Ninepoint Global Real Estate Fund

January 2020 Commentary

Investment Team

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Year-to-date to December 31, the Ninepoint Global Real Estate Fund generated a total return of 4.98% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 2.68%. After a broad-based rally in 2019, the powerful rebound continued in January, although volatility did pick up in the back half of the month.

As we've discussed in prior commentaries, the equity markets have been flip-flopping back and forth between outperformance of momentum or growth factors and outperformance of value or cyclical factors since last summer. Looking at various indicators, we've found that the shape of the US 2-year/10-year yield curve has provided reasonably reliable signaling for the rotations. For example, the curve steepened from 17 bps to 35 bps last December, which supported a value/cyclical rally and, given our more defensive positioning, caused our funds to slightly underperform during the final month of the year. However, expectations for a sharp economic rebound proved premature and when the ISM Manufacturing PMI declined to 47.8 in December from 48.1 in November (thus remaining in contraction territory) the yield curve promptly flattened from 35 bps to a low of 16 bps in January. Momentum/growth and defensives rallied, including many of our quality-value stocks, infrastructure holdings and REITs, and we posted a solid month on both an absolute and relative basis.

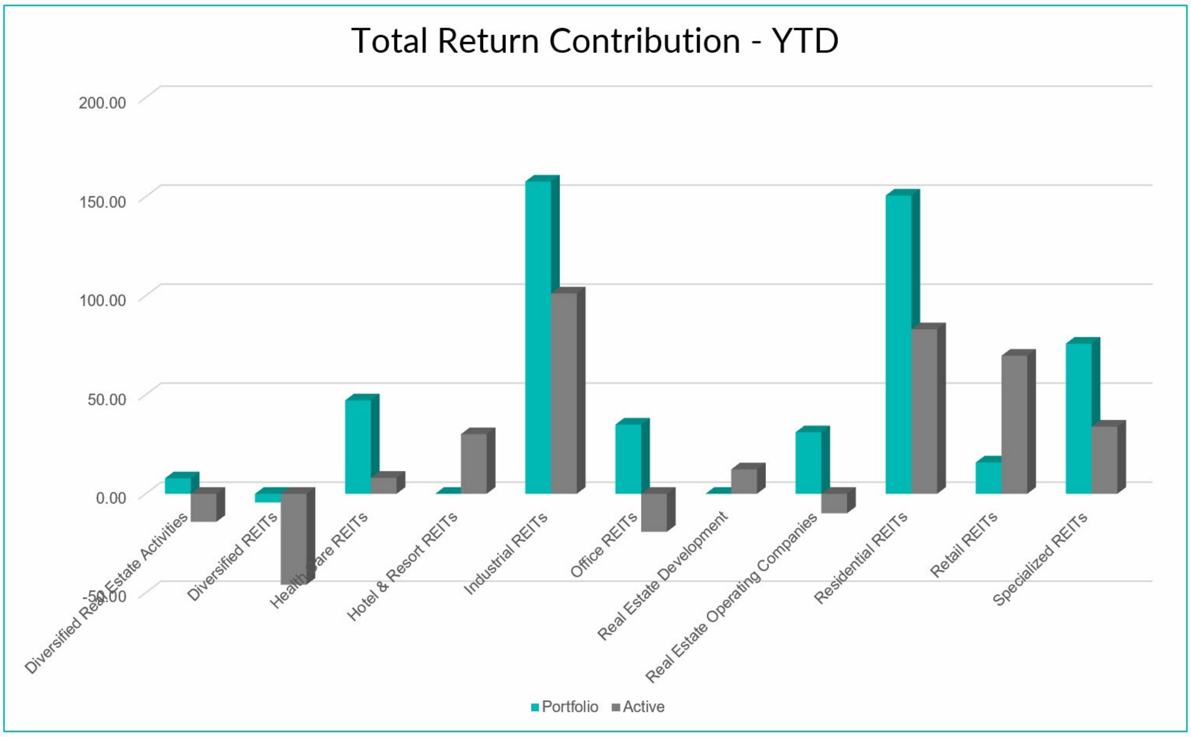
Despite the December data, we still believe that the global economy is working through a mid-cycle correction as central banks around the world ease monetary conditions and inject liquidity into the financial system. In our most recent commentary, we suggested that although many risks remained unresolved, the environment looked relatively benign for investors, with some forecasters even calling for a "goldilocks" economy. Our biggest concern was valuation and we pointed out that much of the 2019 rally was driven by multiple expansion to more than 19x forward earnings as opposed to earnings growth. In the United States, impeachment proceedings and the Democratic Party presidential primaries loomed as potential triggers for what would have been a normal, healthy correction. But as always seems to be case, something we had never even imagined has materialized to threaten the rally.

In mid-January, we began reading early reports of a novel coronavirus outbreak centered around Wuhan, the capital of Hubei province in China. We will leave a discussion regarding the science of the virus to the experts but, fully aware of the loss of life and suffering of millions of people, we must try to make sense of the outbreak from an investment perspective. Importantly, we believe that China has taken extraordinary measures to attempt to stop the spread of the infectious disease before it becomes a pandemic. However, the economic fallout will likely be significant given the unprecedented quarantine and forced closures across the country. Based on similar shocks that have occurred in the past, such as the SARS outbreak, the impact on equities should prove temporary and the markets should rebound sharply once the growth rate of new cases slows. Having said that, the medical community faces a tremendous amount of work before the WHO can declare an end to this emergency.

