Ninepoint Global Real Estate Fund

March 2020 Commentary

Investment Team

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Year-to-date to March 31, the Ninepoint Global Real Estate Fund generated a total return of -8.99% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -20.35%. For the month, the Fund generated a total return of -10.00% while the Index generated a total return of -16.85%.

The COVID-19 outbreak has now become a global pandemic. Much of the developed world is on lockdown with millions and millions of people coping with social distancing recommendations or shelter-in-place orders. The United States is now the epicenter of the outbreak with, sadly, the greatest number of cases. The human cost is rising rapidly but medical providers around the world are working tirelessly to care for individuals with moderate to severe symptoms. Further, the scientific research community is working furiously to improve detection and treatment techniques with the eventual goal of creating an effective vaccine.

It is almost impossible to quantify the ultimate economic impact of the outbreak with any degree of accuracy at this point. But, broadly speaking, the dynamics of the pending recession seem to be more like a natural disaster-induced full-stop than a monetary policy-induced slowdown, which would have been more typically seen at the end of such a long expansionary period. Therefore, from an economic perspective, some of the key questions we need to answer will be the magnitude and duration of the downturn and the degree of success with the restart (without risking a second or third wave of infection).

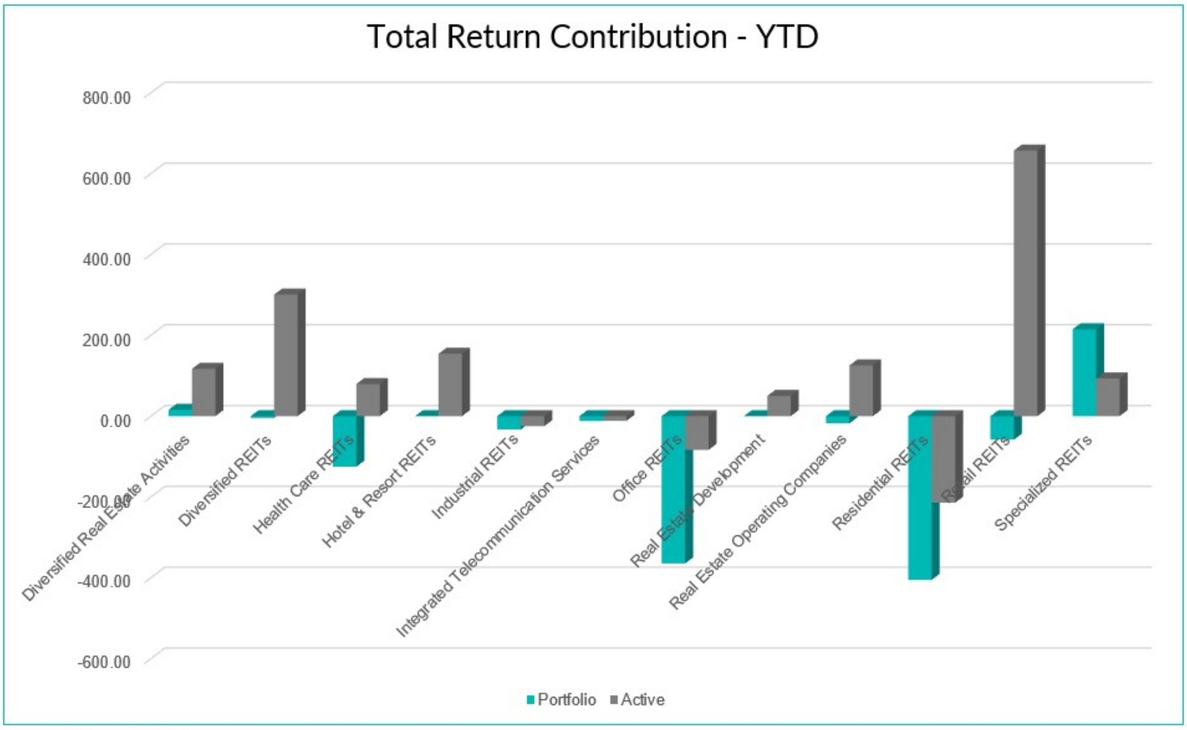
Because various regions around the world are slightly out-of-phase (China is already restarting, the Eurozone is closer to the depths and North America is really just entering the downturn) we are following the data closely to try to figure out the path forward. China's Caixin Composite PMI rebounded in March to 46.7 from a low of 27.5 in February but in the Eurozone, the Markit Composite PMI reading came in at 29.7 for March, its biggest monthly fall ever. Extrapolating from these data points, the US data is clearly going to deteriorate dramatically although some recently reported data points were still relatively benign (the ISM manufacturing index came in at 49.1 and the ISM non-manufacturing index fell to 52.5 in March). Unsurprisingly, shorter cycle data from the US labour market has been abysmal with approximately 10 million Americans filing initial jobless claims over the past two weeks, unemployment rising to 4.4% and non-farm payrolls indicating a loss of 701,000 jobs in March. Unfortunately, things are likely to get even more difficult for some in the weeks ahead.

