Ninepoint Global Real Estate Fund

June 2019 Commentary

Investment Team

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Year-to-date to June 30, the Ninepoint Global Real Estate Fund generated a total return of 8.92% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 9.63%. For the month, the Fund generated a total return of -2.83% while the Index generated a total return of -1.77%. After a solid recovery rally to start the year, markets faltered in May as US-China trade negotiations broke down. However, sentiment improved dramatically through June with the indefinite suspension of US tariffs on Mexican imports, the growing expectation of a US-China trade war truce (driven by the anticipation of a Trump and Xi face-to-face meeting at the G-20 Osaka summit) and the dovish reassurances from global Central Banks. In fact, the S&P 500 (in US dollar terms) recorded its best June performance since 1995 and its best first half since 1997.

In last month's commentary, we acknowledged that the risk of an economic downturn was rising based various economic indicators, including weakening global PMIs and a flattening yield curve. Despite our concerns, we identified three potential developments that could extend the economic cycle:

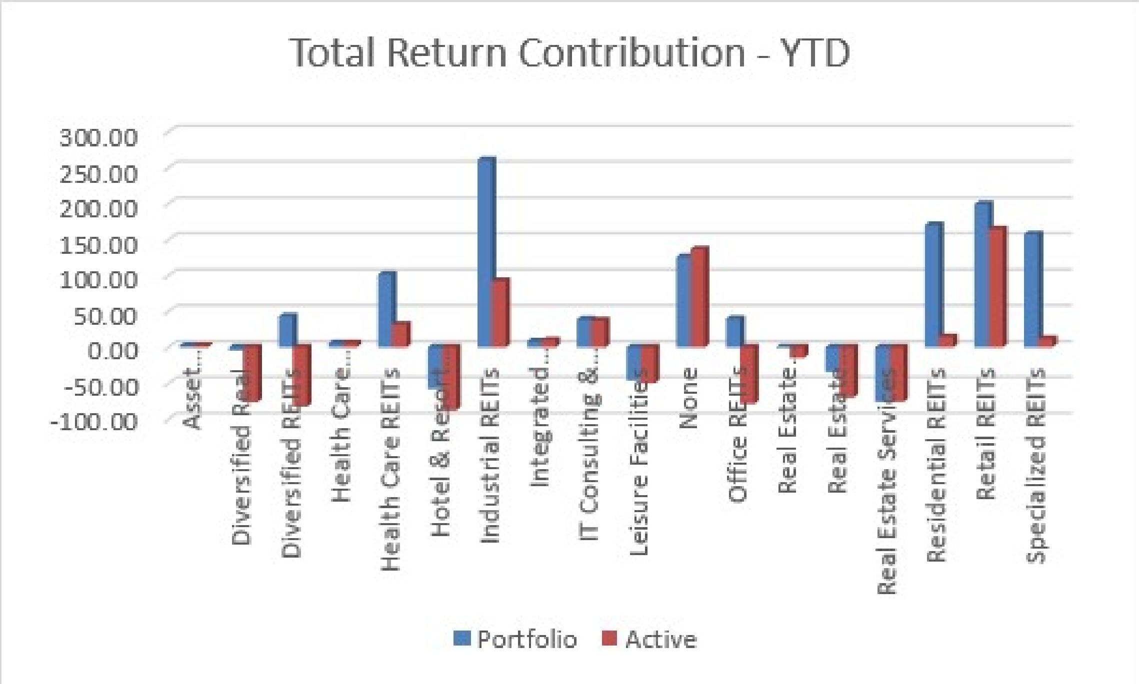
First, the final tranche of tariffs on the remaining $300 billion worth of goods from China may not be enacted if President Trump is willing to settle for a relatively weaker deal to improve his re-election chances in 2020.
Second, tariffs on imported goods from Mexico may be avoided if Trump receives enough assurances that Mexican authorities will step up their efforts to secure the border.
Third, the Fed may aggressively lower the federal funds rate in a preemptive move to stimulate the domestic economy, boosting growth and inflation.

Amazingly, the world seems to be unfolding in line with this optimistic scenario. Both the first and second developments have essentially played out in bullish fashion. The final development needed for economic reacceleration, interest rate cuts, is now all but guaranteed with the US Federal Funds futures implying a 100% chance of a 25-bps cut at the July meeting and another 50 bps of cuts through January 2020. We continue to believe that this should be enough to avoid a global recession and, if the economic indicators can bottom reasonably soon, earnings expectations for 2020 should stabilize. The bull case would suggest that if we couple forward earnings growth with some multiple expansion we could still see a decent back half of the year for the broad equity markets.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Industrial REITs (+261 bps), Retail REITs (+199 bps) and Residential REITs (+170 bps) while top detractors by sub-industry included Real Estate Services (-76 bps), Hotel & Resort REITs (-58 bps) and Leisure Facilities (-46 bps) on an absolute basis. On a relative basis, positive return contributions from the Retail REITs, Industrial REITs, IT Consulting & Other Services, Health

