Ninepoint Global Real Estate Fund

January 2023 Commentary

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Year-to-date to January 31, the Ninepoint Global Real Estate Fund generated a total return of 8.70% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of 7.50%.

Ninepoint Global Real Estate Fund - Compounded Returns[1] 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%

After a dismal 2022, markets roared back in January, with the laggards outperforming on a combination of the January effect (as tax loss candidates from the prior year rebound once selling pressure abates), short covering and performance chasing (as FOMO feeds into investor psychology). We can see how this played out by examining the individual sectors of the S&P 500. In 2022, the best performing sectors were Energy (+65%), Utilities (+2%) and Consumer Staples (-1%) while the worst performing sectors were Communication Services (-38%), Consumer Discretionary (-36%) and Technology (-28%). In January 2023, these trends almost perfectly reversed, and the best performing sectors were Consumer Discretionary (+15%), Communication Services (+15%) and Technology (+9%) while the worst performing sectors were Utilities (-2%), Health Care (+2%) and Consumer Staples (-1%). Because the year is far from over, investors need to be particularly careful about being whipsawed in what could be a volatile but rangebound market.

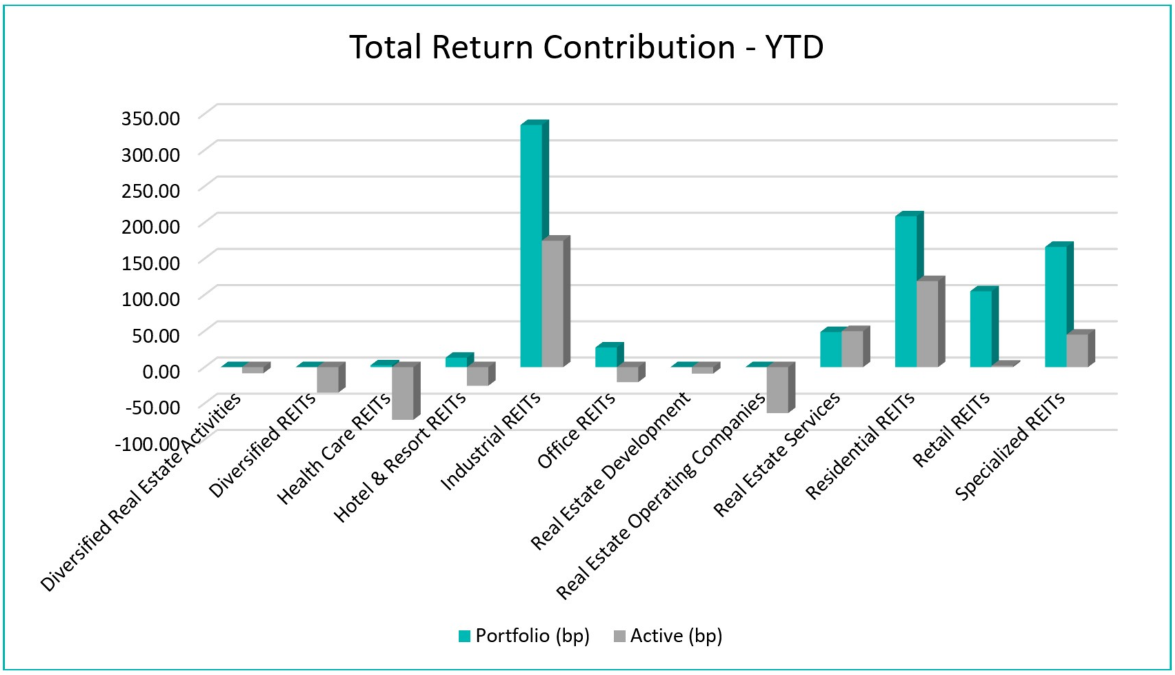
The bulk of these sector moves could be explained by changes in the price to earnings multiple, as the multiple for the S&P 500 compressed from approximately 21x NTM estimates at the beginning of 2022, bottomed at just 15x NTM estimates in October before rebounding to 19x NTM estimates at the end of January (according to Refinitiv). Importantly, the negative earning revision cycle seems to be stabilizing. Although 2023 S&P 500 earnings estimates have declined from $255 to $225 today, they have been relatively stable since about mid-December. However, current earnings estimates imply flat earnings growth in 2023, which may still prove to be optimistic once companies begin reporting 2022 financial results and potentially adjust guidance for 2023.

