Ninepoint Global Real Estate Fund

March 2024 Commentary

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Summary

- Ninepoint Global Real Estate Fund had a YTD return of 3.19% up to March 31, compared to the MSCI World IMI Core Real Estate Index with a total return of 2.08%.
- Equity markets had a strong start in 2024, with key indexes like the S&P Global 1200, S&P 500, and NASDAQ posting significant returns.
- AI investment themes continued to drive market growth, although there were signs of the market broadening with the equally weighted S&P 500 outperforming the market cap weighted index in March.
- Inflation trends improved, with key measures like US CPI and core PCE trending lower, while the job market remained healthy despite tighter financial conditions.
- Economic growth remained robust, reflected in GDP figures and company forecasts indicating strong revenue and earnings growth expectations for 2024 and 2025.
- While valuations were elevated, particularly in the Information Technology sector, factors like earnings growth supported these valuations. The debate over interest rate cuts and their impact on market direction remained a key focus for investors, with different scenarios influencing the near-term market outlook.
- The Fund is currently overweight Specialized REITs, Industrial REITs, and Health Care Providers & Services while underweight Real Estate Management & Development, Diversified REITs, and Office REITs.
- The fund was concentrated in 28 positions, with the top 10 holdings accounting for approximately 43.2% of the fund. Over the prior fiscal year, 13 out of our 28 holdings have announced a dividend increase, with an average hike of 3.6% (median hike of 0.0%).

Monthly Update

Year-to-date to March 31, the Ninepoint Global Real Estate Fund generated a total return of 3.19% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 2.08%. For the month, the Fund generated a total return of 1.50% while the Index generated a total return of 3.28%.

Ninepoint Global Real Estate Fund - Compounded Returns[1] As of March 31, 2024 (Series F NPP132) | Inception Date: August 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	Inception
Fund	1.5%	3.2%	3.2%	13.1%	2.2%	2.7%	3.4%	6.3%
MSCI World IMI Core Real Estate NR (CAD)	3.3%	2.1%	2.1%	15.1%	9.5%	2.0%	0.7%	3.2%

With the first quarter of 2024 in the books, investors should be pleased to have participated in the best start of the year for the equity markets since 2019. In terms of some of the most widely followed indexes, the S&P Global 1200 returned +11.94%, the S&P500 returned +10.56% and the NASDAQ returned +9.31%. Although the AI investment theme has continued to power markets higher, the rally has finally shown some signs of broadening, with the equally weighted S&P 500 outperforming the market cap weighted index in March. Despite some pundits describing the environment as an investment "bubble", after examining the balance of evidence we believe that the main drive of the recent equity performance is more fundamental in nature.

There are plenty of data points that can explain the fantastic start of the year and support our optimistic outlook over the balance of 2024. Perhaps most importantly, after two years of tightening monetary policy, inflation is clearly trending in the right direction. Based on February data (released in March), US CPI is down from 9.1% to 3.2% on a year-over-year basis and core CPI is down from 6.6% to 3.8% on a year-over-year basis. Further, PCE (the Fed's preferred measure of inflation) is down from 7.1% to 2.5% on a year-over-year basis and core PCE is down from 5.4% to 2.8% on a year-over-year basis. Thankfully, tighter financial conditions haven't done significant damage to the health of the jobs market and the most recent non-farm payrolls report indicated the creation of 303,000 jobs in March, while the unemployment rate was relatively benign at 3.8%.

