Ninepoint Global Real Estate Fund

May 2023 Commentary

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Year-to-date to May 31, the Ninepoint Global Real Estate Fund generated a total return of 0.62% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -1.43%. For the month, the Fund generated a total return of -4.13% while the Index generated a total return of -4.02%.

Ninepoint Global Real Estate Fund - Compounded Returns[1] As of May 31, 2023 (Series F NPP132) | Inception Date: August 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	Inception
Fund	-4.1%	0.6%	-6.0%	-3.1%	-7.6%	3.0%	4.0%	6.2%
MSCI World IMI Core Real Estate NR (CAD)	-4.0%	-1.4%	-5.8%	-4.3%	-9.3%	2.4%	0.8%	2.1%

One of the biggest overhangs facing the market this year, the US potentially breaching its debt ceiling covenant and triggering default, has come to a successful resolution. Unlike the 2011 debt ceiling crisis, where stocks dropped almost 20% during the contentious negotiations, both political parties were able to make enough concessions to agree to a deal. Although neither side may be completely satisfied, tense negotiations resulted in the suspension of the $31.4 trillion debt limit through January 1, 2025 (also ensuring the issue doesn't flare up again during the 2024 Presidential election). Details include capping defense spending, rescinding some Covid-19 relief funds, cutting some of the previously expanded IRS budget and restarting student loan payments while maintaining the Inflation Reduction Act's funding for climate and clean energy investment. To be honest, the outcome couldn't have been any better than what was achieved but we do believe that the US political system needs to separate negotiations over the debt limit (and potentially defaulting on its prior obligations) from the political debate surrounding future spending.

After everything that investors have had to deal with since the start of the year (never mind the past three years), including one of the fastest Fed tightening cycles in over forty years, a banking crisis culminating in the failure of several major regional banks, the debt ceiling negotiations, the ongoing debate over forward earnings expectations and the continuous struggle to correctly value those future earnings streams, investors have found a new theme to chase. Unlike the "metaverse", artificial intelligence is a significant development that will likely result in tangible benefits in terms of productivity in the coming years. Admittedly, some jobs will be eliminated, but many other types of jobs will be created, and technology will become even more integrated into our daily lives. Clearly, investors are optimistic regarding the future of AI and AI-related companies, with huge rallies in semiconductor manufacturers, wafer fab equipment manufacturers and the software companies that are the most likely to benefit from artificial intelligence and the use of machine learning algorithms.

From our perspective, as dividend and real asset focused investors, this nascent investment theme has made our lives quite difficult (at least in the short term and on a relative basis). Much like in the late 1990s, investors seem willing to price in years of future growth immediately while ignoring almost all other asset classes irrespective of their merits. We can illustrate this point by looking at the year-to-date sector-specific performance of the S&P 500. The impressive gains have been led by the Information Technology, Communication and Consumer Discretionary sectors and powered by about seven stocks: NVIDIA, Meta

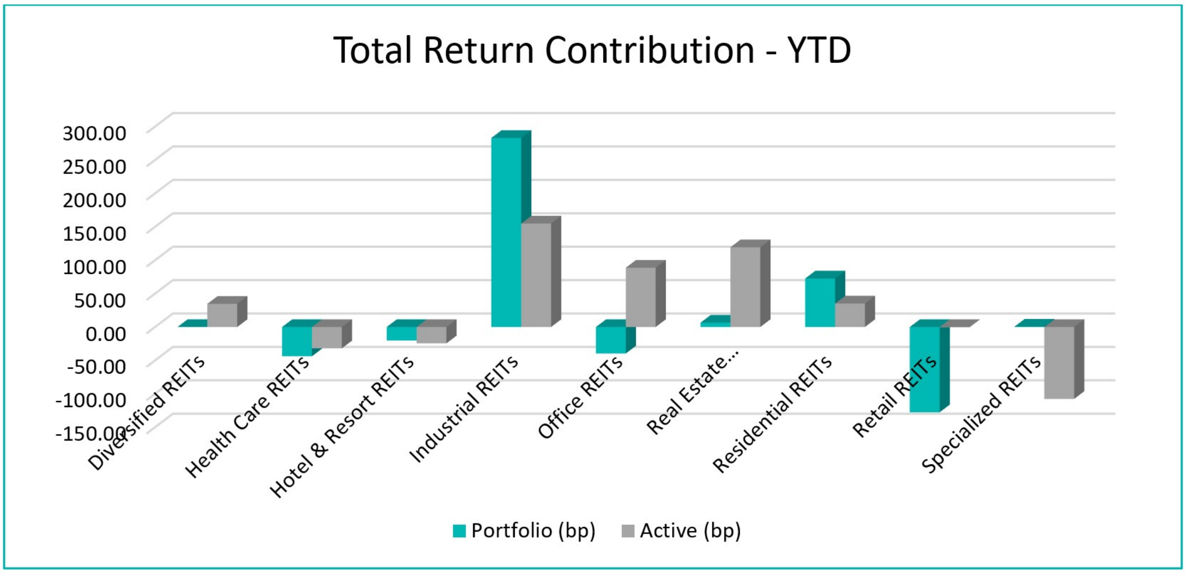
Platforms, Tesla, Amazon, Alphabet, Apple, and Microsoft. Unfortunately, the sectors with solid dividend payouts are mostly down year-to-date, including the Energy, Utilities, Health Care, Financials and Consumer Staples sectors. But having seen the late 1990s to early 2000s tech bubble and burst, we are committed to our investment philosophy over the long term.

