Ninepoint Global Real Estate Fund

January 2021 Commentary

Year-to-date to January 31, the Ninepoint Global Real Estate Fund generated a total return of -1.77% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -0.28%. It feels like we've barely had a chance to catch our breath after a wild 2020 but we are back with our first commentary for 2021.

Investment Team

Jeff Sayer, CFA
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January has already been a whirlwind of interesting and market moving news flow. Although stocks rallied hard out of the gate, momentum turned sharply negative towards the end of the month. It was a particularly difficult few days for the markets in the United States, with the S&P 500 declining 3.3% over the course of the week. Essentially, the dip could be explained by an unusual situation where retail traders were able to orchestrate a short squeeze in a few highly shorted stocks, most notably GameStop. Normally this wouldn't have had a significant impact on the rest of the market but as hedge fund losses accelerated, risk management triggered widespread covering and de-grossing in consensus longs. Thankfully, investor positioning seems to have stabilized and various fundamental drivers have reasserted themselves.

From a fundamental perspective, the three catalysts that we have highlighted in prior commentaries continue to provide reasons to be optimistic into 2021. First, the inauguration of Joe Biden as the 46th president of the United States on January 20 officially completed the Democratic sweep and created a "Blue Wave" scenario. Despite the almost unimaginable scenes of rioters storming Capitol Hill in the days prior to the inauguration, the removal of political uncertainty should be generally supportive for equities going forward. We expect the unified government to focus on repairing the economy and eradicating Covid-19 in the short term, which more than offsets the risk of higher taxes and greater regulation in the long term.

Second, with the next phase of fiscal stimulus package signed into law (in the amount of approximately $900 billion), the Democrats have just proposed incremental stimulus in the amount of about $1.9 trillion, including top up payments for eligible individuals, enhanced unemployment benefits for those still out of work, support for small businesses, aid for states and schools and funding for Covid-19 testing and vaccinations. Admittedly a huge sum, the size and scope of the proposal is consistent with the severity of the impact of the pandemic and the Democrats' intentions to boldly address the issues. With approximately 10 million people still unemployed in the United States relative to pre-pandemic levels, fiscal support is still needed to bridge the gap until the economy can be safely reopened.

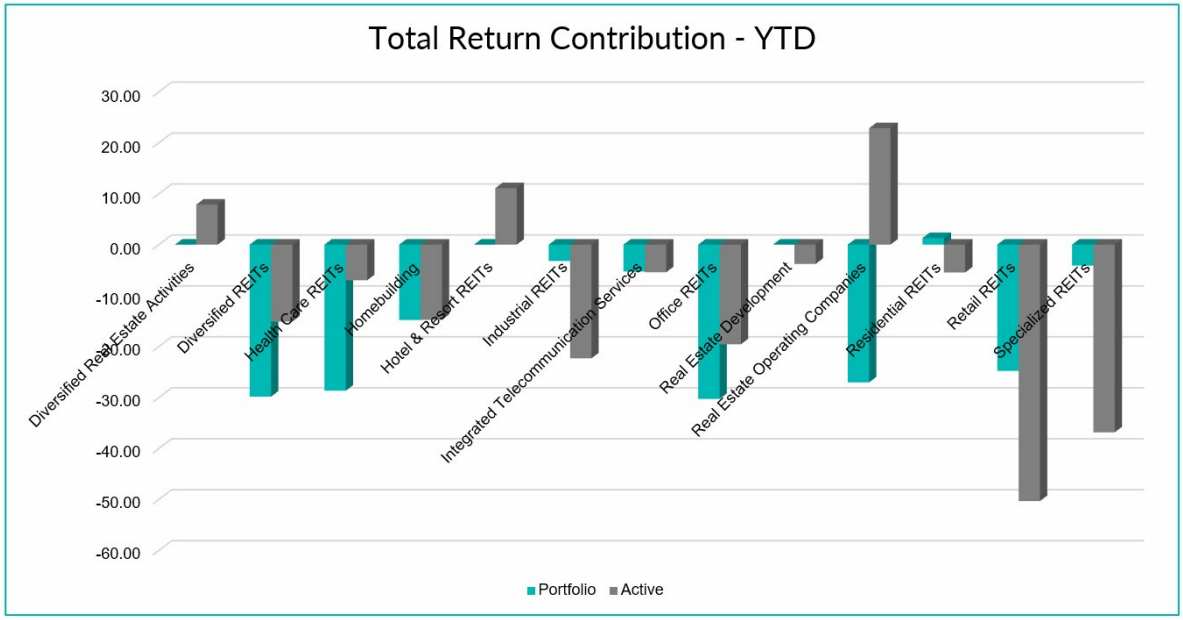
Third, after the discovery and approval of two mRNA-based Covid-19 vaccines, more Americans have now received at least one dose than have tested positive for the virus. Today, almost 8% of the population of the United States has received a single dose, while almost 2% of the population has been fully vaccinated. Sadly, the vaccine rollout has not proceeded as smoothly in Canada and less than 2.5% of the population has received at least one dose of the vaccine. Hopefully, the pending

approval of the Johnson & Johnson and Novavax vaccines (which require only one dose as opposed to two) will accelerate the pace of vaccinations across North America and lead to the elimination of the virus.

