Ninepoint Global Real Estate Fund

March 2022 Commentary

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Year-to-date to March 31, the Ninepoint Global Real Estate Fund generated a total return of -8.83% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -5.09%. For the month, the Fund generated a total return of 4.13% while the Index generated a total return of 2.84%.

Sadly, the invasion and occupation of the Ukraine by Russian forces has continued through March and scenes from the country have become more and more horrific. From a broad market perspective, it has played out similarly to the annexation of Crimea in 2014, which we had highlighted in last month's commentary as the most comparable event in recent history. Essentially, the equity markets reached intraday lows on February 24, the date the invasion commenced and have now recouped the entire drawdown that occurred in the lead up to war. We still believe that if NATO is not dragged directly into the conflict, investor sentiment probably can't get any worse than the day tanks rolled across the border. Having said that, we believe that the economic impact of the invasion could be long-lasting, with important ramifications for both food and energy, reinforcing the importance of self-sufficiency and security of supply.

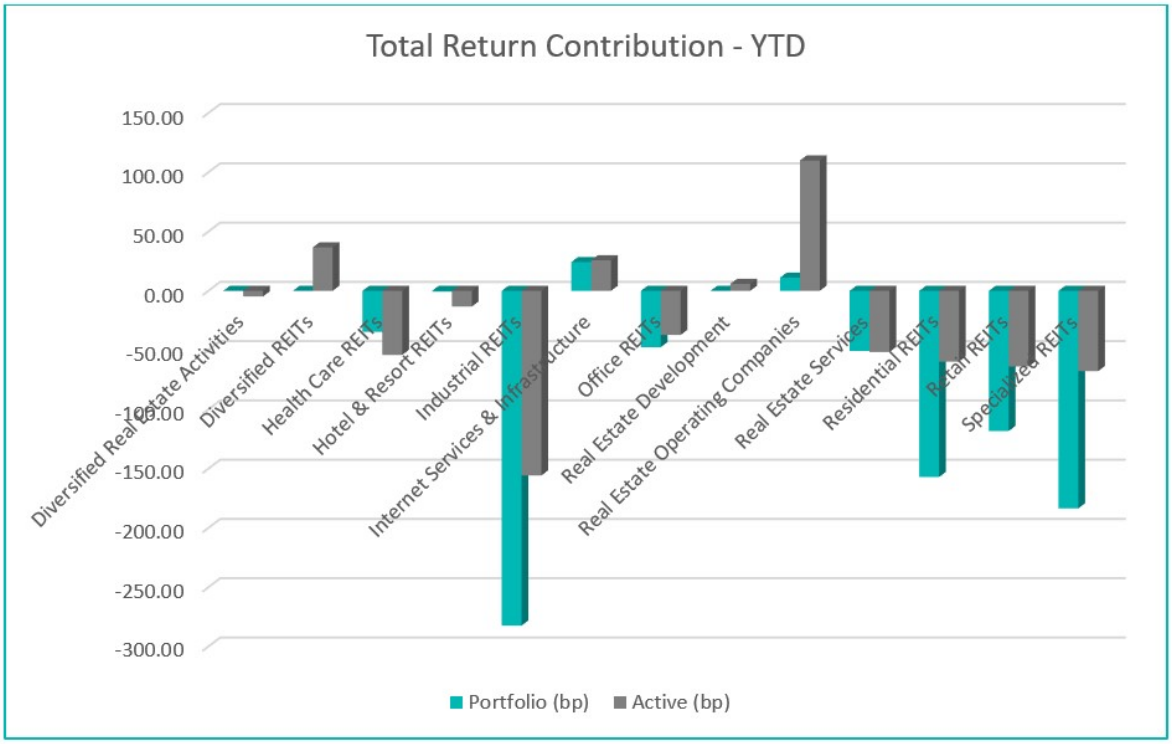
With commodity inflation (including fossil fuels, base metals and agricultural products) now likely to persist longer than previously anticipated, investors must focus their attention on the Fed's response. Currently, the market is expecting another 200 bps of tightening this year (or eight hikes of 25 bps each) in addition to the 25 bps of tightening announced at the March 16 FOMC meeting. With only six more official FOMC meeting dates over the balance of 2023, investors need to be aware that the probability of a 50 bps hike in May is high. Further, investors should expect to hear details on the Fed's quantitative tightening plan, with the pace of balance sheet reduction also likely more rapid than prior expectations. To be clear, liquidity in the financial system is set to tighten throughout 2022.

Perhaps it should be no surprise then that the most watched and discussed leading indicator of a coming recession has been triggered with the inversion of the 2-year/10-year Treasury yield curve. The only problems with this indicator are that not every yield curve inversion has been followed by a recession and that it provides very little information regarding the timing of the peak in the equity markets. So, we will plan to monitor various other measures of the health of the economy, including data related to housing, consumer confidence, unemployment and corporate profits before adopting a much more defensive posture. Importantly, if the inflation numbers show 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 through a period of rising interest rates.

