Ninepoint Global Real Estate Fund

May 2020 Commentary

Investment Team

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Year-to-date to May 31, the Ninepoint Global Real Estate Fund generated a total return of -3.68% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -16.87%. For the month, the Fund generated a total return of 1.40% while the Index generated a total return of -0.31%.

As we all know, the COVID-19 outbreak essentially shut down the global economy and triggered the fastest bear market in history, with the S&P 500 falling 35% from February 19 to March 23. However, the market bounced an astonishing 39% to May 29 and has continued to climb through the first week of June. The early part of the move can be explained by the relatively swift and coordinated response, covering emergency monetary measures, aggressive fiscal stimulus, more widespread testing and some tangible progress towards a vaccine. Panic subsided as the threat of a worst-case scenario was reduced and the most dire predictions thankfully failed to come true.

But this recovery rally hasn't only been based on hope, many positive signs have begun to appear over the past couple of months. Importantly, the global growth rate of new cases has slowed to roughly 2% and many countries seem to have the outbreak largely under control. In the United States, the curve of active cases has "flattened" but not "bent" but, crucially, the healthcare system did not reach its breaking point thanks to the tireless efforts of frontline workers. This has allowed a phased reopening of various economies around the world, including the United States and Canada. Although new cases will likely rise as we reduce restrictions, increase mobility and move toward some new form of normal, we have just witnessed the greatest 50-day rally in the history of the S&P 500.

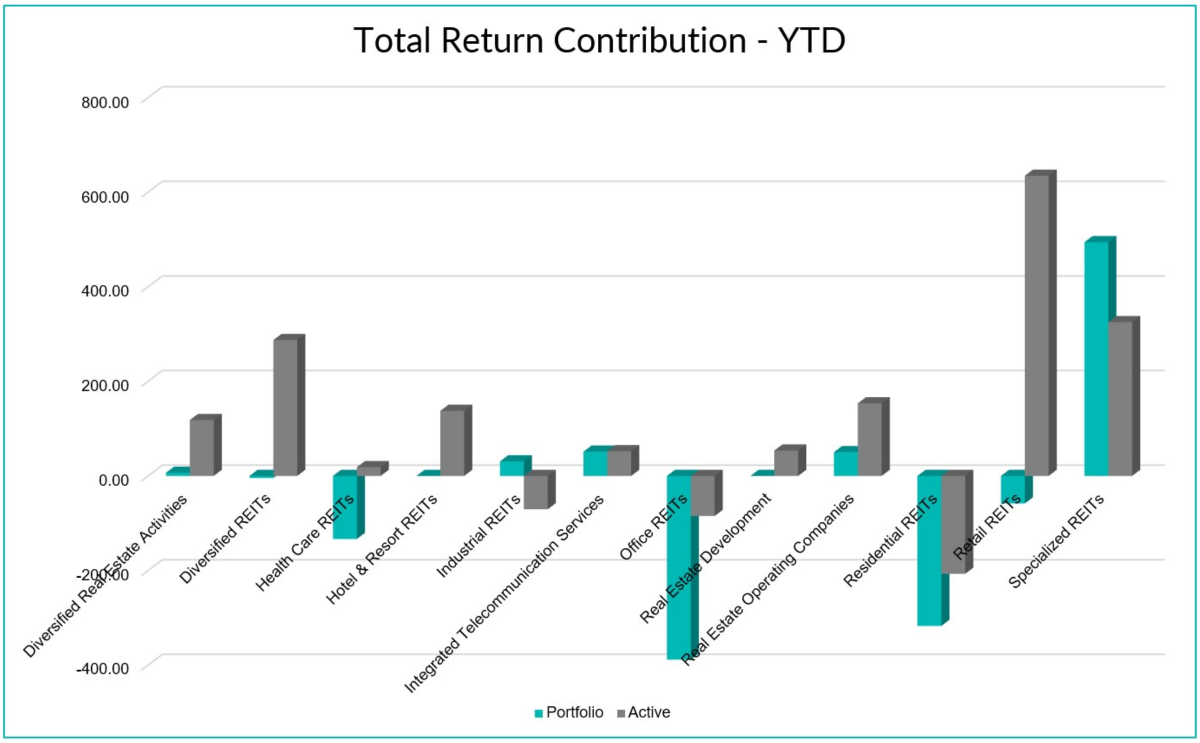
Economic data and commentary from many companies have corroborated that the worst of the downturn has passed. PMIs have clearly bottomed with the JPMorgan Global Composite PMI at 36.3 in May compared to 26.2 in April, the US Composite PMI at 37.0 in May compared to 27.0 in April and the Eurozone Composite PMI at 31.9 in May compared to 13.6 in April. Admittedly, these figures suggest that the global economies contracted in May but, directionally, the trend in the data is improving. Mastercard has also provided some very good granularity on US consumer spending, which showed that payment volumes bottomed the week ending April 14 and have been improving sequentially ever since. But perhaps the most positive surprise came from the US Bureau of Labor Statistics as total nonfarm payroll employment rose by 2.5 million in May, defying expectations of another 7.5 million job losses after 20.5 million job losses in April.

