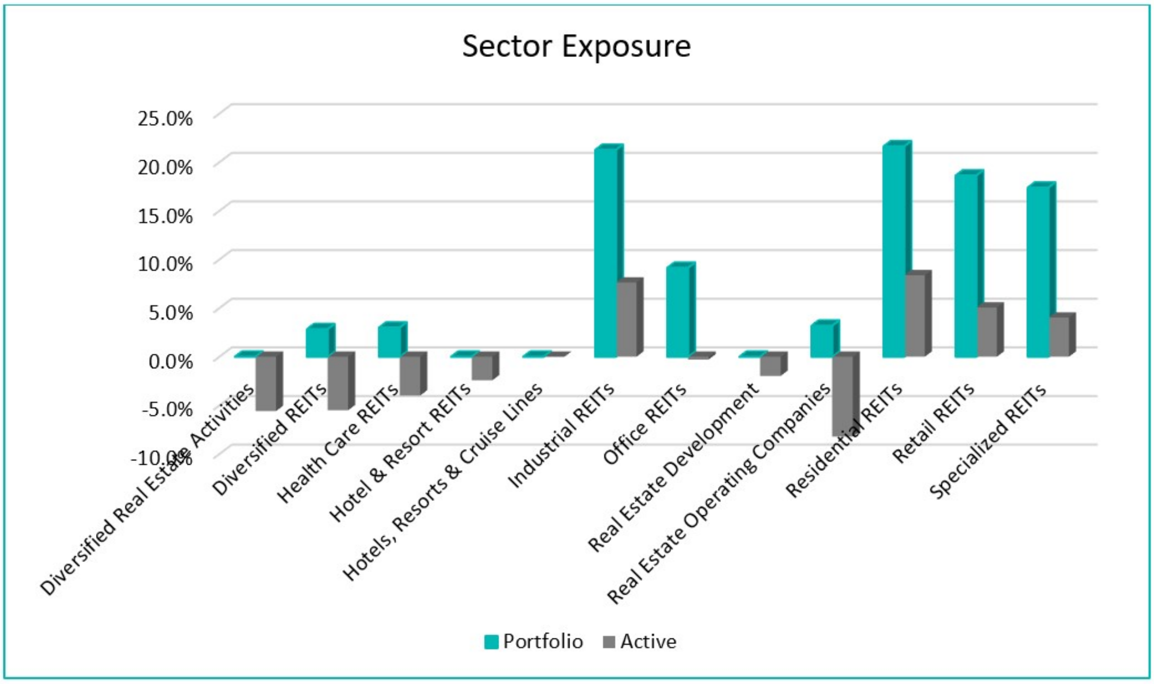
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Residential REITs (+806 bps), Industrial REITs (+579 bps) and Specialized REITs (+577 bps) while top detractors by sub-industry included Health Care REITs (-54 bps) and Integrated Telecommunication Services (-23 bps) on an absolute basis.

On a relative basis, positive return contributions from the Residential REITs (+401 bps), Industrial REITs (+232 bps) and Specialized REITs (+228 bps) sub-industries were offset by negative contributions from the Health Care REITs (-175 bps), Diversified REITs (-115 bps) and Office REITs (-54 bps) sub-industries.



Source: Ninepoint Partners

We are currently overweight Residential REITs, Industrial REITs and Retail REITs while underweight Real Estate Operating Companies, Diversified Real Estate Activities and Diversified REITs. We have positioned for the middle phase of the investment cycle, where above-average earnings, cash flow and dividend growth should compensate for some degree of multiple-compression due to rising interest rates. In the Real Estate sector, the reopening trade has gained momentum through the summer, and we are positioned for continued outperformance of this theme as more and more people return to work.



Source: Ninepoint Partners

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at August 31, 2021 with the top 10 holdings accounting for approximately 37.3% of the fund. Over the prior fiscal year, 20 out of our 30 holdings have announced a dividend increase, with an average hike of 5.5% (median hike of 3.6%). 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
Ninepoint Partners

NINEPOINT GLOBAL REAL ESTATE FUND - COMPOUNDED RETURNS[1] AS OF AUGUST 31, 2021 (SERIES F NPP132) | INCEPTION DATE: AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	3.0%	23.3%	14.7%	23.6%	21.1%	11.2%	10.0%	11.0%
MSCI World IMI Core Real Estate NR (CAD)	2.8%	20.6%	11.5%	18.6%	28.6%	6.9%	5.3%	6.1%

[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 August 31, 2021; 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

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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