



Ninepoint Global Real Estate Fund

June 2020 Commentary

Year-to-date to June 30, the Ninepoint Global Real Estate Fund generated a total return of -4.38% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -16.26%. For the month, the Fund generated a total return of -0.72% while the Index generated a total return of 0.74%.

Investment Team



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Although the COVID-19 outbreak triggered the deepest global recession since WWII, the world is now beginning to reopen, albeit in fits and starts. As expected, the number of new cases is rising as we increase our mobility and interact with more people outside of our quarantine bubbles. However, the phased reopening seems to be going reasonably well in locations where compliance with social distancing norms (including the use of facemasks when indoors) remains high. Unfortunately, the United States is still struggling with the first wave of the outbreak (notably in Arizona, California, Florida and Texas) where civil liberties have taken precedence over the common good. Thankfully, we have yet to see dramatic spikes in either hospitalizations or deaths (possibly because the average age of new cases has dropped by approximately fifteen years thus improving the odds of survival for those infected) but clearly the most vulnerable need to be protected until we have an effective vaccine.

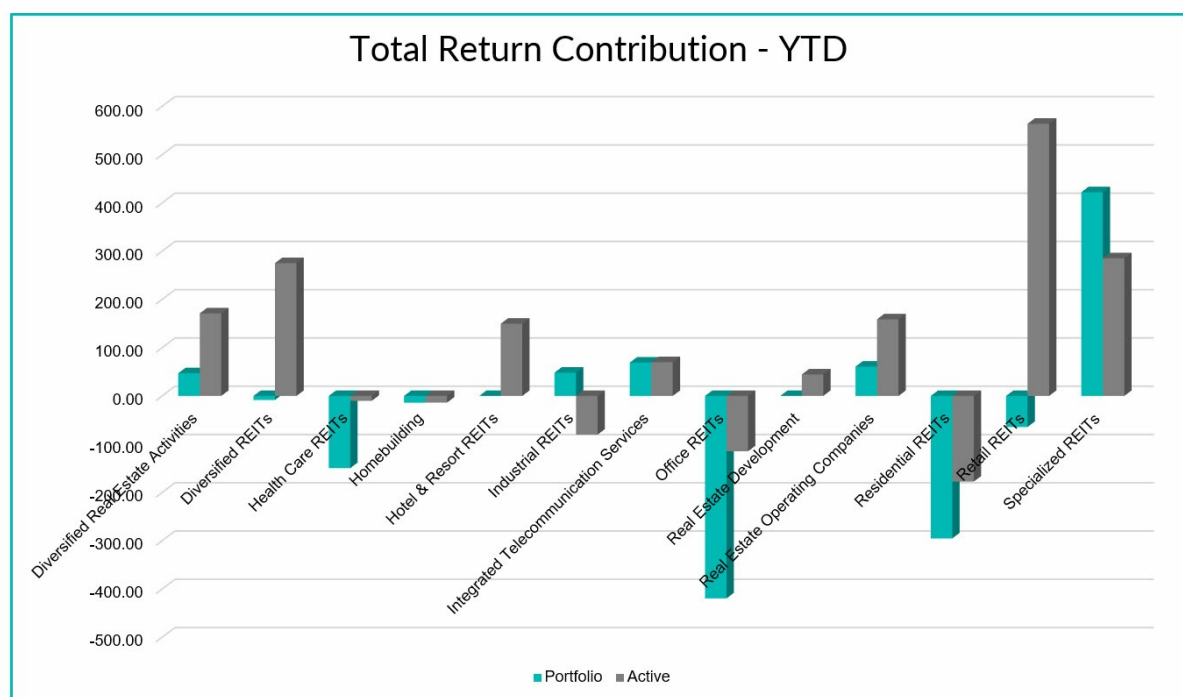
From an investment perspective, the equity markets have recovered from the panic lows of March 23rd in what most closely resembles a “V-shaped” rebound. In fact, the 20% return posted by the S&P 500 in Q2 2020 is the best quarterly return since Q4 1998 and the Index has now bounced 41% from its lows. Importantly, the rally has been supported by improving economic data, with the JPMorgan Global Composite PMI at 47.7 in June, up from 36.3 in May and 26.2 in April, the US Composite PMI at 47.9 in June, up from 37.0 in May and 27.0 in April and the Eurozone Composite PMI at 48.5 in June, up from 31.9 in May and 13.6 in April. Although still in contraction territory, the directional improvement in both the manufacturing and services components of the US economy has translated into job gains and the Bureau of Labor Statistics recently reported that total nonfarm payroll employment rose by 4.8 million in June after a 2.5 million gain in May.

