Ninepoint Global Real Estate Fund

June 2018 Commentary

Investment Team

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Year-to-date to June 30, the Ninepoint Global Real Estate Fund generated a total return of 1.88% compared to the FTSE EPRA/NAREIT Index, which generated a total return of 5.48% in CAD.

Returns in the month of June were solid on an absolute basis but slightly disappointing on a relative basis, with the Fund generating a total return of 2.21% while the benchmark generated a total return of 2.98%. Although the US 10-year bond yield was relatively stable through the month of June, ending at 2.86%, political uncertainty and global trade war fears led to a defensive rotation in the markets. Some of the worst performing REIT sub-industries rallied from oversold levels, including Retail REITs, a sector where we are underweight but are looking to add exposure given depressed valuations. Thankfully, the Industrial REITs and Specialized REITs sub-industries also rallied in June and we remain overweight.

Our modelling indicates that the Canadian dollar should continue to weaken in 2018. Because a resolution to the ongoing NAFTA negotiations is looking less likely in the near term, we have closed out our currency hedging, returning to a neutral positioning relative to our benchmark.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund included Aroundtown (+77 bps), Pure Industrial REIT (+59 bps) and Colliers (+53 bps). Top detractors year-to-date included Immobiliare Grande Distribuzione (-63 bps), Gazit-Globe (-40 bps) and Citycon Oyj (-30 bps).

In 2017, Retail REITs were one of the worst performing sub-industries in the REIT sector, as the threat of Amazon on traditional bricks and mortar retailers panicked investors. Valuations reached extreme levels, with some Retail REITs trading at 20% to 30% discounts to reported net asset value. Our investment approach is not designed to identify V-shaped inflection points but as certain, individual REITs rallied from their lows, they began to appear on our screens. Maintaining our investment discipline, we added two well-known Retail REITs, Simon Property Group in the US (SPG US) and RioCan REIT (REI-u CN) in Canada, both at a significant discount to reported net asset value.

Simon Property Group, currently yielding approximately 4.6%, is the largest shopping mall and outlet center owner listed in the US, with an interest in 233 retail properties comprising 190 million square feet in North America, Europe and Asia. NAV and FFO growth will come from SPG's redevelopment and expansion projects at 28 properties in the US, Canada and Asia. RioCan REIT, currently yielding approximately 5.9%, owns and manages Canada's largest portfolio of shopping centers with an interest in 284 properties, including 17 development properties comprising 44 million square feet. NAV and FFO growth will come from the REIT's significant development pipeline of urban, transit-oriented locations.

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at June 30, 2018 with the top 10 holdings accounting for approximately 40.6% of the fund. Over the past year, 20 out of our 30 holdings have announced a dividend increase, with an average hike of 21.3%. 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 GLOBAL REAL ESTATE FUND - COMPOUNDED RETURNS[1]
AS OF MARCH 31, 2020 (SERIES F NPP132)

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	-10.0%	-9.0%	-9.0%	-9.2%	-3.5%	5.3%	7.2%
Index	-16.9%	-20.3%	-20.3%	-20.7%	-17.2%	-1.1%	1.0%

[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 June 29, 2018; e) 2015 annual returns are from 08/04/15 to 12/31/15.

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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