Ninepoint Global Real Estate Fund

February 2020 Commentary

Year-to-date to February 29, the Ninepoint Global Real Estate Fund generated a total return of 1.12% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -4.20%. For the month, the Fund generated a total return of -3.67% while the Index generated a total return of -6.70%.

Investment Team

Jeff Sayer, CFA
Vice President, Portfolio Manager

The world has irrevocably changed since our last commentary. Through January and early-February, the bond and equity markets had taken a relatively benign view of the Covid-19 outbreak. The prevailing view at the time characterized the event as a temporary supply-shock localized mainly in China that would lead to short-term inventory drawdowns and manufacturing bottlenecks. But once the outbreak was contained under this scenario, a quick inventory restocking cycle would have provided an economic boost creating a "v-shaped" recovery. However, by late-February, with new cases accelerating in South Korea, Italy and even the United States, market participants have become more seriously concerned with the impact of a demand-shock on global economic growth. Over the course of approximately six trading days, the equity markets experienced the fastest correction (a fall of greater than 10% peak to trough) since the Great Depression and, at the depths of the selloff, had erased almost two years' worth of gains.

The real risk to economic growth over the next few quarters, particularly in the US, is an abrupt change in consumer confidence and behaviour, which essentially accounts for approximately 70% of GDP. Fear and panic are already leading to scenes of irrational hoarding (including staples, cleaning products and sanitizers) while anything travel related has understandably been shunned. In an effort to shore up confidence, the US Fed announced a 50-bps interest rate cut on March 3rd, the first emergency easing since 2008 and the largest single-day change in monetary policy in a decade. Perhaps that would have been enough under the status quo, but the next shoe to drop hit the markets only a few days later with the failure of OPEC+ to agree to cut oil production, triggering a 20% drop in crude oil prices. Although consumers may soon see lower prices at the pump, thousands of jobs may be at risk and credit concerns have once again hit the oil patch.

Signs of stress and price dislocation have quickly spread across most asset classes. Bond yields have tanked (with the US 10-year bond yield falling below 0.50%), the 2-year to 10-year yield curve has flattened (to just slightly above 10 bps), investment-grade bond spreads have blown out (to levels not seen since 2016), the VIX has ripped above 60 (a measure of volatility not seen since the global financial crisis) and the S&P 500 (as a proxy for the broad equity markets) has fallen almost 20% peak to trough, as of writing. Using market performance during past recessions since 1980 as a guide, a 18% to 20% decline seems to be pricing in a 50% to 70% chance of recession.

