Ninepoint Global Real Estate Fund

October 2019 Commentary

Investment Team

Jeff Sayer, CFA
Vice President, Portfolio Manager

Year-to-date to October 31, the Ninepoint Global Real Estate Fund generated a total return of 22.59% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 18.62%. For the month, the Fund generated a total return of 2.36% while the Index generated a total return of 1.58%.

The investment themes prevalent in September carried on through October, driven by the same factors that we have discussed in our prior monthly commentary. Consensus longs linked to momentum factors underperformed consensus shorts linked to value factors by a wide margin. Using the respective S&P indexes as proxies, the S&P Momentum Index generated a total return of -0.12% while the S&P 500 Value Index generated a total return of 2.65% in October. The disparity is even more dramatic over the past three months, as the S&P Momentum Index generated a total return of -0.22% while the S&P 500 Value Index generated a total return of 3.73%. Despite the challenging environment, our investment process is now clearly picking up individual investment candidates that are diversified between growth or momentum factors and value or cyclical factors, so we have actively rebalanced our portfolios.

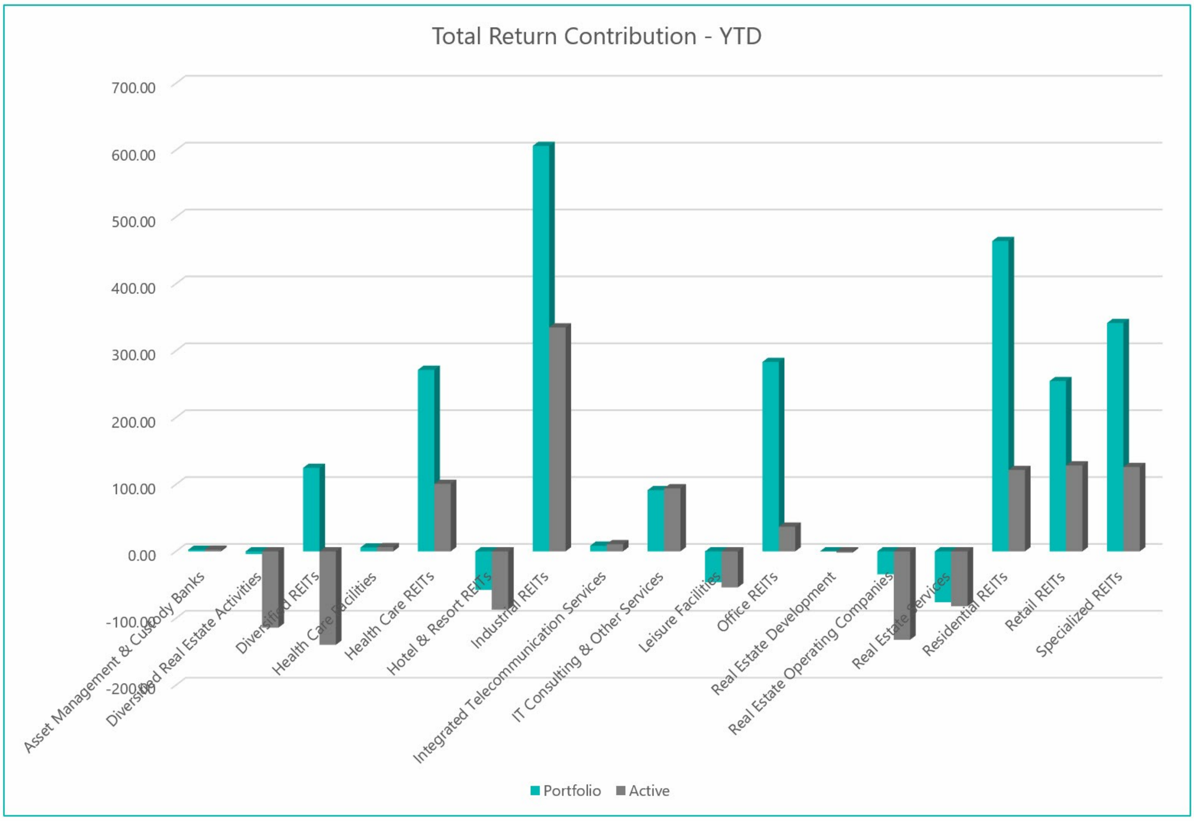
The regime change, whether or not it persists into 2020, was driven by two key factors. First, continued progress toward de-escalating the US-China trade war has gone a long way in terms of improving investor confidence. Markets celebrated the announcement, on October 11, of preliminary details of a “phase one” trade deal, that included a delay in the proposed tariff increases in exchange for certain intellectual-property rights, access to financial services and agricultural purchases. Second, central banks around the world continued to ease monetary conditions. In a widely anticipated move, on October 30, the US Fed cut interest rates by 25 bps for the third time this year, reducing the overnight rate by a total of 75 bps since this mini-easing cycle began.

