



# Ninepoint Global Real Estate Fund

April 2022 Commentary

Year-to-date to April 30, the Ninepoint Global Real Estate Fund generated a total return of -9.78% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -8.24%. For the month, the Fund generated a total return of -1.04% while the Index generated a total return of -3.32%.



**Jeff Sayer, CFA**  
Vice President, Portfolio Manager

In an exceedingly challenging macro-economic environment, the investment performance of most asset classes has been disappointing year-to-date. To the end of April, the Dow Jones Industrial Average was down 9%, the S&P 500 was down 13%, the NASDAQ Composite was down 21% (meeting the threshold for a bear market) and the US 10-year Treasury Bond yields had moved from 1.51% to 2.94%, crushing bond prices. The only real pockets of strength have been found within the commodities space, including fossil fuels, base metals and agricultural products. Perhaps most notably, WTI crude oil was up almost 40% through the first four months of 2022, driven by years of under-investment and exacerbated by supply disruptions tied to the Russian invasion of Ukraine. Incredibly, this is the worst start to the year for the S&P 500 since 1939, back when the markets were beginning to price for the Second World War.

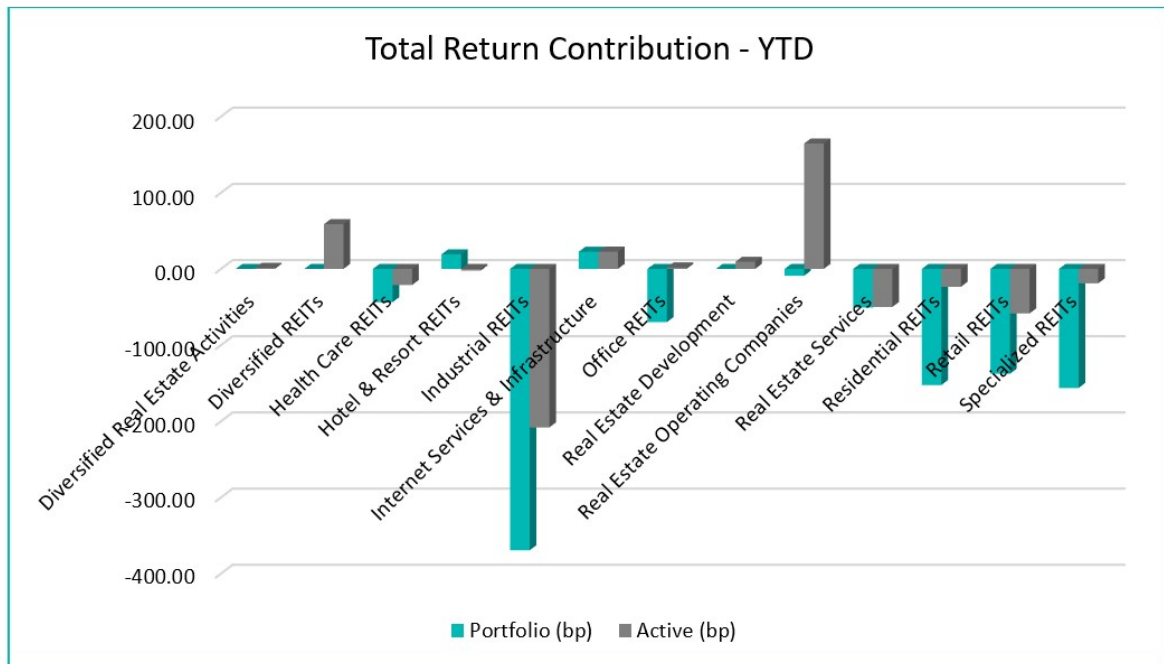
With the recent March CPI print (released April 12th) at 8.5% over the last twelve months and 6.5% over the last twelve months excluding food and energy, fears of rampant inflation and an aggressive US Federal Reserve response have gripped investors. As we had warned in our previous commentary, the Fed did hike interest rates by 50 bps on May 4th to a new range of 0.75% to 1.00% and we now expect 50 bps hikes in both June and July before a pause to reassess the incoming data. However, market expectations are running hot, and the futures curve is pricing an incremental 200 bps of tightening before year end, implying a Fed funds rate of approximately 3.0% by December. We think this will prove to be excessively pessimistic but obviously investors are unwilling to temper their outlook until they see evidence that inflation is moderating. To be clear, liquidity in the financial system is tightening and the market is doing plenty of the Fed's work ahead of time.

Despite the shaky start to 2022, S&P 500 earnings estimates have actually increased year-to-date, with current consensus earnings forecasted to be approximately \$230 for 2022 and \$250 for 2023, according to Refinitiv. So, it is not as if the markets are looking for an earnings contraction in a recessionary environment (assuming current earnings expectations hold steady). Thus far, the equity market correction can best be explained by earnings multiple compression tied to rising interest rate assumptions. For illustrative purposes, if we believe that long-term assumptions for the US 10-year Treasury Bond yield have moved from 2% to 3%, we could realistically expect the earnings multiple to contract from approximately 20x forward earnings to 17x forward earnings, which would be entirely consistent with a 750-point swing for the S&P 500 that we have just experienced.

