Ninepoint Global Real Estate Fund

June 2021 Commentary

Investment Team

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Year-to-date to June 30, the Ninepoint Global Real Estate Fund generated a total return of 12.97% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 12.20%. For the month, the Fund generated a total return of 5.09% while the Index generated a total return of 3.67%.

The effectiveness of the worldwide Covid-19 vaccination rollout is amazing to observe in real time. In regions with elevated vaccination rates, where approximately 50% to 60% of the population has received at least one dose, new cases are plummeting, hospitalization and deaths are exceedingly rare events and economic normalization is accelerating. Importantly, studies suggest that the currently available vaccines are also very effective at preventing serious illness against the known variants, which vastly reduces the risk of any further lockdowns. Although some regions of the world are still suffering from the pandemic, hopefully a global, coordinated push to improve vaccination rates will finally bring transmission of the Covid-19 virus under control.

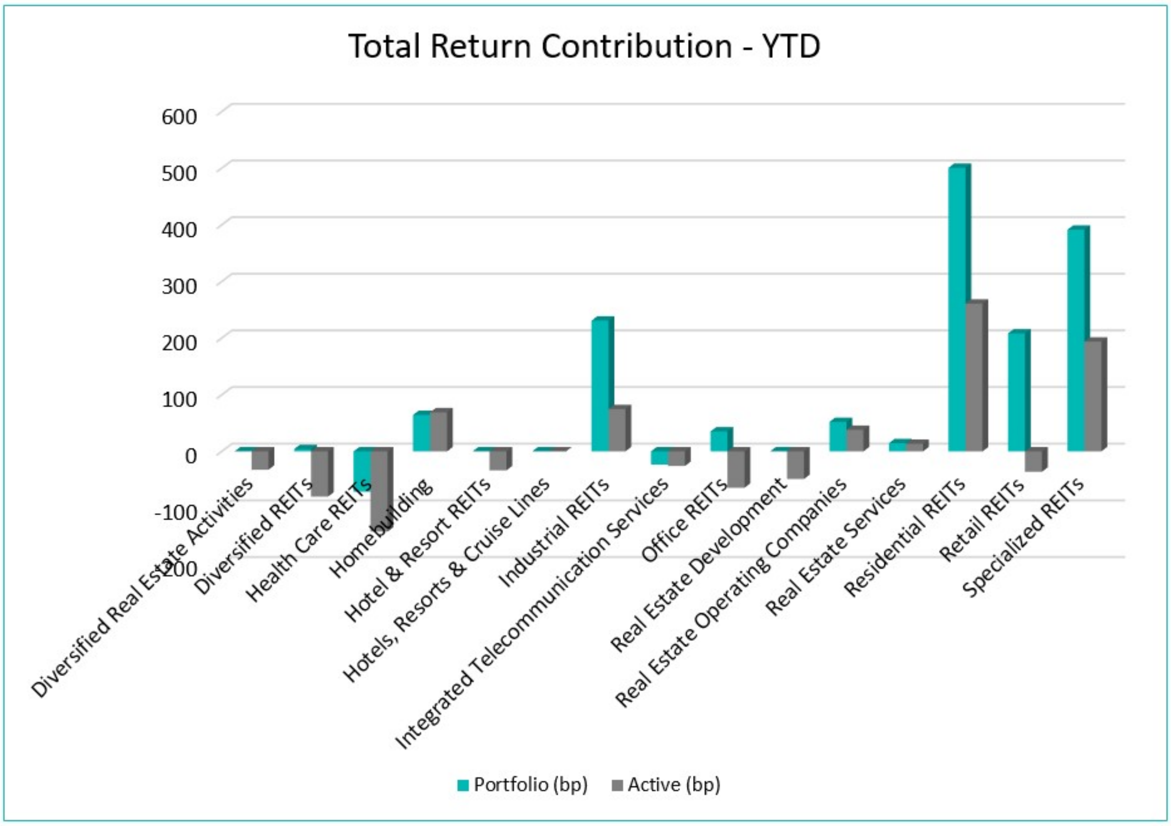
Other than improving vaccination rates, the most important market-moving event of the past month was the FOMC meeting on June 16th since it is US monetary policy that will shape the path of future investment returns over the medium term. At the conclusion of the most recent meeting, members of the FOMC took two initial steps towards the normalization of monetary policy. First, although they agreed to continue purchasing $80 million of Treasury securities per month and $40 million of agency mortgage-backed securities per month, Chairman Powell indicated during the press conference that tapering discussions are now appropriate due to increased confidence in the economic recovery. Second, the interest rate dot plot shifted from a median interest rate projection of no hikes in 2023 to two hikes in 2023, with 14 out of 18 FOMC members looking for at least one hike by the end of 2023.

The changes, whether hawkish or simply more realistic depending on one's base case assumptions, triggered an immediate flattening of the yield curve and another snap rotation in the equity markets (but this time from the cyclicals back into the secular growth trade). The simplest explanation of the market's reaction is that the scenario of runaway inflation is no longer plausible and the worry that the Fed is "behind the curve" is no longer credible. However, shifting rate hikes forward into 2023 suggests that expectations for long term growth may need to be moderated, hence rotation back into the secular growth trade and mega cap technology stocks. We view the outcome of the FOMC meeting as entirely consistent with the Fed's dual mandate of price stability and maximum full employment, which is positive for equity market returns over the medium term.