Unfortunately, investors still need to contend with the lagged impact of tighter monetary policy, as we work through the final stages of the economic cycle. Thankfully, inflation looks to have peaked in June 2022 at 9.1%, and has steadily trended lower ever since, but unemployment rates are now finally beginning to tick up (to 3.7% in May from 3.4% in April). Because the current midpoint of the range of the Fed funds rate is above the most recent CPI report, we believe that the tightening cycle is finally complete. Signs of credit stress further support the case for an end to rate hikes and we remain concerned about the impact of more stringent regulations and tighter lending standards on future economic growth. Essentially, we believe that inflation readings would have to reaccelerate dramatically before any additional rate hikes and economic growth would have to decline significantly before any pivot to easier monetary policy. We believe that a pause would allow some of the lagging sectors to participate in the year-to-date equity rally however investors need to be careful about being whipsawed during what could be a volatile but still rangebound market over the balance of 2023.

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. As the speculative anything-AI-related rally burns itself out, a greater component of total returns will likely come from dividend yields, which suggests better relative performance from our strategies going forward. 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.

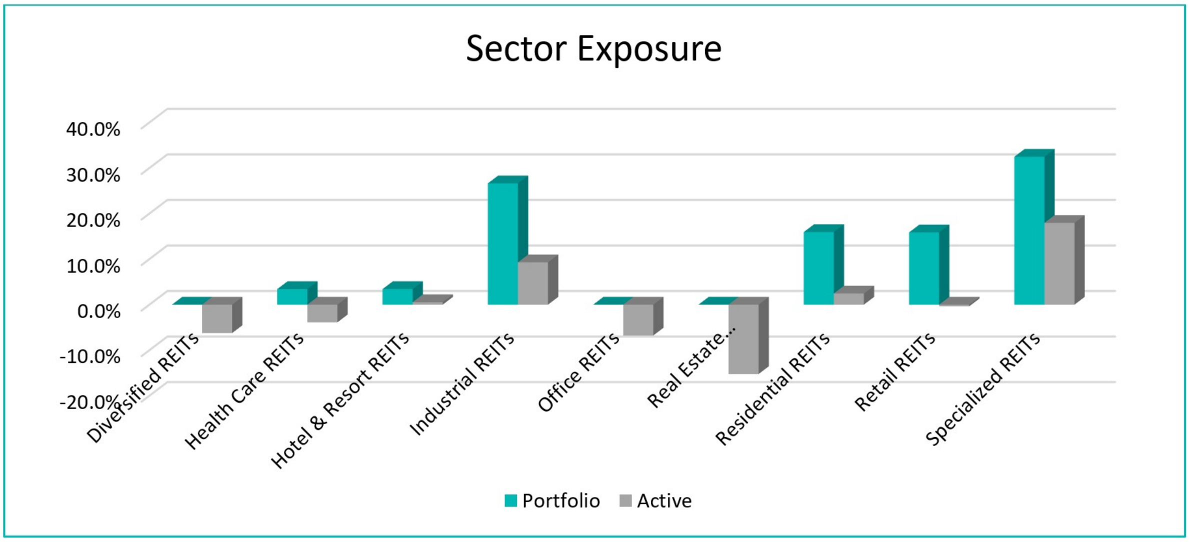
Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included Industrial REITs (+283 bps), Residential REITs (+73 bps) and Real Estate Management & Development (+6 bps) while top detractors by sub-industry included Retail REITs (-128 bps), Health Care REITs (-44 bps) and Office REITs (-40 bps) on an absolute basis.

On a relative basis, positive return contributions from the Industrial REITs (+155 bps), Real Estate Management & Development (+119 bps) and Office REITs (+89 bps) sub-industries were offset by negative contributions from the Specialized REITs (-108 bps), Health Care REITs (-32 bps) and Hotel & Resort REITs (-24 bps) sub-industries.



Source: Ninepoint Partners

We are currently overweight Specialized REITs, Industrial REITs, and Residential REITs while underweight Real Estate Management & Development, Office REITs, and Diversified REITs. The US Federal Reserve is now likely on pause as inflation continues to trend lower, but unemployment begins to trend higher. With market returns narrowly driven by a handful of AI-related stocks in the Information Technology sector, we are cautiously waiting for participation to broaden before fully committing to the rally. As the late stages of one of the most highly anticipated downturns ever continues to play out, we remain focused on high quality, financially strong 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 28 positions as at May 31, 2023 with the top 10 holdings accounting for approximately 40.3% of the fund. Over the prior fiscal year, 19 out of our 28 holdings have announced a dividend increase, with an average hike of 14.6% (median hike of 4.5%). 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 May 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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