Where interest rates and earnings multiples eventually stabilize remains to be seen, but a tremendous amount of repricing has already occurred. We continue to take comfort in the fact that if the inflation data shows some signs of moderating, the economic data remains relatively robust and the pace of interest rate hikes & quantitative tightening slows relative to market expectations, prior cycles have shown that the equity markets can rally despite rising interest rates. Although investors should expect continued volatility and potentially wild swings throughout the year, the markets could prove to be more resilient than most pessimistic scenarios if the Fed can achieve its "soft-landing" objective. In keeping with our mandates, we are concentrating our fundamental analysis on free cash flow positive, high quality, dividend growth companies and real asset investments, including real estate and infrastructure, given the attractive risk/reward outlook over the next two to three years from recent price levels.

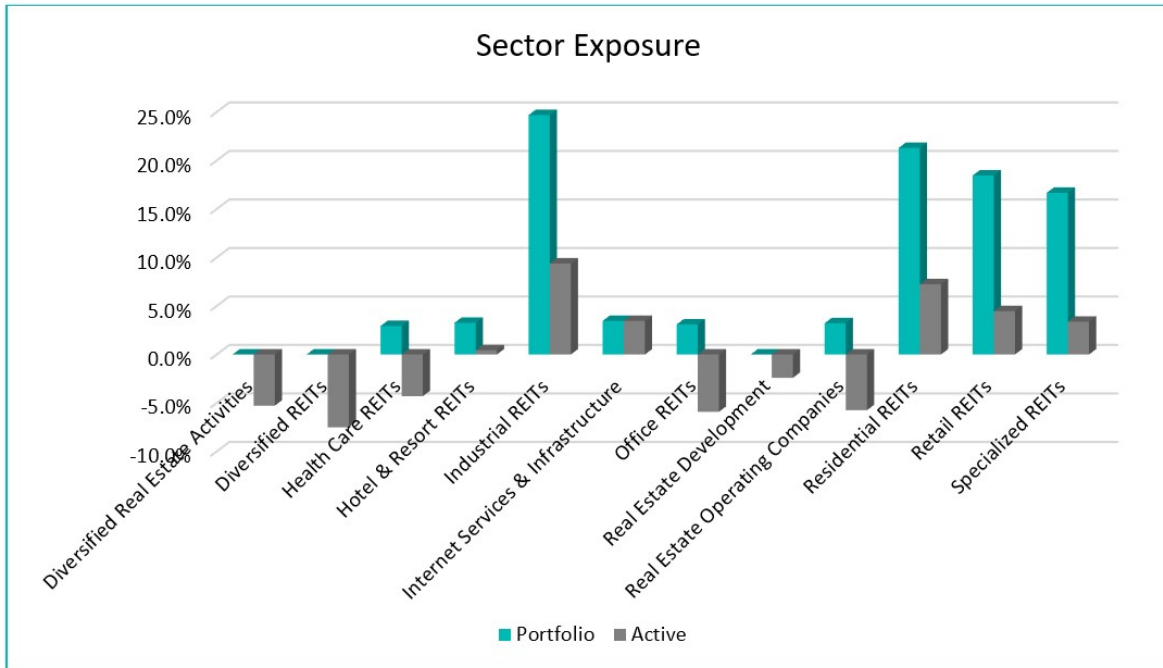
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Internet Services & Infrastructure (+22 bps) and Hotels & Resorts REITs (+19 bps) while top detractors by sub-industry included Industrial REITs (-369 bps), Specialized REITs (-156 bps) and Residential REITs (-152 bps) on an absolute basis.

On a relative basis, positive return contributions from the Real Estate Operating Companies (+165 bps), Diversified REITs (+59 bps) and Internet Services & Infrastructure (+23 bps) sub-industries were offset by negative contributions from the Industrial REITs (-208 bps), Retail REITs (-58 bps) and Real Estate Services (-50 bps) sub-industries.



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Residential REITs and Retail REITs while underweight Diversified REITs, Office REITs and Real Estate Operating Companies. Although we have finally experienced a rotation away from high quality, high growth but high multiples REITs, we are continuing to focus our efforts on sub-industries within the Real Estate sector with the greatest potential for margin expansion (either through rent/lease growth or aggressive cost control) and therefore cash flow and dividend growth through this stage of the business cycle.



Source: Ninepoint Partners

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at April 30, 2022 with the top 10 holdings accounting for approximately 37.2% of the fund. Over the prior fiscal year, 19 out of our 30 holdings have announced a dividend increase, with an average hike of 12.2% (median hike of 3.5%). 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<sup>1</sup> AS OF JANUARY 31, 2023 (SERIES F NPP132) | INCEPTION DATE: AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	8.7%	8.7%	9.1%	-0.5%	-8.9%	2.7%	5.6%	7.6%
MSCI World IMI Core Real Estate NR (CAD)	7.5%	7.5%	10.9%	-0.6%	-9.6%	-1.8%	3.4%	3.4%

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.

<sup>1</sup>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, 2022; 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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