Despite signs of an economic slowdown (most global PMI readings indicate an ongoing contraction) and challenging equity markets, we are still able to find reasons to be optimistic going forward. We are constantly reminding ourselves to keep several things in mind while attempting to navigate 2023. First, back-to-back down years are very rare for the broad equity markets. Second, academic studies have shown almost no correlation between earnings growth and equity market returns. Third, inflation peaked in June at 9.1% and has been steadily trending lower ever since. Finally, the Fed is expected to pause monetary tightening in 2023, with perhaps two more hikes of 25 bps each, reaching a terminal Fed funds rate of 5.0% or 5.25%, possibly as soon as March or May. Although we don't expect a pivot to easing monetary policy in 2023, we think that a pause would be supportive enough for equity valuations.

We do believe that in an environment of moderating inflation but slowing growth through 2023, the most important drivers of investment performance will likely be valuation, balance sheet strength and the ability to consistently generate cash flow and earnings. Also, a greater component of total returns will likely come from dividend yields, which meshes nicely with our investment philosophy. 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.

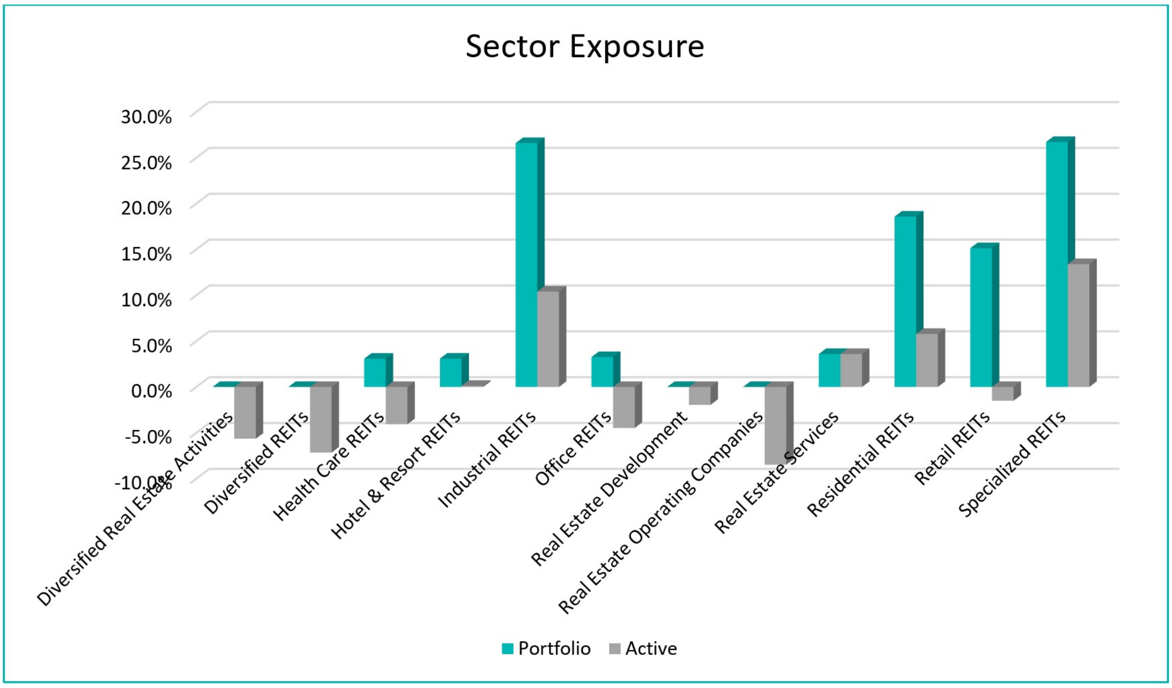
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Industrial REITs (+335 bps), Residential REITs (+208 bps), and Specialized REITs (+166 bps) while there were no detractors by sub-industry on an absolute basis.

On a relative basis, positive return contributions from the Industrial REITs (+175 bps), Residential REITs (+119 bps) and Real Estate Services (+50 bps) sub-industries were offset by negative contributions from the Health Care REITs (-73 bps), Real Estate Operating Companies (-63 bps) and Diversified REITs (-35 bps) sub-industries.



Source: Ninepoint Partners

We are currently overweight Specialized REITs, Industrial REITs, and Residential REITs while underweight Real Estate Operating Companies, Diversified REITs, and Diversified Real Estate Activities. With the US Federal Reserve expected to pause interest rate hikes in 2023, we are carefully watching for the negative earnings revision cycle to bottom and unemployment to peak to signal the start of a new equity bull market. We remain focused on high quality REITs that have demonstrated the ability to consistently generate revenue and cash flow growth through the cycle.



Source: Ninepoint Partners

The Ninepoint Global Real Estate Fund was concentrated in 30 positions as at January 31, 2023 with the top 10 holdings accounting for approximately 37.9% of the fund. Over the prior fiscal year, 18 out of our 30 holdings have announced a dividend increase, with an average hike of 7.3% (median hike of 2.0%). 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

[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 January 31, 2023; 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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