The effects of these two factors, in addition to simply the passing of time as investors work through what still appears to be a mid-cycle correction, can be seen in the rebound of the US 10-year bond yield (from a low of 1.43% in early September to just over 1.90% recently), the steepening of the 2-year/10-year yield curve (from -4 bps in late-August to 16.5 bps by the end of October) and the stabilization of certain economic data points. In fact, some early economic releases for October have indicated positive trends, with the US flash manufacturing PMI improving (to 51.5 from 51.1 in September), the Eurozone flash manufacturing PMI stabilizing (flat at 45.7 relative to September) and the China Caixin manufacturing PMI improving (to 51.7 from 51.4 in September).

Despite the volatility caused by the uncertain macroeconomic environment, we will continue to follow our investment process (both on the buy side and the sell side of trades), construct a concentrated but diversified portfolio and watch the incoming data extremely closely for any signs of weakness. However, we believe that postponing the previously announced tariff increases should be enough to avoid the worst-case scenario, an economic downturn culminating in a recession.

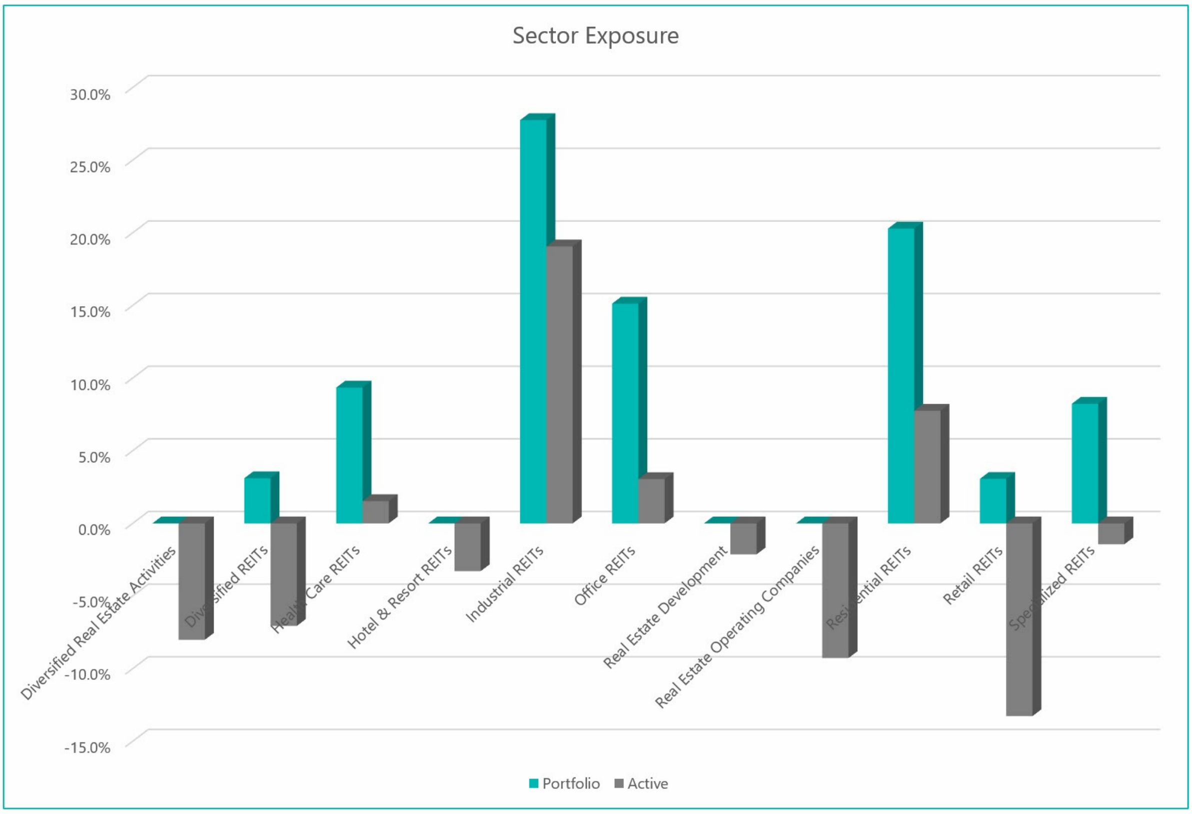
Further, for Trump to win re-election next November, he must ensure a reasonably firm domestic economy driven by strong consumer confidence, solid employment figures and a recovery in the manufacturing sector. If this scenario continues to play out, the broad markets should be able to gain ground through the balance of the year.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Industrial REITs (+606 bps), Residential REITs (+464 bps) and Specialized REITs (+341 bps) while top detractors by sub-industry included Real Estate Services (-76 bps), Hotel & Resort REITs (-58 bps) and Leisure Facilities (-46 bps) on an absolute basis. On a relative basis, positive return contributions from the Industrial REITs, Retail REITs, Specialized REITs and Residential REITs more than offset negative contributions from the Diversified REITs, Real Estate Operating Companies, Diversified Real Estate Activities and Hotel & Resort REITs sub-industries.



