# Ninepoint Global Real Estate Fund

## May 2022 Commentary

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

Year-to-date to May 31, the Ninepoint Global Real Estate Fund generated a total return of -16.61% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -13.33%. For the month, the Fund generated a total return of -7.56% while the Index generated a total return of -5.54%.

Although the broad equity indexes finished the month relatively flat, it was a wild ride for investors. The markets essentially "V-shaped" through May, with a sharp selloff over the first few weeks followed by a rebound into month end. At the May 20th intraday low of 3,810 on the S&P 500 (down approximately 20% from all-time highs to 16.5x 2022 consensus estimates and 15.25x consensus 2023 estimates according to Refinitiv), fear regarding an impending stagflation or recession scenario was palpable. Thankfully, the combination of some relatively soothing Fed speeches and a valuation reset led to more constructive investor behaviour, which allowed the relief rally to take hold. Unfortunately, whether the bounce is more than just a bear market rally remains to be seen.

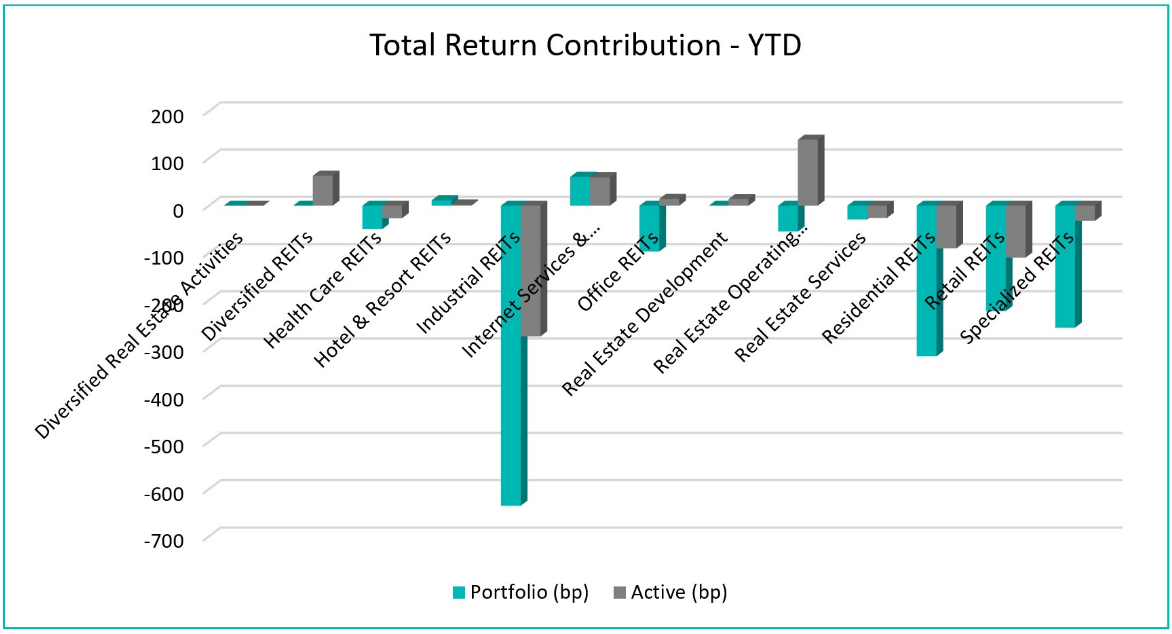
As has been the case all year, investors have been fixated on inflation and the ensuing path of future interest rate hikes. The most recent CPI print (for April but released on May 11th) showed an increase of 8.3% over the last twelve months and 6.2% over the last twelve months excluding food and energy, indicating a slight deceleration relative to the March data. However, the details of the report did nothing to alleviate concerns that the drivers of inflation are more "sticky" than initially thought. So, after the Fed's 50 bps interest rate hike on May 4th to a new range of 0.75% to 1.00%, we still expect 50 bps hikes in both June and July. Further, the futures curve is pricing in hikes at the September, November and December FOMC meetings, implying a Fed funds rate of approximately 2.75% to 3.0% by December. We think this could prove to be excessively hawkish, but most investors are unwilling to temper their outlook until they can see clear evidence that inflation is moderating.

Although most of the year-to-date decline could be attributed to multiple compression due to rising interest rates, investors have now started to question forward earnings expectations. Surprisingly, consensus estimates have been reasonably stable around $230 for 2022 and $250 for 2023, but the threat of margin compression does pose a credible risk going forward. If businesses are unable or unwilling to pass along higher wages, raw material costs and freight rates, we could potentially see these forecasts shift lower. Theoretically, if we do see a challenging Q2 earnings season with materially lower guidance for the second half of 2022, we could experience a negative earnings revision phase of the market selloff/correction. Conversely, if management teams sound confident regarding their guidance, we may have already seen the lows for the year.

