Sentry Global REIT Fund
July 2019

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Performance Summary

- For the month and quarter ended July 31, 2019, Series F of Sentry Global REIT Fund (the "Fund") returned 2.3% net of fees. Year-to-date, the Fund is up 14.9%, net of fees.

Contributors to Performance

- Cushman & Wakefield, InterRent REIT, and Kilroy Realty were the top individual contributors to fund performance in July. Year-to-date, Prologis Inc., Equinix Inc., and Alexandria Real Estate Equities were the top contributors to Fund performance.

Detractors from Performance

- Unibail-Rodamco-Westfield, Park Hotels & Resorts Inc., and Ascendas REIT were the top individual detractors to fund performance in July. Year-to-date, Deutsche Wohnen, Unibail-Rodamco-Westfield and Simon Property Group were the top individual detractors to Fund performance.

Portfolio Activity and Market Commentary

- Real estate investment trusts (REITs) performed generally in line with broader equities in July. The MSCI US REIT Index returned 1.3% (in U.S.-dollar terms) in the month, versus 0.7% (in euro terms) for the FTSE EPRA/NAREIT Developed Index, 1.6% for the S&P/TSX Capped REIT Index, and 0.7% for the FTSE EPRA/NAREIT Asia Index (in U.S.-dollar terms).

- We initiated a position in Store Capital. Store Capital is a well-run, triple net lease company whose assets are leased to long-term tenants with rental step-ups. Because of the highly fragmented industry in which they operate, the runway for external growth via sale-leaseback acquisitions is large and visible, providing us an attractive investment in a growth-and-yield-scarce world.

News and Noteworthy Developments

- U.S. REITs are well into Q2 earnings reporting, with the majority having released their results for the quarter. Numbers appear strong as over 60% of real estate companies beat estimates, and around 20% met estimates. Residential and industrial real estate companies continue to post solid numbers. Fund holdings Invitation Homes Inc. (residential) and Prologis Inc. (industrial) showed same-asset net operating income (NOI) growth of 6.1% and 4.6%, respectively, which the market continues to reward.

- Toward the end of the month, one of the Fund's holdings, Inmobiliaria Colonial SOCIMI SA, a Spain and France-focused real estate company, showed continued strength, signing new leases at levels 11% higher than expiring leases. Barcelona was particularly strong with releasing spreads at 52%. Strong fundamentals on the leasing front combined with tightening capitalization rates keep the business looking healthy.

- On July 15, Prologis reported strong Q2 2019 results and the acquisition of Industrial Property Trust Inc. for approximately US$3.99 billion in an all-cash transaction. The 37.5 million square foot Industrial Property Trust portfolio comprises 236 industrial properties in U.S markets where Prologis has scale and a proven operating presence. On the earnings call, Prologis management noted the acquisition is expected to capture significant cost and revenue synergies, will be held through one or both of Prologis' private U.S. vehicles, will close no later than Q1 2020, and is expected to garner $0.05-$0.06 of core funds from operation (FFO) per share accretion. Management expects 20% ($800 million) of the acquired portfolio will be divested. On the earnings call, Prologis Chief Financial Officer Thomas Olinger noted he has "never felt better about [Prologis'] growth outlook." Despite the overhang of trade tensions and sluggish global economic growth, Prologis raised its 2019 global rent growth estimate by 100 basis points to over 5.5%, as low industrial vacancy and rising replacement costs continue to push market rents higher.

- On July 15, Minto Apartment REIT announced a $131.2 million conditional agreement to acquire a managing 40% interest in High Park Village, a 750-suite multi-residential rental property in Toronto's High Park neighbourhood from Minto Properties Inc. The transaction price represented a 4.02% implied capitalization rate on year-one net operating income and a 5% discount to the property's appraised value. The purchase will be funded through the assumption of an existing $98.7 million mortgage term loan and the issuance of 2,806,122 exchangeable Class B limited partnership units at $19.60, which is subject to a four-month lockup. Repositioning of the asset's 400+ unrenovated suites is expected to generate a return on investment in line with the REIT's 8-15% target. We view the acquisition favourably, as it increases Minto Apartment REIT's presence in the Greater Toronto Area (from 21% to 30% based on unit count). Further, we expect the transaction will be accretive to the REIT's Adjusted Funds from Operations (AFFO) and NAV.

- On July 18, Pure Multi-Family REIT announced that it had entered into an agreement to be acquired by Cortland Partners at a price of US$7.61 in an all-cash transaction valued at US1.2 billion and a 6% premium to consensus net asset value. This announcement follows a previous unsolicited takeout offer by American Landmark/Electra America to purchase the company at the same US$7.61 price. The friendly agreement with Cortland is not conditional on financing, does not require further due diligence, and includes a reverse termination fee of $50 million backed by Cortland.

- On July 22, Land & Buildings Investment Management ("L&B") a prominent REIT activist investor sent a letter to the board of directors of Liberty Property Trust requesting that the REIT explore strategic options to maximize value for shareholders. The stock is currently trading at a sizable discount to L&B's estimate of its NAV. The letter suggested that due to the large demand for industrial assets, the company should explore all alternatives including a potential sale of the company. This would allow shareholders to crystalize value on an undervalued company.

Outlook

Our global scope continues to present us opportunities to invest in high-quality companies with free cash-flow yields combined with free cash-flow growth, which together offer attractive total return profiles. We have continued to selectively deploy capital into various segments of the real estate arena, broadening the Fund's exposures by asset class, including temperature-controlled warehouses, gaming REITs, life-sciences office properties, single-family rental homes and real estate services companies. As we look forward to the second half of 2019 and into 2020, we remain biased towards quality, growth-oriented REIT issuers with low leverage, prudent and sustainable payout ratios, low capital expenditure requirements and strong supply/demand dynamics.

Series F returns (in %) as at July 31, 2019	Year-to-date	1 year	3 year	5 year	10 year
Sentry Global REIT Fund	14.9	10.2	5.8	7.5	12.1

Inception date: July 28, 2005.

Sources: Bloomberg Finance L.P., Company Reports and Signature Global Asset Management, as at July 31, 2019.

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