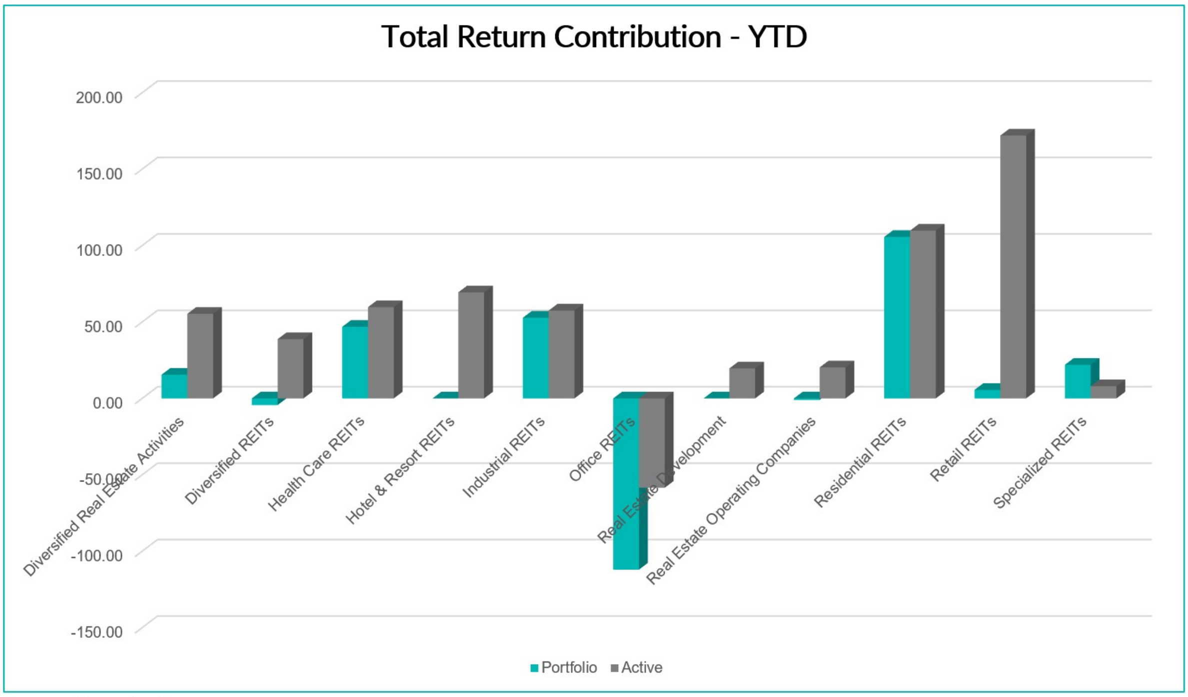
Looking at the drawdown from a valuation perspective and assuming roughly flat earnings in 2020 (a weak first half of the year followed by a rebound in the second half as the impact from the outbreak fades), the S&P 500 has essentially returned to the long-term average forward earnings multiple of 16x, after years of multiple expansion. Interestingly, this valuation level roughly coincides with the 200-week moving average, which provided solid support during the significant corrections in 2018, 2016 and 2011. Although timing the duration of the selloff is impossible, history suggests that we are approaching price levels where markets should begin the bottoming process.

After raising our cash positions to approximately 20% across our three mandates by the end of February, we are now watching for various signals and potential developments in anticipation of carefully deploying some capital in stages. We need to see the US Fed cut rates again (50 bps could come anytime but certainly by the March 18 FOMC meeting). We need to see stability in the credit markets, with the 10-year US Treasury bond yield rebounding and the US 2-year to 10-year yield curve steepening. We need to see a coordinated fiscal response from the US government, including relief from Covid-19 related medical costs and support for domestic businesses (perhaps temporary tax breaks and financial support for paid sick leave and debt repayments). We need to see a deceleration in the number of new Covid-19 cases globally or at least a credible response from the US government designed to protect the public from infection (enough test kits and all-out support for frontline medical professionals would certainly provide a confidence boost). It may seem like a long list today, but the world has tended to show an amazing willingness to pull together during times of crisis.

On a positive note, leading up to the Covid-19 outbreak the US economy seemed to be in very good shape. Unemployment hit a record low of 3.5%, consumer balance sheets were relatively clean, the US banking system was sound, interest rates were relatively low, and the manufacturing sector was clearly recovering from a mid-cycle correction. In keeping with our discipline, we will continue to focus on high quality companies, with clean balance sheets and the ability to grow their dividends over time. Our real asset strategies, including infrastructure and real estate, will continue to generate solid risk adjusted returns given their blend of hard-asset protection and ability to generate consistent cash flow streams and pay steady distributions over the course of the business cycle.

