



# Ninepoint Global Real Estate Fund

## July 2020 Commentary

Year-to-date to July 31, the Ninepoint Global Real Estate Fund generated a total return of 3.23% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -15.18%. For the month, the Fund generated a total return of 7.96% while the Index generated a total return of 1.30%.

### Investment Team

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**Jeff Sayer, CFA**  
Vice President, Portfolio  
Manager

The broad equity markets have staged a dramatic rebound from the panic lows of March 23rd, with the S&P 500 rallying approximately 50% to trade just a few percentage points below all-time highs. Admittedly, the markets have been led by just a handful of stocks (with the big five mega-capitalization technology companies leading the charge – AAPL, MSFT, AMZN, GOOG and FB) but breadth has begun to improve recently as various signs indicate that the worst of the COVID-19 outbreak-induced recession has passed.

In the United States, the number of new COVID-19 cases has picked up during the phased reopening but, importantly, we have not seen a dramatic spike in either hospitalizations or deaths. Further, tremendous monetary and fiscal stimulus has resulted in improving economic statistics, with the JPMorgan Global Composite PMI at 50.8 in July, up from the depths of 26.2 in April, the US Composite PMI at 50.3 in July, up from 27.0 in April, the Eurozone Composite PMI at 54.9 in July, up from 13.6 in April and the Caixin China Composite PMI at 54.5, up from 27.5 in February. The inflection in both the manufacturing and services components of the global economy into expansionary territory has translated into job gains and the US Bureau of Labor Statistics recently reported that total nonfarm payroll employment rose by 1.8 million in July after a 4.8 million gain in June and a 2.5 million gain in May.

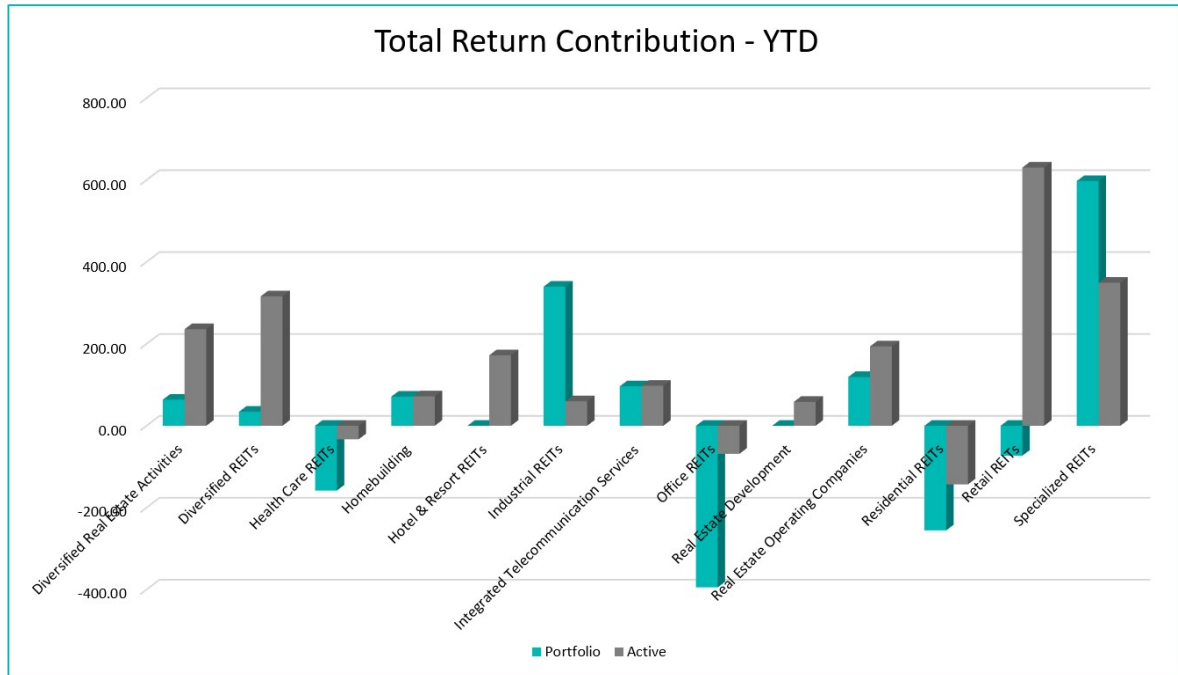
The question remains whether the recovery is self-sustaining or not, which will determine if equity valuations today can be justified by future expected earnings. Consensus estimates, according to various strategists and equity analysts, currently imply a solid 30% rebound in calendar 2021. However, bond investors don't seem to believe the recovery story, with the US 10-year Treasury yield again below 0.6%. Thankfully, pending incremental fiscal support and progress towards an effective vaccine offer reasons to be optimistic going forward. From a capital allocation perspective, an analysis of the S&P 500 dividend yield to the US 10-year Treasury yield still suggests that dividend paying securities are extremely attractive relative to bonds.

