Ninepoint Global Real Estate Fund

April 2023 Commentary

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Year-to-date to April 30, the Ninepoint Global Real Estate Fund generated a total return of 4.95% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 2.70%. For the month, the Fund generated a total return of 0.47% while the Index generated a total return of 2.08%.

Ninepoint Global Real Estate Fund - Compounded Returns[1] As of April 30, 2023 (Series F NPP132) | Inception Date: August 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	Inception
Fund	0.5%	4.9%	-3.4%	5.4%	-10.9%	4.9%	5.1%	6.8%
MSCI World IMI Core Real Estate NR (CAD)	2.1%	2.7%	-4.5%	5.9%	-10.7%	3.7%	2.1%	2.7%

After one of the fastest tightening cycles over the past forty years, the Fed has now hiked a total of 500 basis points from March 2022 to May 2023. Because the current midpoint of the range of the Fed funds rate is above the most recent CPI report (when comparing the current midpoint Fed funds rate of 5.125% to the most recent CPI of 5.0% on a year-over-year basis), we believe that the tightening cycle is finally complete. Signs of credit stress, most notably the failures of Silicon Valley Bank, Signature Bank and First Republic Bank further support the case for an end to the tightening cycle. Although we don't foresee widespread contagion or systemic risk, we remain concerned about the impact of more stringent regulations and tighter lending standards on future economic growth. But as of today, we believe that inflation readings would have to reaccelerate dramatically before any additional rate hikes and economic growth would have to decline significantly before any pivot to easier monetary policy.

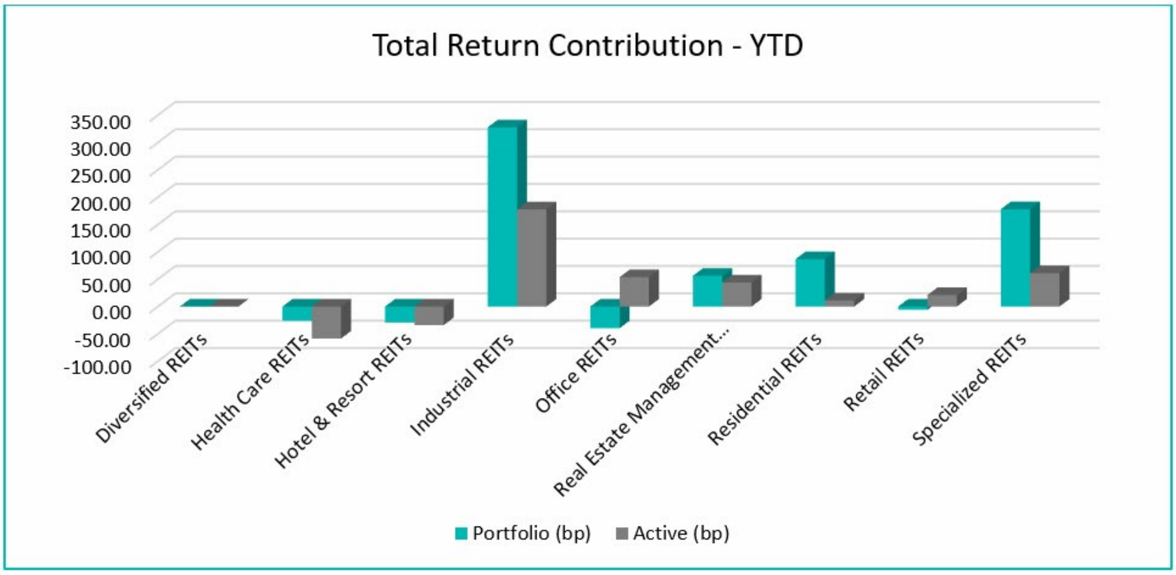
As we kicked off the Q1 2023 earnings season, FactSet Research was initially reporting that earnings were expected to decline by -6.8%, the largest dip since Q2 2020 (during what turned out to be the depths of the Covid-19 lockdown). Despite flat to slightly positive revenue growth projections, margin pressures (driven by the rising cost of raw materials, supply chain inefficiencies, increasing labour costs and other factors) were assumed to persist through at least the first half of 2023. However, with approximately 85% of the components of the S&P 500 having reported, the blended earnings growth rate decline has improved to -2.2%, as the quarterly reports have come in much better than feared. On an annualized basis, S&P 500 estimates for 2023 look to be stabilizing around $220 and for 2024 look to be stabilizing around $240, implying that the current year will likely be the trough of the cycle.