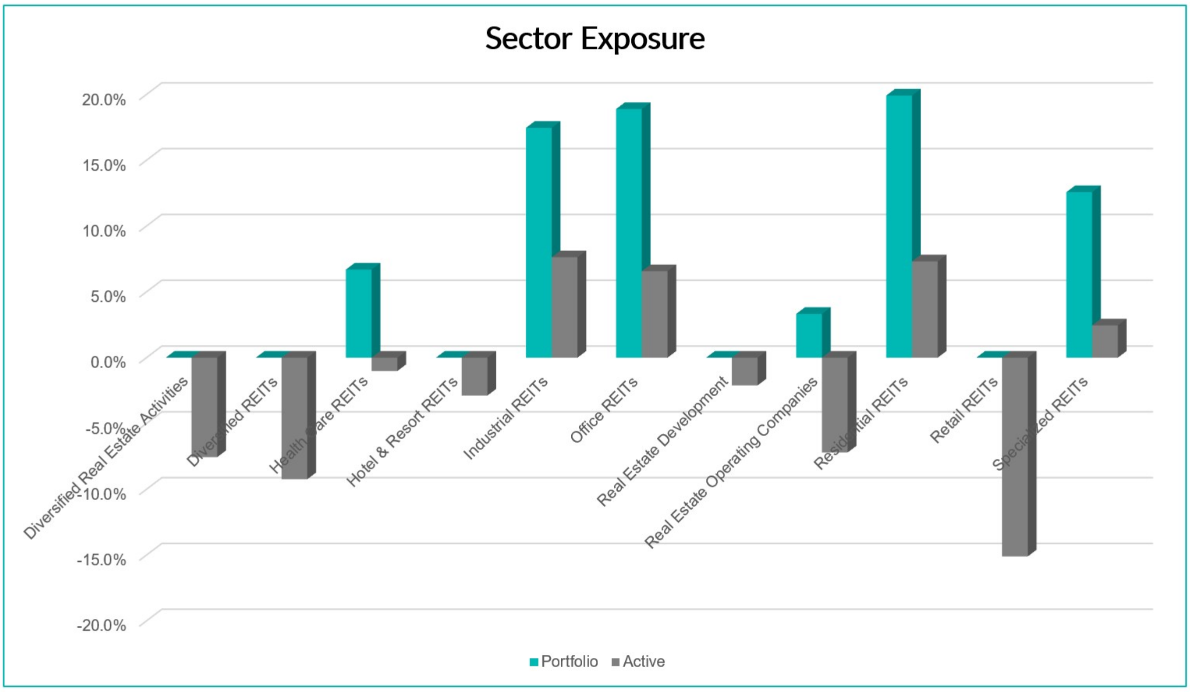
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Residential REITs (+106 bps), Industrial REITs (+53 bps) and Health Care REITs (+47 bps) while top detractors by sub-industry included Office REITs (-112 bps), Diversified REITs (-4 bps) and Real Estate Operating Companies (-1 bps) on an absolute basis.

On a relative basis, positive return contributions from the Retail REITs, Residential REITs, Hotel & Resort REITs, Healthcare REITs and Industrial REITs sub-industries more than offset a negative contribution from the Office REITs sub-industry.



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Residential REITs and Office REITs while underweight Retail REITs, Diversified REITs and Diversified Real Estate Activities. We are also holding a much larger than normal cash position (approximately 20%) given the uncertainty in the market.



Source: Ninepoint Partners

At the individual security level, top contributors to the year-to-date performance included Minto Apartment REIT (+51 bps), Community Healthcare Trust (+34 bps) and InterRent REIT (+29 bps). Top detractors year-to-date included Hudson Pacific Properties (-39 bps), Kilroy Realty (-33 bps) and Cousins Properties (-32 bps).

In February, our top performing investments included Minto Apartment REIT (+20 bps), TLG Immobilien (+10 bps) and Community Healthcare Trust (+10 bps) while Cousins Properties (-37 bps), Kilroy Realty (-33 bps) and Hudson Pacific Properties (-32 bps) underperformed.

The Ninepoint Global Real Estate Fund was concentrated in 25 positions as at February 29, 2020 with the top 10 holdings accounting for approximately 34.6% of the fund. Over the prior fiscal year, 19 out of our 25 holdings have announced a dividend increase, with an average hike of 6.8%. 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 RETURNS[1]
AS OF FEBRUARY 29, 2020 (SERIES F NPP132)

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	-3.7%	1.1%	-2.0%	1.6%	12.4%	9.0%	9.9%
Index	-6.7%	-4.2%	-5.8%	-2.6%	4.5%	5.0%	5.2%

[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 February 29, 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.

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 February 29, 2020 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