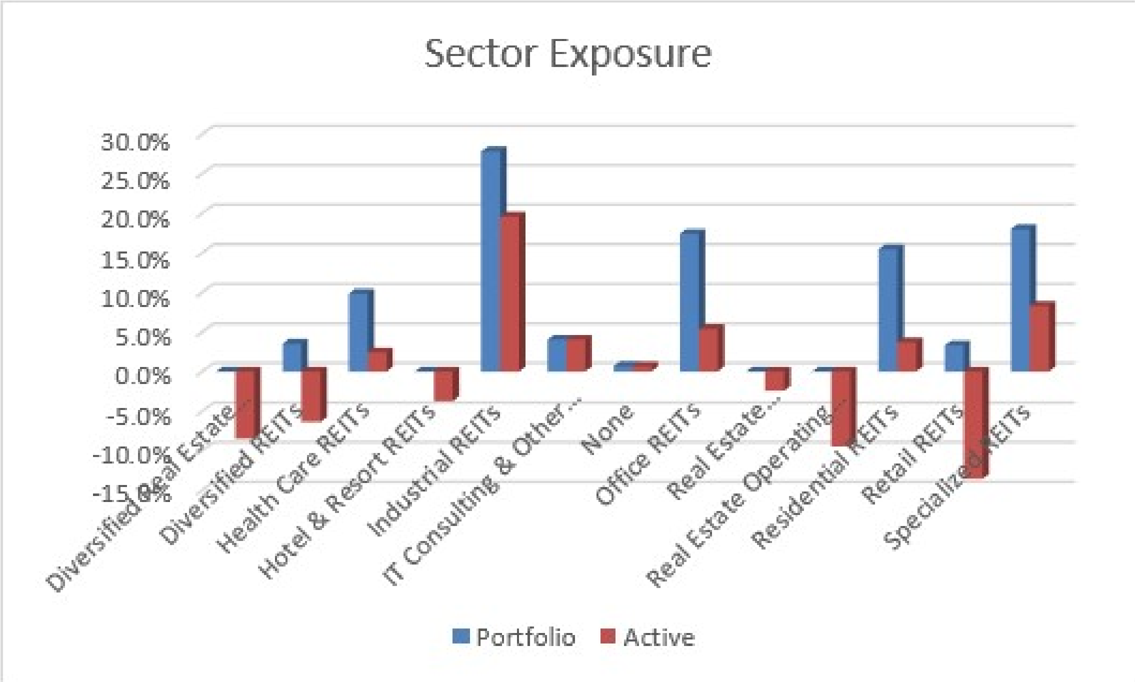
Care REITs and Residential REITs sub-industries couldn't quite offset negative contributions from the Hotel & Resort REITs, Diversified REITs, Office REITs, Diversified Real Estate Activities, Real Estate Services, Real Estate Operating Companies and Leisure Facilities sub-industries.

Because almost all the recent disappointing performance occurred over a two-day period during the final week of June, without any underlying cause other than aggressive sector rotation away from defensives toward cyclicals, we expect the portfolio to rebound quickly. With interest rates expected to remain favourable (the US 10-year bond yield has now dipped below 2.0%), Real Estate will likely continue to be one of the top performing sectors in the market over the balance of the year.



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Specialized REITs and Office REITs while underweight Retail REITs, Real Estate Operating Companies, Diversified Real Estate Activities and Diversified REITs. This positioning is consistent with strong demand for real estate tied to technology-driven businesses involved in ecommerce (distribution and logistics warehouses), communication (cell phone towers) and cloud services (data centers). Further, solid fundamentals for multi-family and single-family housing are reflected in our overweight positioning in the Residential REITs sub-industry.



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included Equinix (+120 bps), Prologis (+112 bps) and American Tower (+87 bps). Top detractors year-to-date included CyrusOne (-62 bps), Colliers International (-59 bps) and Braemar Hotels & Resorts (-58 bps).

In June, our top performing investments included Prologis (+20 bps), Dream Industrial (+8 bps) and RioCan (+7 bps) while Digital Realty Trust (-36 bps), Cousins Properties (-27 bps) and Alexandria Real Estate Equities (-26 bps) underperformed.

One of our current favourites in the Industrial REITs sub-industry is Prologis Incorporated (NYSE: PLD), the well-known global leader in distribution and logistics real estate. The Company owns or has investments in approximately 3,700 properties and development projects, expected to total 772 million square feet upon completion, in 19 countries across four continents. Focusing on high-barrier and high growth markets, Prologis leases its distribution facilities to over 5,100 customers in various business-to-business or retail/online fulfillment categories. Industrial real estate assets, especially distribution and logistics assets, continue to have some of the best fundamentals in the real estate sector with customers focused on locations near the end consumer in large, coastal, urban markets.

The strength of the Company's assets base was apparent with the release of the Q1 2019 operating and financial results. In fact, the outlook improved to such a degree that management increased their full-year guidance only 90 days into 2019. Occupancy levels were boosted from a range of 96.0% to 97.5% to a range of 96.5% to 97.5% and cash same store net operating income growth was lifted from a range of 3.75% to 4.75% to a range of 4.25% to 5.00%. Improving operating metrics flowed directly to financial metrics and core FFO estimates were increased from a range of $3.12 to $3.20 per share to a range of $3.20 to $3.26 per share, a bump of slightly more than 2% at the midpoint.

Given the growth of ecommerce, the modernization of supply chains and the relative scarcity of topquality assets in urban markets, it is difficult to see what could derail the Prologis story in the near term. However, as active investors, we are always monitoring valuation levels relative to the Company's sector-leading FFO per share growth and exceptional underlying asset base.

The Ninepoint Global Real Estate Fund was concentrated in 29 positions as at June 30, 2019 with the top 10 holdings accounting for approximately 39.1% of the fund. Over the prior fiscal year, 22 out of our 29 holdings have announced a dividend increase, with an average hike of 12.8%. 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 GLOBAL REAL ESTATE FUND - COMPOUNDED RETURNS[1]
AS OF APRIL 30, 2020 (SERIES F NPP132)

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	4.4%	-5.0%	-9.5%	-7.4%	1.0%	5.9%	8.1%
Index	4.7%	-16.6%	-18.8%	-18.3%	-12.7%	-0.8%	2.0%

[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 28, 2019; 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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