Although the equity markets have been remarkably resilient, it is too early to declare victory and we plan to remain relatively defensively positioned until we can see signs that the spread of the infection is controlled. Assuming successful containment of the virus, cyclical, economically-sensitive sectors of the market will likely outperform during the recovery. As the global PMIs rebound, we will rely on our investment process to identify these types of investment opportunities and will rebalance our portfolios accordingly.

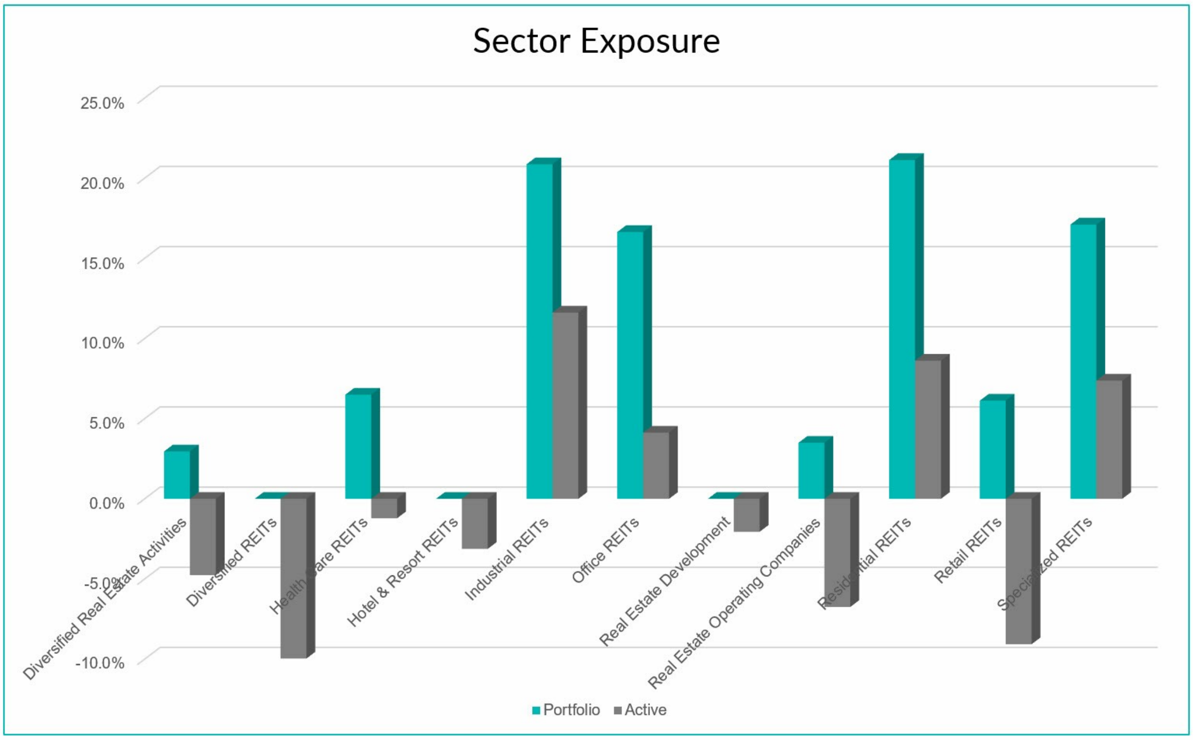
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Industrial REITs (+158 bps), Residential REITs (+151 bps), Specialized REITs (+76 bps), Health Care REITs (+47 bps) and Office REITs (+35 bps) while only the Diversified REITs sub-industry had a negative contribution on an absolute basis (-4 bps).

On a relative basis, positive return contributions from the Industrial REITs, Residential REITs, Retail REITs, Specialized REITs and Hotel & Resort REITs sub-industries more than offset negative contributions from the Diversified REITs, Office REITs, Diversified Real Estate Activities, Real Estate Operating Companies and Health Care REITs sub-industries.



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Residential REITs, Specialized REITs and Office REITs while underweight Diversified REITs, Retail REITs, Real Estate Operating Companies, Diversified Real Estate Activities and Hotel & Resort REITs.



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included InterRent (+32 bps), TLG Immobilien (+31 bps) and Minto Apartment (+30 bps). Top detractors year-to-date included Hudson Pacific Properties (-5 bps), Store Capital (-4 bps) and SL Green (-2 bps).

We have just entered the seasonally strong period for real estate, a phenomenon particularly true for Canadian REITs (driven by RSP funds flow). But over the coming year, sub-industry allocation decisions will continue to play a key role in generating outsized performance gains. We are focused on assets and companies that can generate above-average FFO and NAVPU growth including medical & academic research facilities, technology hubs, cell phone towers, data centers, distribution & logistics facilities and single & multi-family residential housing.

Although higher US 10-year bond yields should be expected eventually, as fears of the coronavirus outbreak fade and investors refocus on the nascent recovery in the global manufacturing PMIs, significant upside to rates is likely capped by positive funds flow into US Treasuries given extremely low or even negative interest rates around the world. We believe that any interest rate-related correction in the high-quality and high-growth REITs will prove to be a buying opportunity leading to another year of solid total returns for investors.

The Ninepoint Global Real Estate Fund was concentrated in 29 positions as at January 31, 2020 with the top 10 holdings accounting for approximately 36.7% of the fund. Over the prior fiscal year, 24 out of our 29 holdings have announced a dividend increase, with an average hike of 11.8%. 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 APRIL 30, 2023 (SERIES F NPP132) | INCEPTION DATE: AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	0.5%	5.0%	-3.5%	5.4%	-10.9%	5.0%	5.1%	6.9%
MSCI World IMI Core Real Estate NR (CAD)	2.1%	2.7%	-4.5%	6.0%	-10.7%	3.7%	2.1%	2.7%

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.

[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 January 31, 2020; 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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