In the meantime, we continue to rely on prior comparable periods to guide our investment decisions, which suggest 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, the equity markets can resume an upward trend. Although investors should expect continued volatility amid a challenging investment environment, if the Fed can achieve its "soft or softish-landing" goal, the broad markets could prove to be more resilient than feared at the depths of the correction. 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.

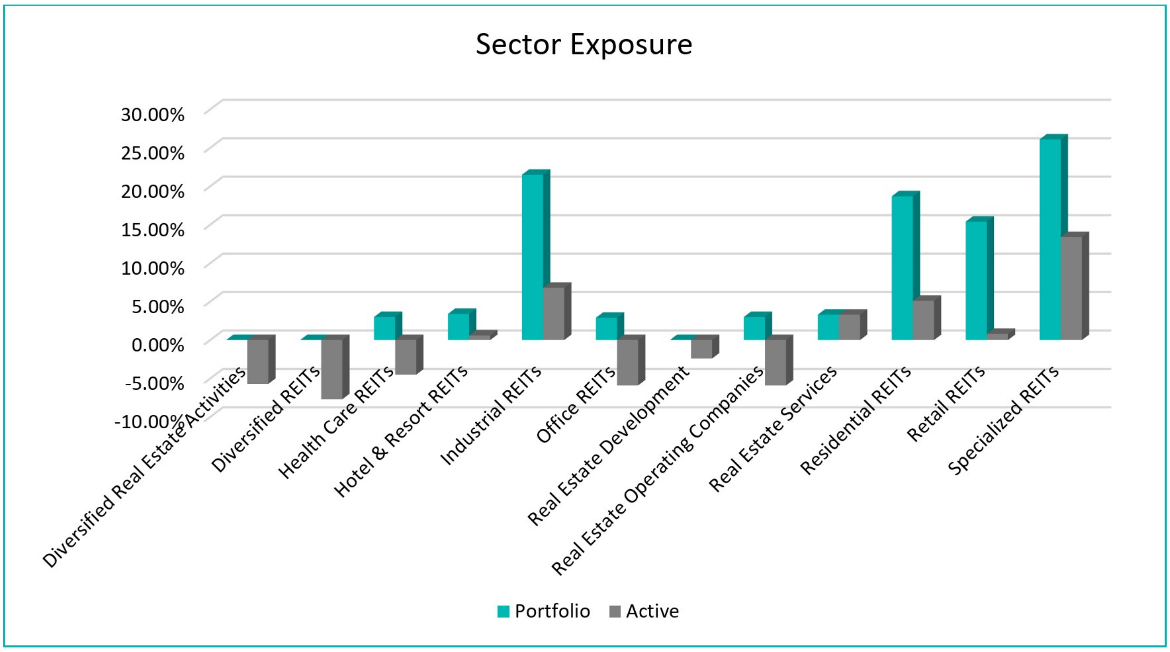
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Internet Services & Infrastructure (+61 bps) and Hotels & Resorts REITs (+11 bps) while top detractors by sub-industry included Industrial REITs (-635 bps), Residential REITs (-319 bps) and Specialized REITs (-258 bps) on an absolute basis.

On a relative basis, positive return contributions from the Real Estate Operating Companies (+142 bps), Diversified REITs (+62 bps) and Internet Services & Infrastructure (+60 bps) sub-industries were offset by negative contributions from the Industrial REITs (-275 bps), Retail REITs (-103 bps) and Residential REITs (-90 bps) sub-industries.




Source: Ninepoint Partners

We are currently overweight Specialized REITs, Industrial REITs and Residential REITs while underweight Diversified REITs, Real Estate Operating Companies and Office REITs. Although the Industrial REITs have finally experienced a meaningful pullback, we remain positive on the outlook for warehousing, distribution and logistics assets. We also have been focusing our efforts on other sub-industries with the greatest potential for margin expansion (either through rent/lease growth or aggressive cost control) and therefore cash flow and dividend growth. Specifically, we have been doing the fundamental work on various potential opportunities in the Specialized REITs and Health Care REITs sub-industries.




Source: Ninepoint Partners

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at May 31, 2022 with the top 10 holdings accounting for approximately 35.8% of the fund. Over the prior fiscal year, 16 out of our 30 holdings have announced a dividend increase, with an average hike of 9.4% (median hike of 2.2%). 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 JULY 31, 2023 (SERIES F NPP132) | INCEPTION DATE: AUGUST 5, 2015

| | 1M | YTD | 3M | 6M | 1YR | 3YR | 5YR | INCEPTION |
|---|---|---|---|---|---|---|---|---|
| Fund | 0.7% | 1.7% | -3.1% | -6.4% | -6.9% | 1.0% | 3.7% | 6.2% |
| MSCI World IMI Core Real Estate NR (CAD) | 3.4% | 2.4% | -0.3% | -4.8% | -5.4% | 3.0% | 1.0% | 2.5% |

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 May 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.

**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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