Ninepoint Global Real Estate Fund

March 2019 Commentary

Investment Team

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Vice President, Portfolio Manager

Year-to-date to March 31, the Ninepoint Global Real Estate Fund generated a total return of 12.69% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 11.87%. For the month, the Fund generated a total return of 4.79% while the Index generated a total return of 4.97%. After an extremely disappointing Q4 in 2018, the broad markets posted the best first quarter returns since 1998. The US Real Estate sector generated particularly strong gains to start the year.

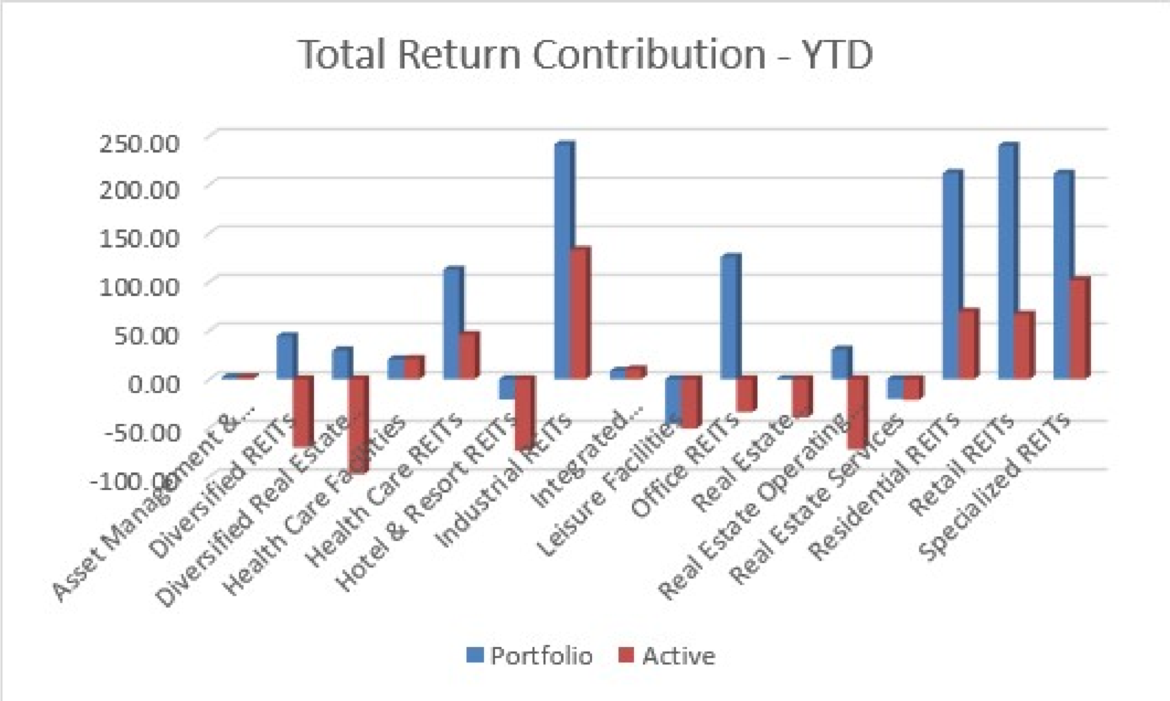
As we discussed in our previous monthly update, the rally has been driven by multiple expansion as forward earnings estimates only now look to be bottoming. In fact, Q1 earnings will likely come in flat to slightly down on a year over year basis, before growth reaccelerates through the balance of 2019. The market, acting as a forward discounting mechanism, has rallied as global recession fears faded, sentiment improved, and a few key economic indicators showed early signs of reacceleration.

Although the US-China trade war has clearly had an impact on economic activity in the first quarter of 2019, China has been aggressively stimulating its economy, which seems to be having the desired effect. After three months of contraction, the Caixin China Manufacturing PMI rose to 50.8 in March, from 49.9 the previous month, beating expectations of 50.1. Corroborating the return to economic expansion, the Official NBS Manufacturing PMI in China rose to 50.5 in March from a three-year low of 49.2 in February, beating expectations of 49.5. In the United States, the ISM Manufacturing PMI also improved in March to 55.3 from 54.2 in February, versus expectations of 54.5. Trade negotiations appear to be going well and most commentators are expecting some form of a deal to be completed by the end of April.

Adding further support to the rally, the US Federal Reserve completely and officially pivoted from hawkish to dovish (almost unbelievably over the span of just a few months) at its FOMC meeting on March 20. In addition to leaving the benchmark funds rate unchanged in a range of 2.25% to 2.50%, they indicated that no additional rate hikes would be coming in 2019 and the balance sheet roll-off program (quantitative tightening) would be completed by the end of September. Interestingly, the market has extrapolated this dovishness and has priced slightly more than a 50% chance of an interest rate cut by the end of 2019, but we believe that these odds overstate the likelihood of lower rates in 2019.