Given the unprecedented impact from the COVID-19 outbreak, the response has quickly moved to a "whatever-it-takes" mentality focused on three main pillars. The first priority has been health care, with unwavering support for frontline providers and a push for faster detection, more effective treatment and accelerated production of medical and personal protection equipment (primarily N95 facemasks and ventilators). Second, monetary policy has quickly shifted to emergency conditions, with aggressive interest rate cuts and effectively unlimited quantitative easing, as Central banks become the buyer of last resort for any distressed sellers in the credit markets. Finally, the fiscal response has been designed to protect employees and support businesses to the greatest extent possible, with over $2 trillion worth of funding promised to buffer the economy thus far and potentially another round of spending currently under debate.

From a stock market perspective, the major indices have plunged approximately 35% peak to trough (consistent with expectations for a sharp but short recession) and daily volatility has exploded. The real problem facing investors is our inability to accurately estimate forward earnings today, evidenced by the extremely wide dispersion between rapidly changing estimates. Essentially, we are grappling with the concept of a V-shaped, U-shaped or L-shaped recovery but, in reality, some businesses will continue to benefit from the outbreak, some will rapidly recover in the coming months, some will take longer to bounce back and others may never return to prior peak levels. The paths taken will most likely be determined by the degree of successful containment of the COVID-19 virus. Once the rate of growth in new cases in the US begins to clearly slow, we will become more confident in a sustained economic recovery and, potentially, the start of a new bull market.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Specialized REITs (+215 bps) and Diversified Real Estate Activities (+15 bps) while top detractors by sub-industry included Residential REITs (-405 bps), Office REITs (-365 bps) and Health Care REITs (-125 bps) on an absolute basis.

On a relative basis, positive return contributions from the Retail REITs, Diversified REITs and Hotel & Resort REITs sub-industries were offset by negative contributions from the Residential REITs, Office REITs and Industrial REITs sub-industries.

