



Ninepoint Global Real Estate Fund

October 2020 Commentary

Year-to-date to October 31, the Ninepoint Global Real Estate Fund generated a total return of -2.01% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -18.63%. For the month, the Fund generated a total return of -3.65% while the Index generated a total return of -3.35%.

Investment Team



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Despite a strong start, October turned out to be the second down month in a row as the uncertainty related to the US presidential election, the rising number of Covid-19 cases and the lack of progress on the next fiscal stimulus package created a turbulent market environment. Investors seemed to be unable to decide whether a Biden “Blue Wave” would be positive or negative for the markets (with the upside of a huge fiscal stimulus package and improving global trade relations potentially offset by the downside of higher taxes and greater regulation). In the meantime, the number of new Covid-19 cases skyrocketed in Europe and the United States, which heightened the threat of new mobility restrictions. As the risk of a return to a partial lockdown increased and the likelihood of another fiscal stimulus package faded, the economic recovery was called into question. In fact, the final week of October was the worst week for the S&P 500 since the depths of the Covid-19 pandemic last March as investors positioned defensively into month end.

Thankfully, markets rebounded during the first few trading days of November, leading up to the US presidential election, as it seemed that investors had concluded that the most likely outcome would be a Biden presidency, a Republican Senate and a Democratic House. The churning drawdown abated since political gridlock is generally perceived as a goldilocks environment for the stock markets (this scenario implied a smaller but still meaningful fiscal package and an improvement in global trade relations but without the risk of significantly higher taxes or greater regulation). After several whipsaws during September and October, the information technology, communication services, consumer discretionary and health care leaders stabilized while fiscal spending beneficiaries (including various materials, industrials, home builders and renewable energy names) gave back some of the gains made over the past couple of months.

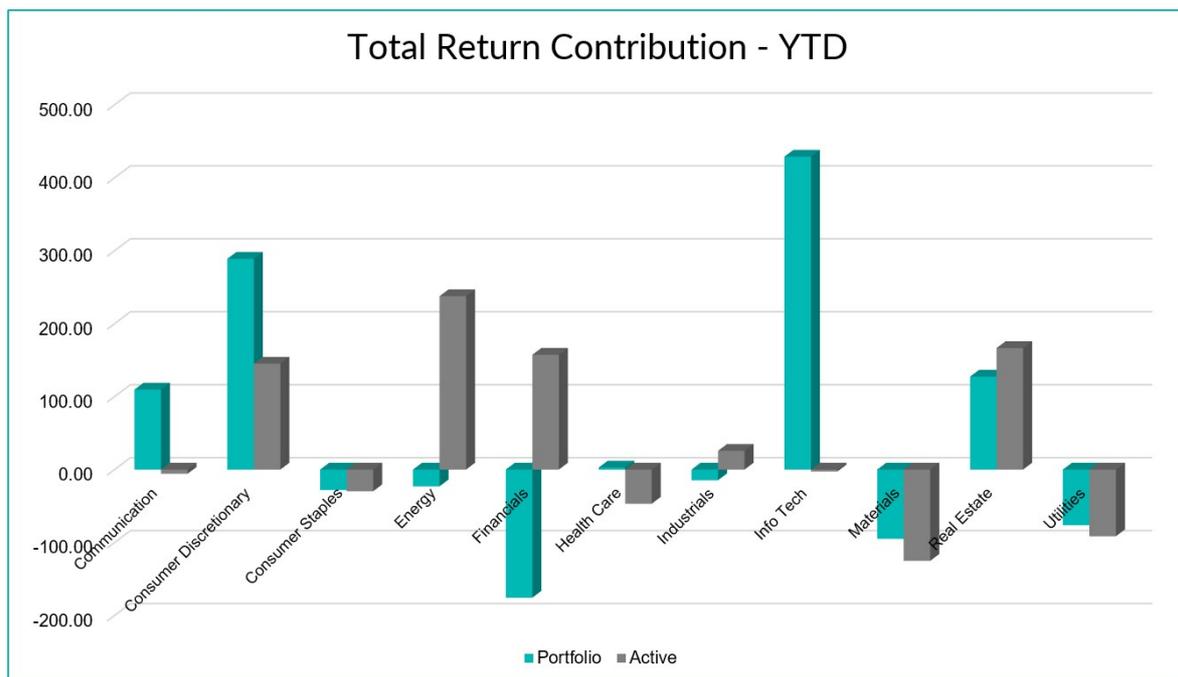
Given the amount of noise impacting the markets, I deliberately delayed writing this commentary for a few days while waiting for the press to definitively call the election. It turned out to be fortunate decision since we now have two key pieces of information: first, Joe Biden has been declared the winner of the 46th US presidential election and second, Pfizer and BioNTech have announced that their mRNA-based Covid-19 vaccine candidate was found to be more than 90% effective in preventing Covid-19 in the first interim efficacy analysis, with safety and manufacturing data to be submitted shortly. The election may face legal challenges and the distribution of the vaccine may take well into 2021 but it is difficult to underestimate the importance of these two events. A coherent plan to both contain the outbreak and provide fiscal support for those in need until we can finally bend the curve of new cases through vaccination is exactly what is needed to eventually return our lives to normal (or at least as close to pre-Covid-19 normal as possible).

On that first day of trading after the positive vaccine announcement, the rotation into pandemic-epicenter trades at the expense of both growth/momentum stocks and bonds was ferocious. Travel and leisure-related plays spiked, energy ripped and financials screamed higher. After massive underperformance year-to-date, pipelines, toll roads and airports led the relief rally in the infrastructure space while retail REITs, health care REITs, office REITs and multi-family residential REITs led the relief rally in the real estate sector.