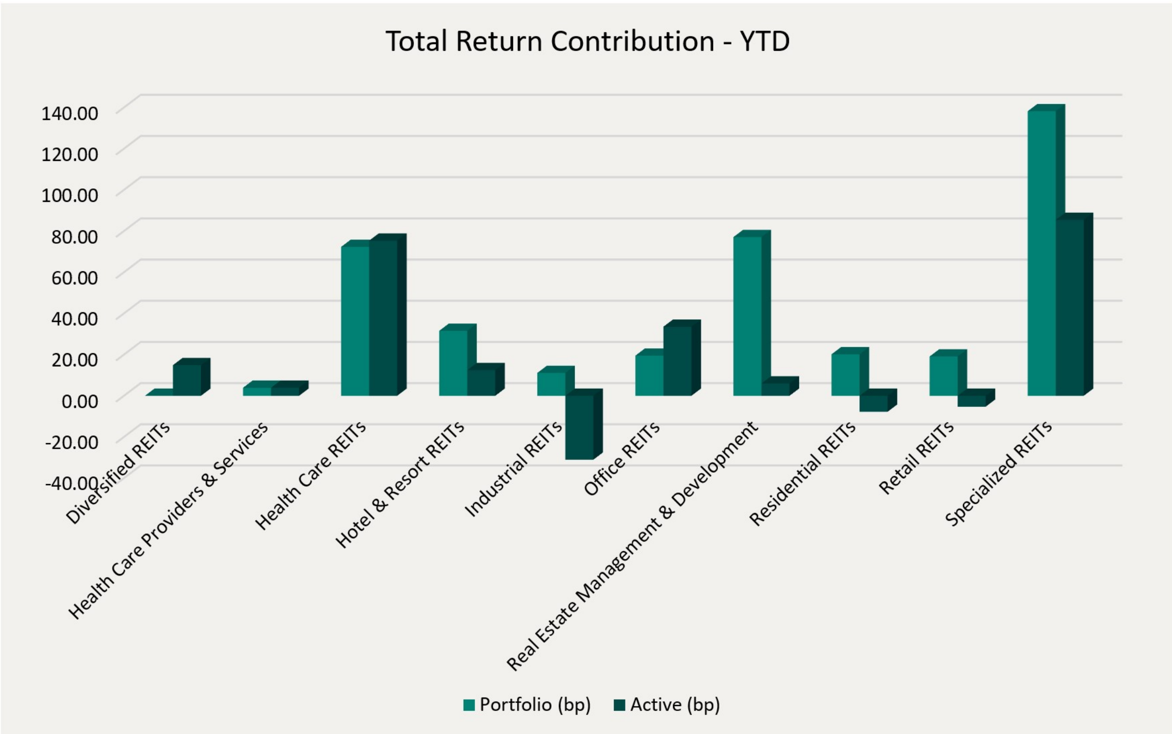
Economic growth also continues to remain robust, with US Q4 GDP coming in at 3.4% and early estimates of Q1 GDP calling for 2.8%. This has flowed through into company specific forecasts, with investment analysts forecasting 2024 revenue growth of 5.0% and earnings growth of 11.0% and 2025 revenue growth of 6.0% and earnings growth of 13.4%, according to FactSet. Admittedly, market valuations are elevated, with the S&P 500 forward P/E multiple at 20.9x (above the 10-year average of 17.7x and the 5-year average of 19.1x), led by the Information Technology sector at 28.5x. But we would point out that earnings growth in the IT sector is supportive of this valuation, since 2024 earnings are expected to grow 18.2%, implying a PEG ratio of only 1.6x compared to the overall market at 1.9x.

As investors grapple with the flood of economic and company-specific data, the biggest debate in the market today remains the timing and pace of interest rate cuts in the United States. Amazingly, the market has rapidly shifted from fears of a recession (and up to six interest rate cuts in 2024) to now thinking that growth could be too hot (and only two or three interest rate cuts will be needed in 2024). We don't see any need to argue with the actual decision makers and the most recent FOMC dot plot (released March 20, 2024) is calling for three rate cuts of 25 bps each through 2024 and three rate cuts of 25 bps each through 2025. We also believe that Chairman Powell was subtly dovish at the most recent press conference and stayed committed to rate cuts as inflation declined to the Fed's 2.0% target over time. This seems to imply that the Chairman is comfortable allowing inflation to trend lower over an extended but reasonable period and doesn't feel the need to risk damaging the economy in the short run to reach his target. In the past, Powell has clearly stated that rate cuts must happen before the 2.0% target is reached, otherwise, real interest rates would become too restrictive as inflation falls.

Our near-term outlook for the equity markets depends on two different scenarios. If we get fewer rate cuts than currently anticipated, mega-cap growth should regain leadership and outperform but if rate cuts are in line with current expectations, the rally should continue to broaden as growth reaccelerates across most of the other sectors. Having said that, investors should always be aware

