



Ninepoint Global Real Estate Fund

May 2018 Commentary

Year-to-date to May 31, the Ninepoint Global Real Estate Fund generated a total return of -0.32% compared to the FTSE EPRA/NAREIT Index, which generated a total return of 2.42%.

Returns in the month of May were positive on an absolute basis but disappointing on a relative basis, with the Fund generating a total return of 0.81% while the benchmark generated a total return of 2.77%. The US 10-year bond yield was extremely volatile during the month, with rates spiking to a high of 3.13% before declining to a low of 2.76% on Italian political uncertainty and global trade war fears. Because we are positioned for a rising rate environment, with the US 10-year ending the month at 2.86%, we underperformed as the more rate-sensitive names rallied. Going forward, the US 10-year will likely track above 3.0% through 2018 and our portfolio will gain ground relative to the benchmark.

Our modelling indicates that the Canadian dollar should continue to weaken in 2018. Because a resolution to the ongoing NAFTA negotiations is looking less likely in the near term, we have reduced some of our currency hedging, returning to a more neutral positioning relative to our benchmark.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund included Pure Industrial REIT (+58 bps), Aroundtown SA (+56 bps) and Interxion (+49 bps). Top detractors year-to-date included Immobiliare Grande Distribuzione (-62 bps), Equinix (-33 bps) and GGP (-33 bps).

Over the past few months, the Canadian apartment REITs have been among the top performing sub-sectors globally. Limited supply and high occupancy levels have translated into solid rent growth across most markets in the country. One of our largest positions in the apartment sector, Killam Properties (KMP-U CN), has rallied nicely after reaching a low in February on rate hike fears. Taking advantage of the unit price run, management announced a bought deal for 3.345 million shares at \$14.95 per share (a 2.5% discount to the prior close and an implied 4.28% dividend yield) on June 6 for total proceeds of approximately \$50 million. With the funds earmarked to fully repay the REIT's credit facility and other corporate purposes, we believe that the deal will create value for new and existing shareholders alike.

Killam Properties, based in Halifax, owns and operates a \$2.5 billion portfolio of 15,093 apartments and 5,165 manufactured homes in Atlantic Canada, Ontario and Alberta with a 96.5% occupancy rate. The portfolio is relatively high quality, with 31% of total net operating income generated from apartments built in the last 10 years. Existing assets are complemented by a \$700 million development pipeline and a robust balance sheet. Based on management's assumptions, the development of 2,361 new units would create about \$175 million in net asset value (or about \$2 per share) for unitholders over time.

Investment Team



Jeff Sayer, CFA
Vice President, Portfolio
Manager

The Ninepoint Global Real Estate Fund was concentrated in 28 positions as at May 31, 2018 with the top 10 holdings accounting for approximately 39.9% of the fund. Over the past year, 15 out of our 28 holdings have announced a dividend increase, with an average hike of 19.9%. 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 GLOBAL REAL ESTATE FUND - COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	5.0%	5.0%	2.3%	12.7%	18.1%	12.1%	11.0%

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 May 31, 2018; 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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