Unfortunately, investors still need to contend with the lagged impact of tighter monetary policy and the impending debt ceiling negotiations, as we work through the final stages of the economic cycle. Thankfully, inflation looks to have peaked in June 2022 at 9.1%, and has steadily trended lower despite a tight labour market, with total nonfarm payrolls up by 253,00 and the unemployment rate at 3.4% in April (although the JOLTS has fallen below 10 million for two consecutive months). Key upcoming data points to watch include the US CPI, PPI, and retail sales numbers for confirmation that the Fed has successfully managed to guide inflation back towards its 2.0% target. We continue to believe that a pause would be sufficiently supportive for equities however investors need to be careful about being whipsawed during what could be a volatile but rangebound market over the balance of 2023.

From our perspective, in an environment of moderating inflation but slowing growth through 2023, the most important drivers of investment performance will likely be valuation, balance sheet strength and the ability to consistently generate cash flow and earnings. Also, a greater component of total returns will likely come from dividend yields, which meshes nicely with our investment philosophy. In keeping with our mandates, we are concentrating our efforts on free cash flow positive, high quality, dividend growth companies and real asset investments given our positive assessment of the risk/reward outlook over the next two to three years.

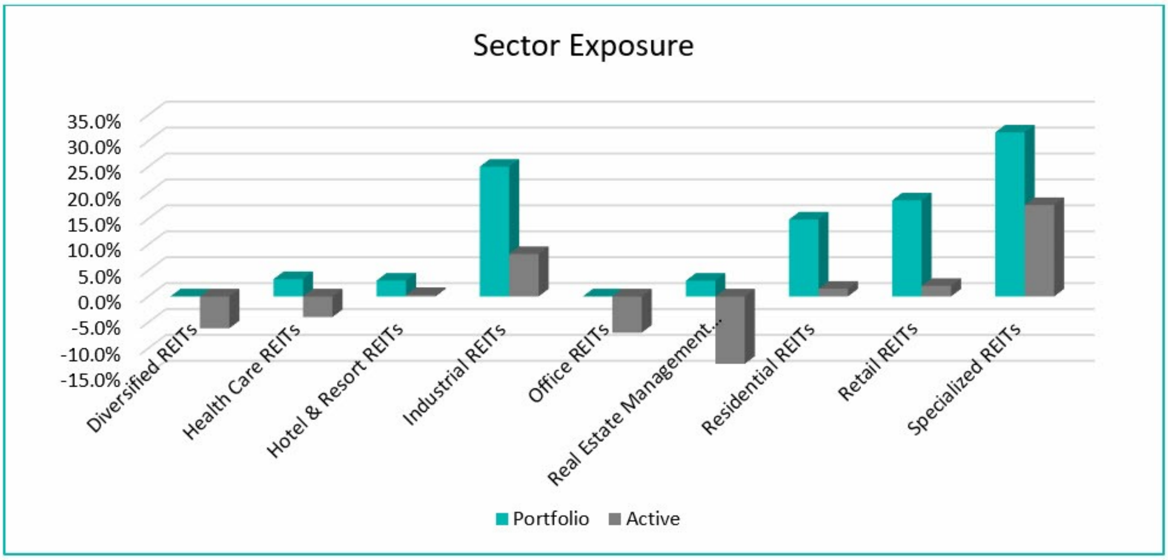
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Industrial REITs (+328 bps), Specialized REITs (+178 bps) and Residential REITs (+87 bps) while top detractors by sub-industry included Office REITs (-40 bps), Hotel & Resort REITs (-29 bps) and Health Care REITs (-26 bps) on an absolute basis.

On a relative basis, positive return contributions from the Industrial REITs (+178 bps), Specialized REITs (+61 bps) and Office REITs (+54 bps) sub-industries were offset by negative contributions from the Health Care REITs (-58 bps) and Hotel & Resort REITs (-34 bps) sub-industries.



Source: Ninepoint Partners

We are currently overweight Specialized REITs, Industrial REITs, and Retail REITs while underweight Real Estate Management & Development, Office REITs, and Diversified REITs. With the US Federal Reserve now likely on pause, we are carefully watching the US regional banking system for signs of stabilization and the US debt ceiling negotiations for signs of a resolution. As the late stages of one of the most highly anticipated downturns ever continues to play out, we remain focused on high quality, financially strong REITs that have demonstrated the ability to consistently generate revenue and cash flow growth through the cycle.



Source: Ninepoint Partners

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at April 30, 2023 with the top 10 holdings accounting for approximately 38.6% of the fund. Over the prior fiscal year, 19 out of our 30 holdings have announced a dividend increase, with an average hike of 12.5% (median hike of 4.1%). 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

Effective February 7, 2017 the Sprott Global REIT & Property Equity Fund's name was changed to Sprott Global Real Estate Fund, subsequently on August 1, 2017 becoming Ninepoint Global Real Estate Fund.

[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 April 30, 2023; 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.

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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