The question now becomes whether the economic recovery is self-sustaining and continues higher or levels off below the prior peak, which will determine the pace and magnitude of the earnings recovery. On a positive note, fiscal and monetary stimulus have reached epic proportions (the US has already provided \$3 trillion in fiscal support with another \$1 to \$1.5 trillion possible by the late-July to early-August time frame). However, bond investors don't yet believe the recovery story (or at least any sort of inflationary economic growth) with the US 10-year Treasury yield stuck in a range between 0.6% and 0.8% despite the rebound in the equity market. So, the question remains unresolved for now, but a positive vaccine announcement would be an immediate game-changer. From my perspective, a quick analysis of the S&P 500 dividend yield to the US 10-year Treasury yield suggests that dividend paying securities haven't been this attractive relative to bonds in over twenty years. Calendar 2020 is far from over, but a portfolio of dividend paying stocks, balanced between

growth/momentum and value/cyclical factors should continue to perform well through the cycle. Having said that, we do need to keep an eye on the potential short-term risks, including disappointment related to a Phase IV stimulus package, concerns regarding the rising number of new COVID-19 cases and uncertainty surrounding the upcoming US Presidential election.

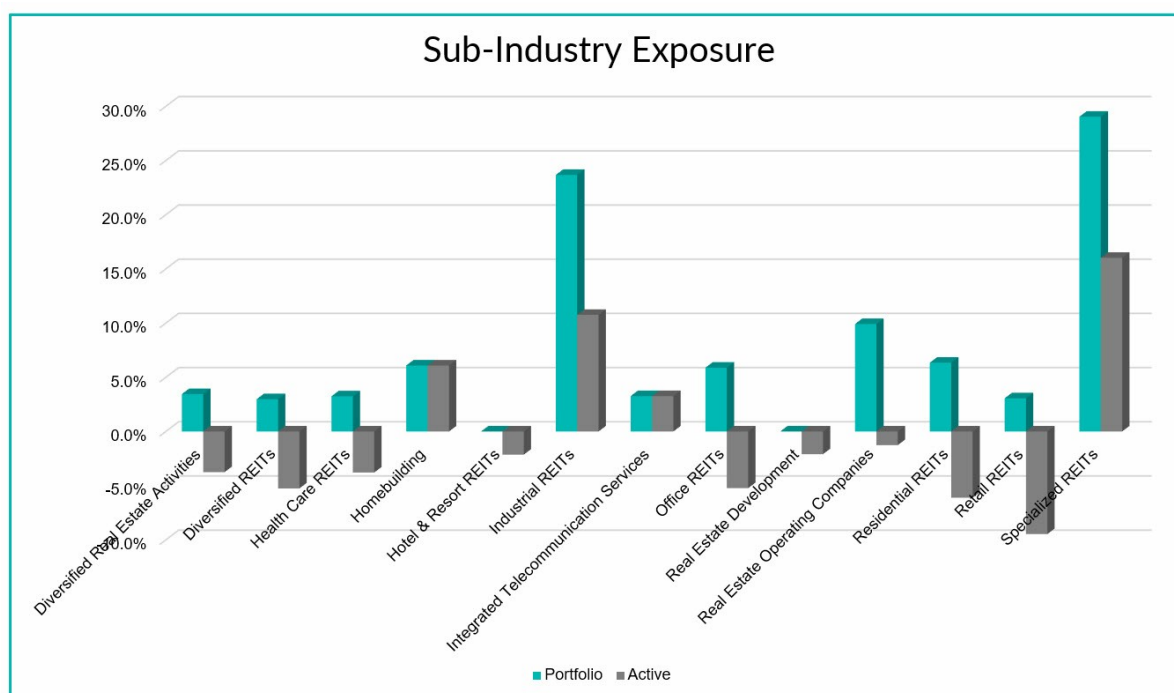
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Specialized REITs (+422 bps), Integrated Telecommunication Services (+69 bps) and Real Estate Operating Companies (+61 bps) while top detractors by sub-industry included Office REITs (-419 bps), Residential REITs (-294 bps) and Health Care REITs (-150 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 Industrial REITs sub-industries.



Source: Ninepoint Partners

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



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included Equinix (+98 bps), Crown Castle (+82 bps) and Cellnex (+77 bps). Top detractors year-to-date included Dream Office (-113 bps), Kilroy Realty (-102 bps) and Invitation Homes (-84 bps).

In June, our top performing investments included Tricon Capital (+42 bps), Nexpoint Residential (+23 bps) and Cellnex (+18 bps) while Easterly Government Properties (-25 bps), QTS Realty (-24 bps) and Equity Commonwealth (-23 bps) underperformed.

The Ninepoint Global Real Estate Fund was concentrated in 29 positions as at June 30, 2020 with the top 10 holdings accounting for approximately 37.5% of the fund. Over the prior fiscal year, 22 out of our 29 holdings have announced a dividend increase, with an average hike of 5.7% (median hike of 6.9%). 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 RETURNS¹ AS OF OCTOBER 31, 2022 (SERIES F NPP132) | INCEPTION DATE: AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	1.4%	-23.7%	-8.8%	-15.4%	-16.7%	0.5%	4.2%	6.6%
MSCI World IMI Core Real Estate NR (CAD)	2.3%	-22.7%	-10.4%	-15.7%	-17.9%	-4.9%	1.0%	2.0%

¹All 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 30, 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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