Therefore, we continue to believe that a diversified portfolio of dividend paying stocks (including global equities and publicly listed real estate and infrastructure securities) should generate solid total returns for investors over the balance of the cycle. Potential risks to our optimistic outlook include disappointment related to a Phase IV stimulus package, concerns regarding the rising number of new COVID-19 cases around the world and uncertainty surrounding the upcoming US Presidential election.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-

industry included Specialized REITs (+598 bps), Industrial REITs (+340 bps) and Real Estate Operating Companies (+119 bps) while top detractors by sub-industry included Office REITs (-395 bps), Residential REITs (-255 bps) and Health Care REITs (-158 bps) on an absolute basis.

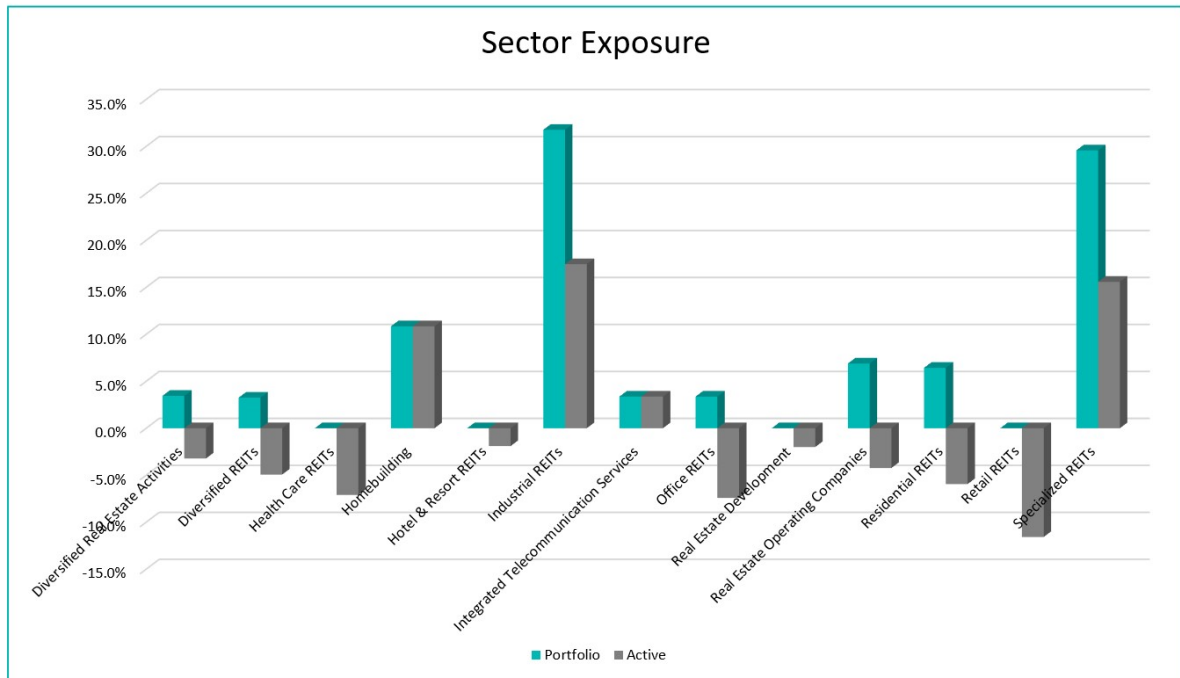
On a relative basis, positive return contributions from the Retail REITs, Specialized REITs and Diversified REITs sub-industries were offset by negative contributions from the Residential REITs, Office REITs and Health Care REITs sub-industries.



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Specialized REITs and Homebuilding while underweight Retail REITs, Office REITs and Health Care REITs. We continue to expect divergent sub-industry performance driven by the degree of success with rent collection. Therefore, we have invested the bulk of our cash position in the sub-industries that should benefit the most from work-from-home and consume-at-home trends.

We also have significant exposure to Homebuilding, since new home construction in the United States remains extremely strong, with June sales up 13.8% sequentially from May and up 6.9% on a year-over-year basis, as suburbanization gains momentum.



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included Equinix (+138 bps), Cellnex (+105 bps) and Digital Realty Trust (+97 bps). Top detractors year-to-date included Dream Office (-113 bps), Kilroy Realty (-102 bps) and Medical Properties Trust (-78 bps).

In July, our top performing investments included Goodman Group (+57 bps), D.R. Horton (+57 bps) and Lennar (+51 bps) while Persimmon (-25 bps), Rexford Industrial (-13 bps) and Vici Properties (-13 bps) underperformed.

The Ninepoint Global Real Estate Fund was concentrated in 28 positions as at July 31, 2020 with the top 10 holdings accounting for approximately 39.2% of the fund. Over the prior fiscal year, 21 out of our 28 holdings have announced a dividend increase, with an average hike of 9.6% (median hike of 6.3%). 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<sup>1</sup>  
AS OF JULY 31, 2020 (SERIES F NPP132)

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	8.0%	3.2%	8.7%	-1.7%	10.8%	9.2%	9.4%
Index	1.3%	-15.2%	1.7%	-17.4%	-10.8%	1.5%	2.2%

<sup>1</sup>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 July 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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