Although we could not keep pace with the initial kneejerk reaction, we have continued to broaden our exposure away from the work-from-home and consume-at-home winners and position our portfolios to benefit from positive GDP growth. We still believe that dividend-paying equities remain extremely attractive relative to bonds and, as the economic recovery becomes self-sustaining, rising growth and inflation expectations should provide a tailwind for a diversified portfolio of dividend-paying stocks and real asset strategies.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Specialized REITs (+321 bps), Industrial REITs (+236 bps) and Real Estate Operating Companies (+234 bps) while top detractors by sub-industry included Office REITs (-445 bps), Residential REITs (-294 bps) and Health Care REITs (-158 bps) on an absolute basis.

On a relative basis, positive return contributions from the Retail REITs, Diversified REITs and Real Estate Operating Companies sub-industries were offset by negative contributions from the Residential REITs, Real Estate Services and Health Care REITs sub-industries.

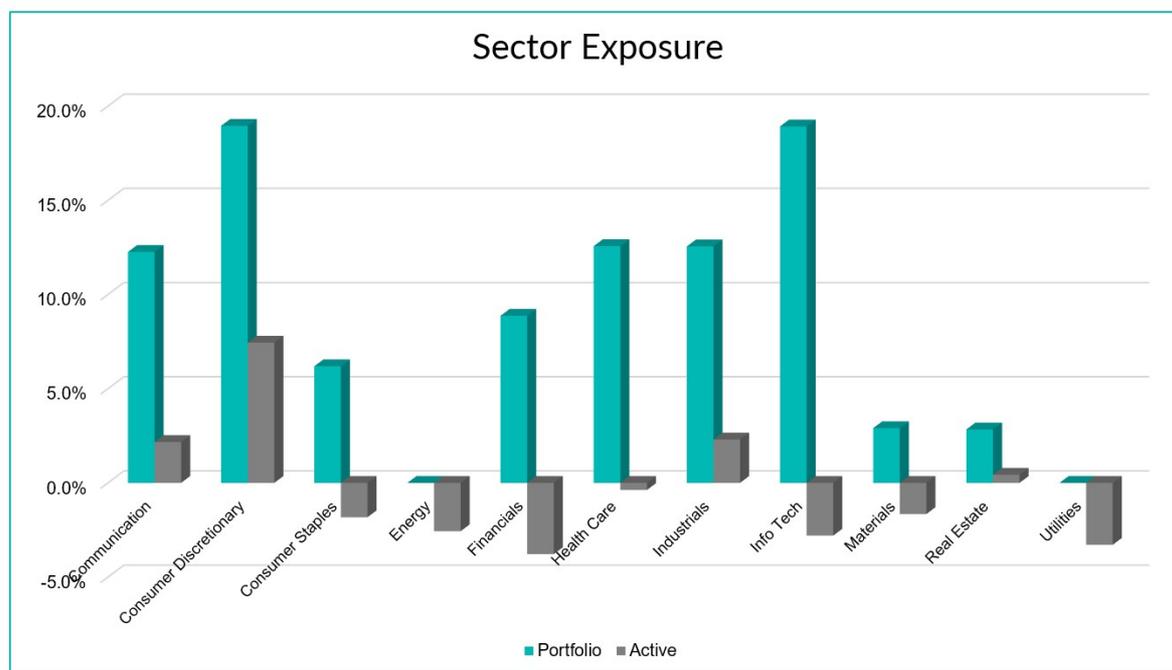


Source: Ninepoint Partners

We are currently overweight Specialized REITs, Industrial REITs and Integrated Telecommunication Services while underweight Retail REITs, Health Care REITs and Office REITs. At month end, we held a 13.9% cash position and have emphasized sub-industries that benefit from work-from-home and consume-at-home trends. However, we are looking to redeploy the balance of our capital as the uncertainty related to the US presidential election and Covid-19 pandemic dissipates.

It is important to note that sector allocations though the balance of the year will be highly

dependent on the official results of the US presidential election and the successful distribution of the Covid-19 vaccine. In general, the Real Estate sector has some of the greatest torque to the normalization our day-to-day lives. If fiscal spending accelerates and economies around the world can reopen smoothly, we should see a sharp rebound in some of the hardest hit sub-industries such as retail REITs, health care REITs, office REITs and residential REITs (especially multi-family). We are prepared to position the fund accordingly should we see continued progress along those lines.



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included Tricon (+117 bps), Cellnex (+105 bps) and Equinix (+101 bps). Top detractors year-to-date included Dream Office (-113 bps), Kilroy Realty (-102 bps) and Invitation Homes (-93 bps).

In October, our top performing investments included Cellnex (+15 bps), Duke Realty (+8 bps) and Stag Industrial (+7 bps) while Real Matters (-45 bps), Lennar (-45 bps) and DR Horton (-39 bps) underperformed.

The Ninepoint Global Real Estate Fund was concentrated in 27 positions as at October 31, 2020 with the top 10 holdings accounting for approximately 36.6% of the fund. Over the prior fiscal year, 21 out of our 27 holdings have announced a dividend increase, with an average hike of 9.8% (median hike of 5.8%). 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 RETURNS¹
AS OF OCTOBER 31, 2020 (SERIES F NPP132)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-3.7%	-2.0%	-5.1%	3.2%	-4.5%	5.0%	7.4%	7.9%
Index	-3.3%	-18.6%	-4.1%	-2.4%	-20.2%	-0.9%	1.3%	1.3%

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 October 31, 2020; 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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