I have talked about thinking of our investable universe in four buckets: certain businesses that will never return to prior levels, quality cyclical business that require a return to economic growth, secular growers that have de-rated relative to historic levels and certain businesses that can thrive in the current environment. Through the downturn we benefitted greatly from an outsized cash position and an emphasis on buckets three and four, but the time has come to broaden our holdings by adding some businesses that fall into bucket number two.

Simply put, the conditions are now in place for a rotation from growth/momentum to value/cyclicals: a steepening yield curve, narrowing credit spreads, directionally improving global PMIs, rising commodity prices and a weakening US Dollar. Although it is hard to estimate the duration or magnitude of this move, after several false starts and potential risks to the trade that include disappointment related to a Phase IV stimulus package, concerns regarding a second wave of infections in the fall or winter and uncertainly surrounding the upcoming US Presidential election, we have added some cyclical exposure to gain leverage to the economic recovery and keep pace with the rally.

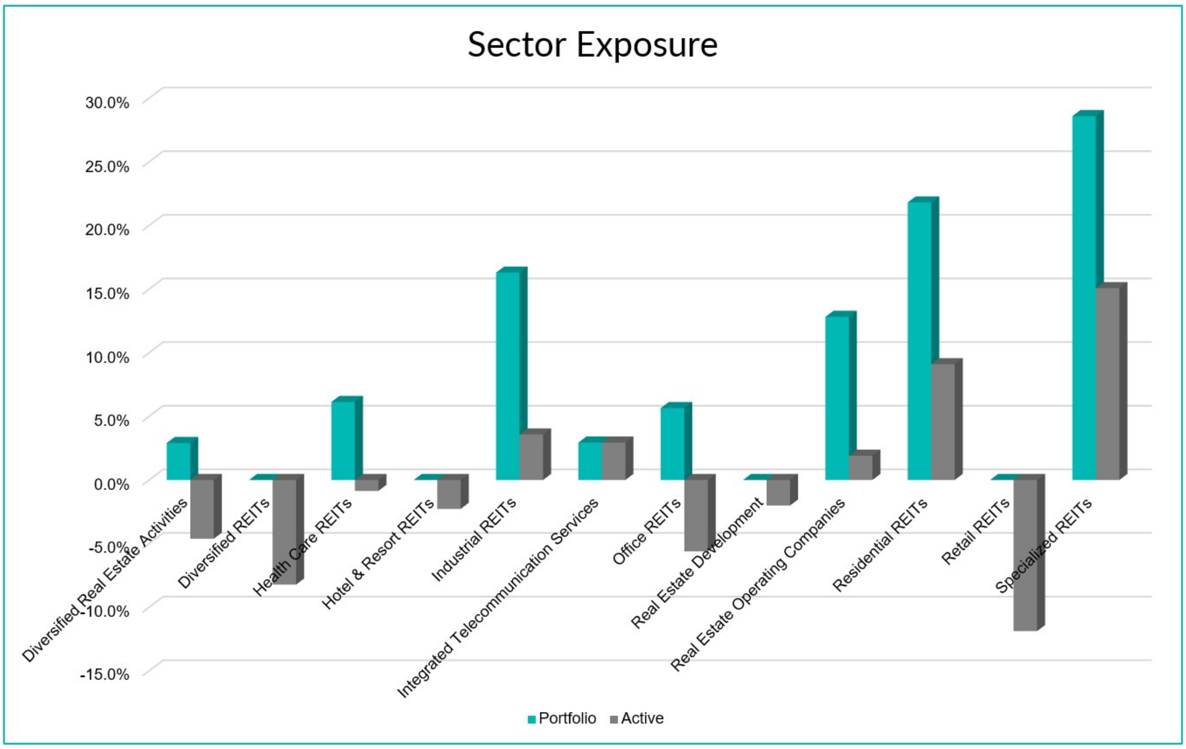
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Specialized REITs (+494 bps), Integrated Telecommunication Services (+51 bps) and Real Estate Operating Companies (+50 bps) while top detractors by sub-industry included Office REITs (-389 bps), Residential REITs (-317 bps) and Health Care REITs (-133 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, Residential REITs and Industrial REITs while underweight Retail REITs, Diversified REITs and Office 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 versus expectations in both April and May.



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included Equinix (+101 bps), Crown Castle (+97 bps) and American Tower (+69 bps). Top detractors year-to-date included Dream Office (-113 bps), Kilroy Realty (-102 bps) and Invitation Homes (-94 bps).

In May, our top performing investments included Vici (+49 bps), Deutsche Wohnen (+31 bps) and Cellnex (+29 bps) while Terreno (-31 bps), Digital Realty (-25 bps) and Alexandria (-20 bps) underperformed.

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at May 31, 2020 with the top 10 holdings accounting for approximately 36.2% of the fund. Over the prior fiscal year, 25 out of our 30 holdings have announced a dividend increase, with an average hike of 10.5%. 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 Partners

NINEPOINT GLOBAL REAL ESTATE FUND - COMPOUNDED RETURNS[1]

AS OF JUNE 30, 2020 (SERIES F NPP132)

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	-0.7%	-4.4%	5.1%	-4.4%	4.9%	6.4%	7.9%
Index	0.7%	-16.3%	5.1%	-16.3%	-11.2%	0.4%	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 May 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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