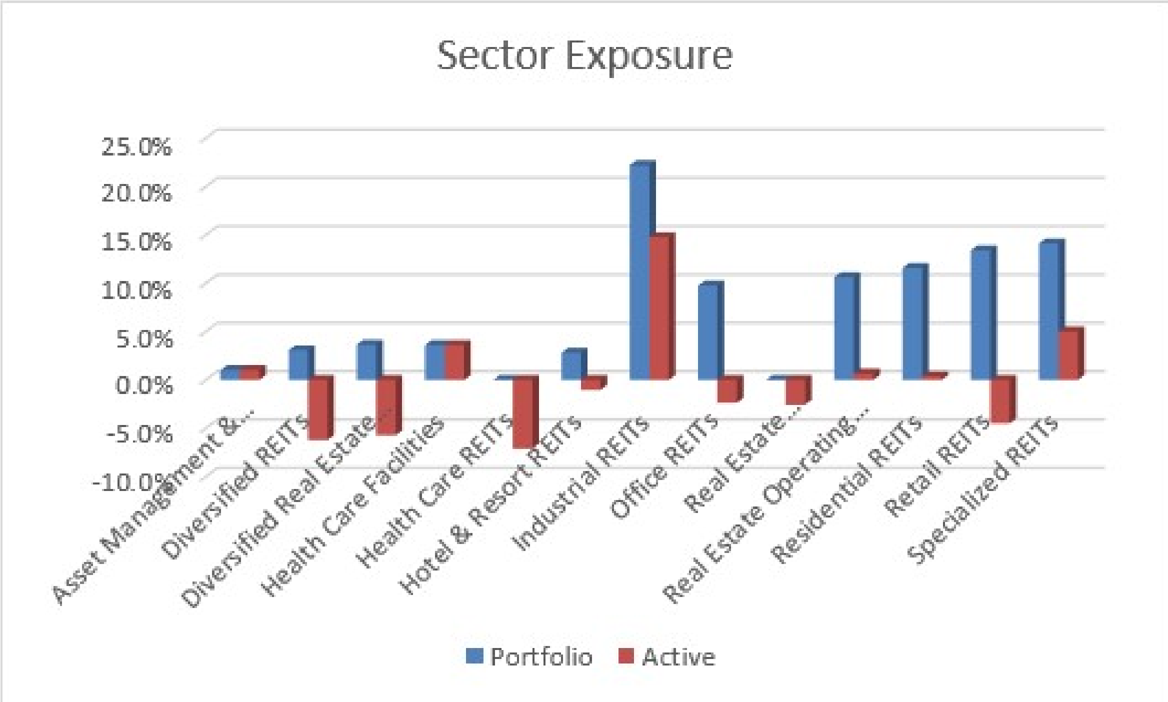
As bond prices quickly adjusted to the messaging from the FED, a forward-looking recession indicator was triggered with the inversion of the 3-month to 10-year yield curve (although the more widely-watched 2-year to 10-year yield curve remained positive). Thankfully, the 3-month to 10-year yield curve quickly steepened and will likely prove to be a false signal in terms of predicting a recession within the next 12 to 18 months. We will be diligently watching consumer confidence and jobless claims for any signs of an impending economic downturn, but for now low interest rates will serve to boost economic activity and support continued earnings multiple expansion.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Industrial REITs (+241 bps), Retail REITs (+240 bps) and Residential REITs (+212 bps) while top detractors by sub-industry included Leisure Facilities (-46 bps), Hotel & Resort REITs (-21 bps) and Real Estate Services (-21 bps).



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Specialized REITs and Health Care Facilities while underweight Health Care REITs, Diversified REITs and Diversified Real Estate Activities.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Equinix (+88 bps), American Tower (+83 bps) and Prologis (+79 bps). Top detractors year-to-date included Vail Resorts (-46 bps), CyrusOne (-23 bps) and Braemar Hotels & Resorts (-21 bps).

In March, our top performing investments included American Tower (+47 bps), Crown Castle (+36 bps) and Stag Industrial (+35 bps) while Braemar Hotels & Resorts (-19 bps), Immobiliare Grande Distribuzione (- 8 bps) and SmartCentres (-5 bps) underperformed.

The Ninepoint Global Real Estate Fund was concentrated in 29 positions as at March 31, 2019 with the top 10 holdings accounting for approximately 38.6% of the fund. Over the prior fiscal year, 19 out of our 29 holdings have announced a dividend increase, with an average hike of 9.5%. 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 JULY 31, 2022 (SERIES F NPP132) | INCEPTION DATE: AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTI
Fund	7.6%	-16.3%	-7.2%	-8.4%	-5.2%	7.1%	7.6%	8.2%
MSCI World IMI Core Real Estate NR (CAD)	7.0%	-13.7%	-6.0%	-9.1%	-7.8%	1.0%	3.8%	3.7%

[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 March 31, 2019; 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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