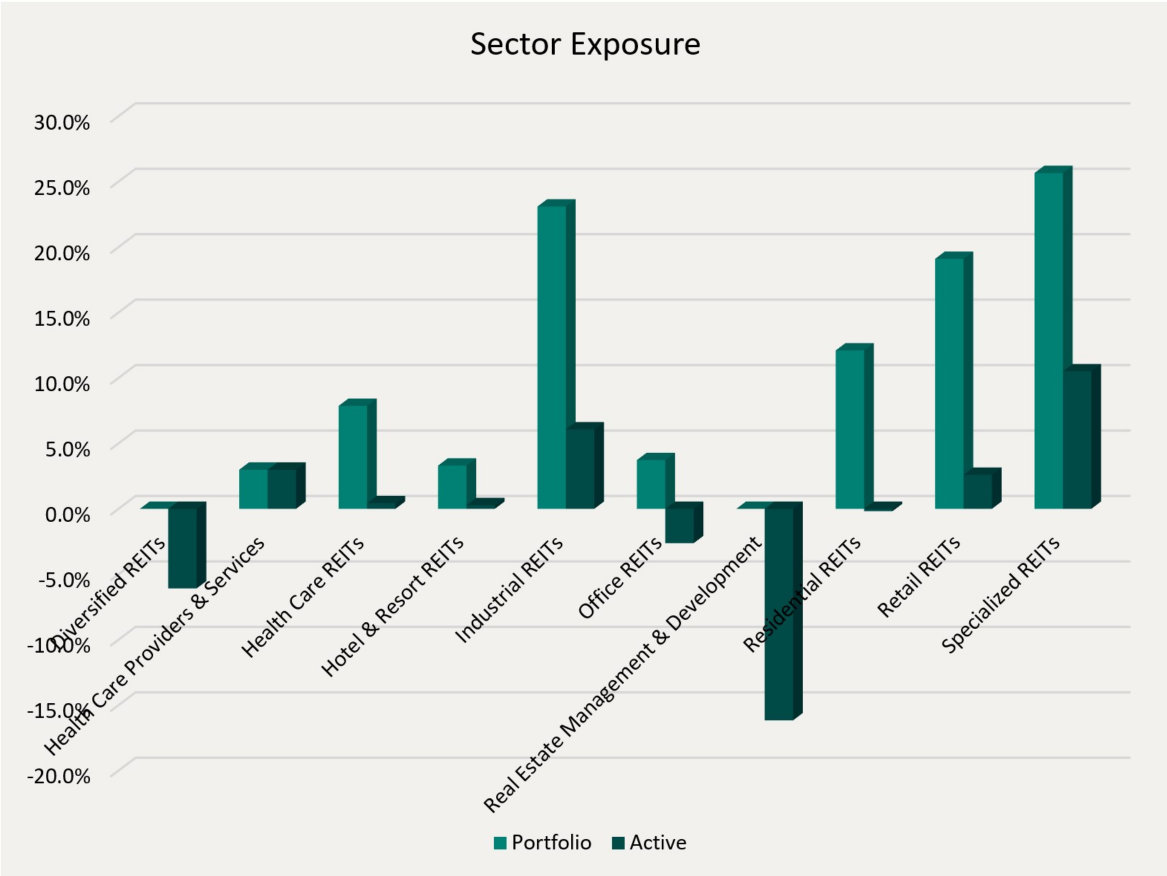
that a 4% to 6% correction could happen at any time, for any reason, given where valuations are today. This would be perfectly normal and would likely offer a nice entry point for new money into the stock market. As always, we are continually searching for companies that are expected to post solid revenue, earnings and dividend growth but still trade at acceptable valuations today.
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by industry included Specialized REITs (+138 bps), Real Estate Management & Development (+77 bps) and Health Care REITs (+72 bps), while no sector detracted from performance on an absolute basis.

On a relative basis, positive return contributions from the Specialized REITs (+85 bps), Health Care REITs (+75 bps) and Office REITs (+35 bps) sub-industries were offset by negative contributions from the Industrial REITs (-34 bps), Residential REITs (-8 bps) and Retail REITs (-5 bps) sub-industries.



Source: Ninepoint Partners

We are currently overweight Specialized REITs, Industrial REITs, and Health Care Providers & Services while underweight Real Estate Management & Development, Diversified REITs, and Office REITs. After some positive signs this past month, as we get closer to the first interest rate cut of the cycle, we expect the market rally to continue to broaden out. As the growth rate differential between the Information Technology sector and everyone else narrows through the year, we still expect a rotation into undervalued equities more aligned with our dividend-focused mandates in 2024. In the meantime, we remain focused on high quality, dividend paying real estate assets that have demonstrated the ability to consistently generate revenue and cash flow growth through the business cycle.



Source: Ninepoint Partners

The Ninepoint Global Real Estate Fund was concentrated in 28 positions as at March 31, 2024 with the top 10 holdings accounting for approximately 43.2% of the fund. Over the prior fiscal year, 13 out of our 28 holdings have announced a dividend increase, with an average hike of 3.6% (median hike of 0.0%). 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 March 31, 2024; 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, preferred stock risk; real estate risk; regulatory risk; securities lending, repurchase and reverse purchase transaction risk; series risk; short selling risk; specific issuer risk; substantial securityholfer risk; tax risk.

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