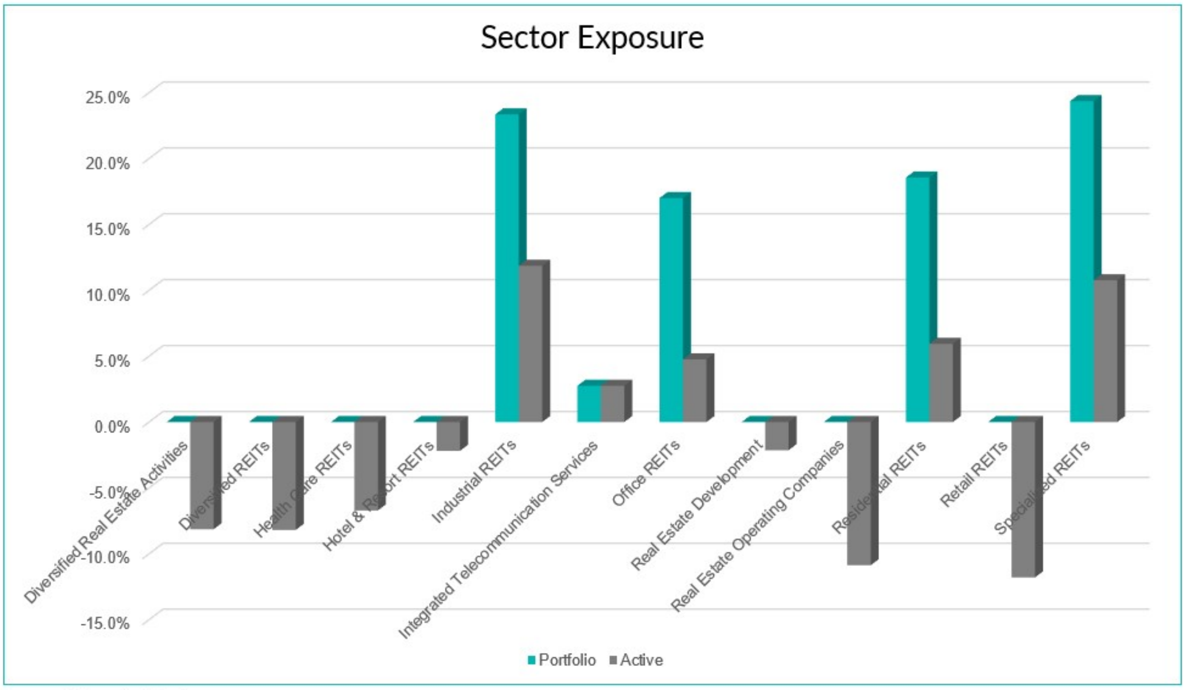


Source: Ninepoint Partners

We are currently overweight Industrial REITs, Specialized REITs and Residential REITs while underweight Retail REITs, Real Estate Operating Companies and Diversified REITs. Note that we have concentrated our holdings in sub-industries that face very little rent relief risk (including data centers, cellular towers, distribution & logistics warehouses tied to ecommerce and office space tied to technology or healthcare providers). Importantly, landlords in these sub-industries have taken the view that the COVID-19 outbreak is not an excuse to avoid paying rent since the businesses are continuing to operate. We have very deliberately avoided real estate dependent on foot traffic (commercial mortgages and retail REITs) or travel (hotels & resorts and gaming REITs) for obvious reasons.

Our exposure to the residential REITs sub-industry seems to be most controversial today (and a relatively poor performer in March) given the rapid spike in job losses. However, research suggests that most monthly rental payments are currently being made although some deferrals have admittedly occurred. If a complete economic shutdown persists beyond a few months, we acknowledge that many renters will likely need to rely on some form of fiscal support or negotiate temporary rent relief with their landlords so we are watching developments closely.

We are also holding a much larger than normal cash position (approximately 14%) given the difficulty in quantifying the impact of the COVID-19 outbreak on the economy.



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included Digital Realty Trust (+72 bps), Equinix (+68 bps) and Crown Castle (+43 bps). Top detractors year-to-date included Kilroy Realty (-102 bps), Invitation Homes (-100 bps) and Dream Office (-78 bps).

In March, our top performing investments included Digital Realty Trust (+73 bps), Equinix (+58 bps) and Easterly Government Properties (+28 bps) while Invitation Homes (-97 bps), Minto Apartment (-93 bps) and Medical Properties Trust (-89 bps) underperformed.

Once we had realized that the COVID-19 outbreak would create a global demand shock, we took several steps to mitigate the impact to our portfolios. Starting late-February and continuing through March, the first step we took was to raise cash by trimming outsized positions. Next, we eliminated any holdings that would have been most directly impacted by the global shutdown or had relatively weaker balance sheets. We are now executing the third step in our plan, which involves the rotation into names that are net beneficiaries from work-at-home or consume-at-home themes and high-quality secular growth stories that have de-rated relative to historic trading levels. Finally, once we have more confidence that the outbreak has peaked, the last step will be to deploy capital into more cyclical names that should benefit from an economic recovery. As always, we will continue to rely on our investment process and fundamental analysis to identify opportunities as they arise.

The Ninepoint Global Real Estate Fund was concentrated in 25 positions as at March 31, 2020 with the top 10 holdings accounting for approximately 38.7% of the fund. Over the prior fiscal year, 18 out of our 25 holdings have announced a dividend increase, with an average hike of 10.3%. 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 Partners

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 March 31, 2020; 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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