The Ninepoint Global Real Estate Fund should be well positioned for 2021, as the asset class stands to benefit from several key drivers. Importantly, we expect that the sub-industries that outperformed in 2020 (such as Industrial REITs and Specialized REITs) will continue to work in the coming year. But we also expect broader participation as the reopening trade plays out and certain sub-industries such as Retail REITs, Office REITs and even Residential REITs should rebound. The cash flows of these sub-industries should stabilize faster than many expect and the discount to net asset value that we see today should narrow significantly. Essentially, there should be plenty of opportunity to find high quality dividend growers at attractive valuations across a wide range of businesses in the real estate space.

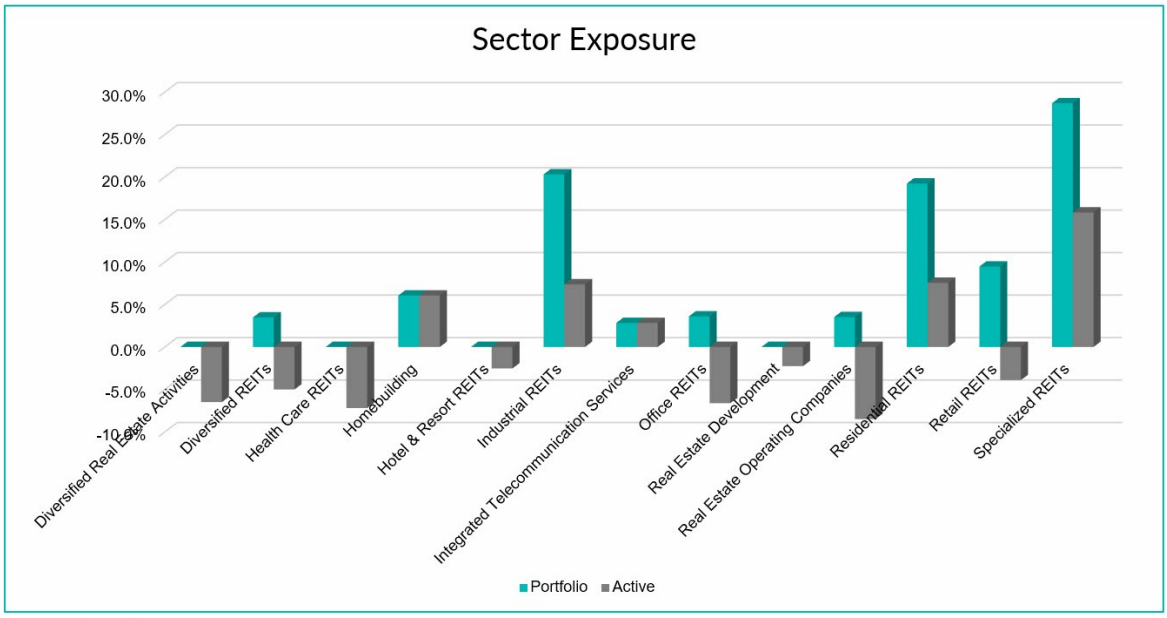
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Residential REITs (+1 bps) while top detractors by sub-industry included Office REITs (-30 bps), Diversified REITs (-30 bps) and Health Care REITs (-29 bps) on an absolute basis.

On a relative basis, positive return contributions from the Real Estate Operating Companies, Hotel & Resort REITs and Diversified Real Estate Activities sub-industries were offset by negative contributions from the Retail REITs, Specialized REITs and Industrial REITs sub-industries.



Source: Ninepoint Partners

We are currently overweight Specialized REITs, Residential REITs and Industrial REITs while underweight Real Estate Operating Companies, Health Care REITs and Office REITs. Given our expectations for the rally to broaden through 2021 as the world reopens, we have reduced some of our outsized sector allocations. If the vaccine rollout accelerates within a reasonable timeframe, we may finally see both growth/momentum REITs and value/cyclical REITs rallying together. Importantly, certain sub-industries in the Real Estate sector, dependent on falling unemployment, reduced mobility restrictions and a return-to-office, may hold the potential for outsized returns on a risk adjusted basis in 2021.



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included WPT Industrial (+29 bps), Tricon (+23 bps) and Innovative Industrial Properties (+15 bps). Top detractors year-to-date included Store Capital (-30 bps), Aroundtown (-30 bps) and Vonovia (-27 bps).

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at January 31, 2021 with the top 10 holdings accounting for approximately 35.1% of the fund. Over the prior fiscal year, 19 out of our 30 holdings have announced a dividend increase, with an average hike of 5.9% (median hike of 5.5%). 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 MARCH 31, 2023 (SERIES F NPP132) | INCEPTION DATE: AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-2.4%	4.5%	4.5%	6.3%	-12.2%	6.3%	5.1%	6.9%
MSCI World IMI Core Real Estate NR (CAD)	-3.8%	0.6%	0.6%	6.1%	-15.4%	4.6%	1.9%	2.4%

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, 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.

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