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Residential REITs, Office REITs and Health Care REITs while underweight Retail REITs, Real Estate Operating Companies, Diversified Real Estate Activities and Diversified REITs. Note that our Specialized REITs exposure is currently below-market weight after taking profits in some of our cell phone tower holdings and tendering to a takeover offer for one of our data center holdings. Further, solid fundamentals for multi-family and single-family housing are reflected in our overweight positioning in the Residential REITs sub-industry.



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included Equinix (+172 bps), Prologis (+151) and Community Healthcare Trust (+144 bps). Top detractors year-to-date included Digital Realty (-61 bps), Colliers International (-59 bps) and Braemar Hotel & Resorts (-58 bps).

In October, our top performing investments included Terreno Realty (+30 bps), Rexford Industrial (+25 bps) and Community Healthcare Trust (+24 bps) while CyrusOne (-32 bps), InterRent (-14 bps) and American Tower (-11 bps) underperformed.

It feels like it has been a while, but one of our holdings (held in both the Ninepoint Global Real Estate Fund and the Ninepoint Global Infrastructure Fund) finally received a takeover offer after rumours of a potential deal in the sector had been swirling for months. On October 29, Interxion (the US-listed but European-based data center operator) announced that they had entered into a definitive agreement to combine with Digital Realty in an all-stock transaction worth approximately $8.4 billion on an enterprise value basis.

Under the terms of the agreement, Interxion shareholders will receive 0.7067 shares of DLR, which implied a price of $93.48 per share of INXN, based on the prior closing price of Digital Realty. With INXN closing at a price of $89.42 per share, it may have looked like a relatively skinny premium but news that INXN had hired bankers to evaluate offers was originally reported back on October 10, so shareholders looked to realize almost a 20% return since that date.

We like the deal and understand the strategic rationale, which includes expanding Digital Realty's global footprint, enhancing the Company's ability to serve multinational customers and creating substantial cost synergies and financial benefits. However, in the case of an all-stock transaction, the ultimate price depends on the acquirer's share price and unfortunately shares of DLR declined on news of the deal. Given that the REIT space had been under some pressure as the US 10-year bond yield rebounded from its lows, we decided to sell our shares of INXN in the open market, locking in our gains. Once shares of DLR stabilize, before or after the anticipated deal closing in early 2020, we may consider rebuilding a position if the combined company meets the criteria defined by our investment process.

The Ninepoint Global Real Estate Fund was concentrated in 29 positions as at October 31, 2019 with the top 10 holdings accounting for approximately 31.5% of the fund. Over the prior fiscal year, 22 out of our 29 holdings have announced a dividend increase, with an average hike of 12.5%. 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]

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

[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 October 31, 2019; 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.

Ninepoint Partners LP is the investment manager to the Ninepoint Funds (collectively, the “Funds”). Commissions, trailing commissions, management fees, performance fees (if any), and other expenses all may be associated with investing in the Funds. Please read the prospectus carefully before investing. The indicated rate of return for series F units of the Fund for the period ended October 31, 2019 is based on the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Fund may be lawfully sold in their jurisdiction.

The opinions, estimates and projections (“information”) contained within this report are solely those of Ninepoint Partners LP and are subject to change without notice. Ninepoint Partners makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, Ninepoint Partners assumes no responsibility for any losses or damages, whether direct or indirect, which arise out of the use of this information. Ninepoint Partners is not under any obligation to update or keep current the information contained herein. The information should not be regarded by recipients as a substitute for the exercise of their own judgment. Please contact your own personal advisor on your particular circumstances. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any investment funds managed by Ninepoint Partners. Any reference to a particular company is for illustrative purposes only and should not to be considered as investment advice or a recommendation to buy or sell nor should it be considered as an indication of how the portfolio of any investment fund managed by Ninepoint Partners is or will be invested. Ninepoint Partners and/or its affiliates may collectively beneficially own/control 1% or more of any class of the equity securities of the issuers mentioned in this report. Ninepoint Partners and/or its affiliates may hold short position in any class of the equity securities of the issuers mentioned in this report. During the preceding 12 months, Ninepoint Partners and/or its affiliates may have received remuneration other than normal course investment advisory or trade execution services from the issuers mentioned in this report.

Ninepoint Partners LP: Toll Free: 1.866.299.9906. DEALER SERVICES: CIBC Mellon GSSC Record Keeping Services: Toll Free: 1.877.358.0540