Over the near term, equities have generally faced some headwinds leading up to and during periods of tapering and rate hikes. However, if Chairman Powell can successfully engineer a normalization of monetary policy without shocking the markets, solid investment returns should continue through at least 2023 since we are likely many years away from real monetary tightening. With long-term interest rates still well below 2.0% (the US 10-year Treasury bond yield is currently pinned around 1.50%) and earnings growth of approximately 35% in 2021 and approximately 12% in 2022 (according to FactSet), earnings multiples can remain elevated relative to historical levels although they may gently trend lower over time. We would therefore characterize the current environment as mid-cycle, where positive investment returns depend on identifying companies with accelerating earnings, cash flow and dividend growth. Essentially, we think this environment bodes well for the relative performance of our dividend and real asset strategies over the medium term.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Residential REITs (+501 bps), Specialized REITs (+392 bps) and Industrial REITs (+231 bps) while top detractors by sub-industry included Health Care REITs (-71 bps) and Integrated Telecommunication Services (-23 bps) on an absolute basis.

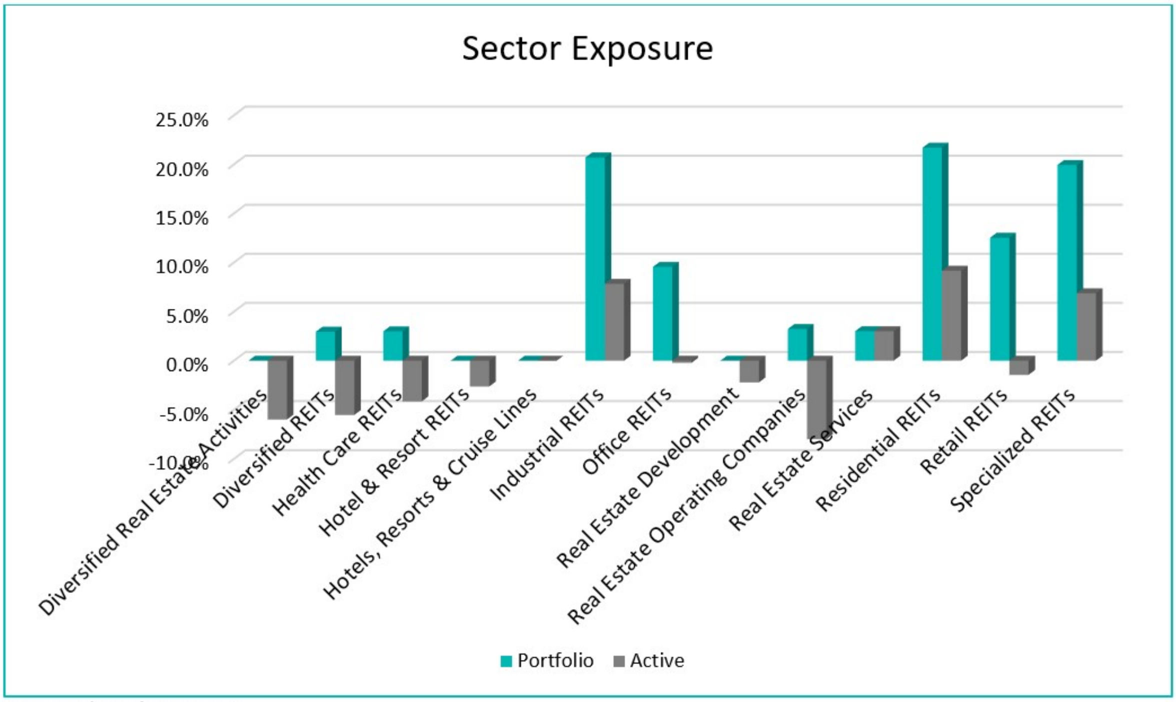
On a relative basis, positive return contributions from the Residential REITs (+261 bps), Specialized REITs (+194 bps) and Industrial REITs (+75 bps) sub-industries were offset by negative contributions from the Health Care REITs (-142 bps), Diversified REITs (-80 bps) and Office REITs (-64 bps) sub-industries.



Source: Ninepoint Partners

We are currently overweight Residential REITs, Industrial REITs and Specialized REITs while underweight Real Estate Operating Companies, Diversified Real Estate Activities and Diversified REITs. As the global economy reopens, sharp sector rotations are occurring underneath the surface of the broad indices. We are looking to position for the middle phase of the investment cycle, where above-average earnings, cash flow and dividend growth can compensate for some degree of multiple-compression due to rising interest rates.

Further, we continue to believe that certain sub-industries in the Real Estate sector, dependent on falling unemployment, reduced mobility restrictions and a return-to-office should do well through the balance of the cycle and are positioned accordingly. Residential REITs, Industrial REITs and Specialized REITs have been clear winners year-to-date, but we expect Retail REITs and even Office REITs to participate to a greater extent in the rally over the balance of the year. In the near-term, the momentum powering the reopening trade should be able to overcome any potential valuation headwinds related to a minor increase in the US 10-year Treasury bond yield.



Source: Ninepoint Partners

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at June 30, 2021 with the top 10 holdings accounting for approximately 36.2% of the fund. Over the prior fiscal year, 21 out of our 30 holdings have announced a dividend increase, with an average hike of 7.5% (median hike of 4.1%). 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 JUNE 30, 2021 (SERIES F NPP 132) | INCEPTION DATE AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	5.1%	13.0%	10.1%	13.0%	18.9%	8.8%	8.5%	9.7%
Index	3.7%	12.2%	7.9%	12.2%	21.1%	4.7%	4.4%	5.0%

[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 30, 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

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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