Although investors should expect choppier performance throughout the year, with long-term interest rates starting to stabilize roughly around 2.5% and consensus earnings growth of 9.5% in 2022 and 8.9% in 2023 (according to FactSet), this should be another year of positive returns for the broad equity markets. In keeping with our mandates, we are concentrating our fundamental analysis on 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 (+24 bps) and Real Estate Operating Companies (+11 bps) while top detractors by sub-industry included Industrial REITs (-282 bps), Specialized REITs (-184 bps) and Residential REITs (-157 bps) on an absolute basis.

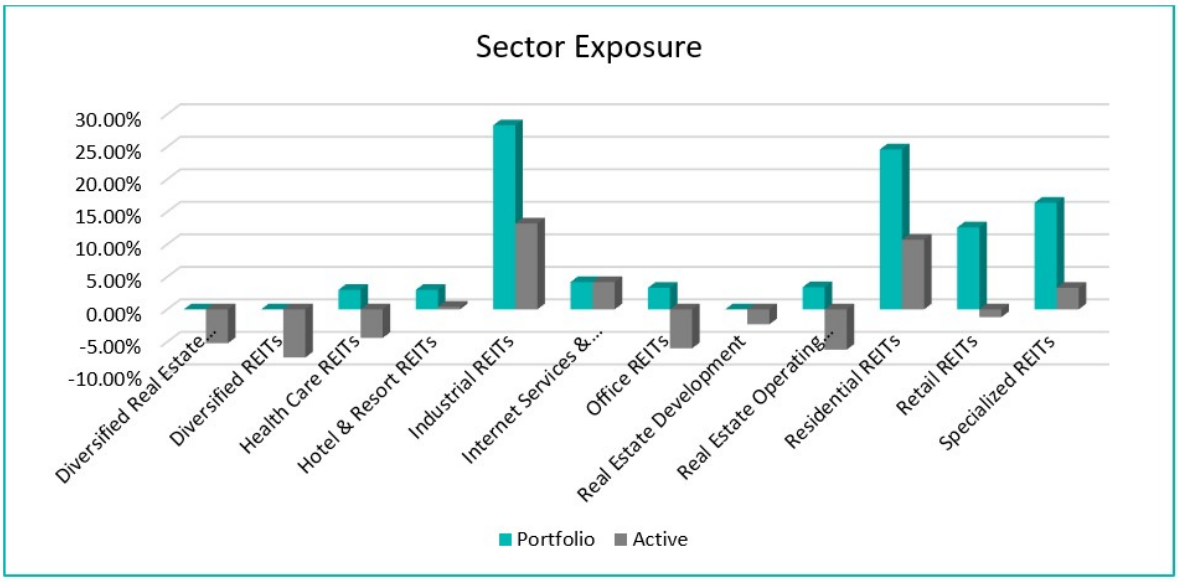
On a relative basis, positive return contributions from the Real Estate Operating Companies (+110 bps), Diversified REITs (+35 bps) and Internet Services & Infrastructure (+26 bps) sub-industries were offset by negative contributions from the Industrial REITs (-156 bps), Specialized REITs (-68 bps) and Retail REITs (-60 bps) sub-industries.



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Residential REITs and Internet Services & Infrastructure while underweight Diversified REITs, Real Estate Operating Companies and Office REITs. In 2021, sub-industry allocation decisions were the key to outperformance in the Real Estate sector and we expect this dynamic to continue into 2022. We are focusing 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 growth through this stage of the business cycle.

With the Real Estate sector off to a difficult start to the year, now would be a good time to look back at comparable periods in order to remain confident in our investment framework. The last significant tightening cycle occurred between 2004 and 2006 (with rates moving from 1.00% to 5.25%) and the bulk of the tightening happened in 2005 (with rates moving from 2.25% to 4.25%). In 2005, US REITs started the year with about a 7% drawdown before rebounding through the year, even as the Fed continued to hike rates, and finished with a low double-digit total return. History may not repeat but it sometimes rhymes and 2005 is probably the closest analogue to today’s trading action, which should provide some optimism regarding the performance of the Real Estate sector over the balance of 2022.



Source: Ninepoint Partners

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at March 31, 2022 with the top 10 holdings accounting for approximately 38.0% of the fund. Over the prior fiscal year, 18 out of our 30 holdings have announced a dividend increase, with an average hike of 10.3% (median hike of 3.2%). 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 MARCH 31, 2022 (SERIES F NPP132) | INCEPTION DATE: AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	4.1%	-8.8%	-8.8%	5.6%	20.6%	9.7%	9.8%	10.1%
MSCI World IMI Core Real Estate NR (CAD)	2.8%	-5.1%	-5.1%	4.2%	14.5%	3.8%	5.5%	5.4%

[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 March 31, 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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