



SIGNATURE
GLOBAL ASSET MANAGEMENT™

Signature Global REIT Fund December 2019

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Performance Summary

For the month ended December 31, 2019, Class F of Signature Global REIT Fund, formerly Sentry Global REIT Fund (the “Fund”) returned -1.7%. In 2019, the Fund returned 23.3%, finishing the year ahead of its benchmark, the FTSE/EPRA NAREIT Developed Total Return Index, which was up 17.2% in Canadian-dollar terms.

Contributors to Performance

Sunac China Holdings Ltd., American Tower Corp. and ESR Cayman Ltd. were the top individual contributors to Fund performance in December. Equinix Inc., Prologis Inc. and Alexandria Real Estate Equities Inc. were the top individual contributors to Fund performance in 2019.

Detractors from Performance

Americold Realty Trust, Equity Residential, and InterRent REIT were the top individual detractors to Fund performance in December. Deutsche Wohnen SE, Glenveagh Properties PLC and Simon Property Group Inc. were the top individual detractors to Fund performance in 2019.

Portfolio Activity and Market Commentary

REIT price momentum soured in mid-December, driven by a myriad of factors, including progress toward a U.S.-China trade deal and reduced uncertainty surrounding Brexit, which favoured a risk-on rotation. REIT index performance was mixed for the month. The MSCI U.S. REIT Index returned -0.8% (in U.S. dollars) in December, versus 0.6% for the FTSE EPRA/NAREIT Developed Index (in U.S. dollars), -2.2% for the S&P/TSX Capped REIT Index (in Canadian dollars) and 0.9% for the EPRA/NAREIT Developed Asia Index (in U.S. dollars). In North America, the approximate 4% pullback in REIT unit prices in mid-December was fortuitous, as it coincided with the closings of the Dream Global REIT and Continuum Residential REIT privatizations. We took advantage of price weakness and a healthy cash position to bolster the Fund’s positions in select U.S. multi-family

residential, manufactured housing and industrial REITs, which we expect to benefit from continued industry tailwinds and healthy property operating fundamentals in 2020. The Fund initiated a position in U.S. industrial REIT First Industrial (NYSE: FR) and U.S. manufactured housing REIT Equity LifeStyle Properties (NYSE: ELS). The Fund also participated in the Poly Property Development Co. (HK: 6049) initial public offering (“IPO”) in concert with our Hong Kong office.

News and Noteworthy Developments

- As noted above, the Fund participated in the IPO for Hong Kong-listed Poly Property Development, which provides property management services in China. Poly Property Development is the property service management arm of Poly Developments and Holdings Inc., one of the largest developers in China, based in Guangzhou. The US\$600 million deal was anchored by cornerstone investors including GIC and China’s sovereign fund, and was over 200x oversubscribed by retail investors. Poly was up just shy of 30% on its first day of trading.
- On December 11th, the U.S. Federal Reserve left interest rates unchanged and signalled it would remain on hold through 2020, noting that the Federal Open Market Committee judges the current stance of monetary policy as appropriate to support sustained expansion of economic activity.
- On December 16th, First Capital Realty (TSX: FCR) announced it had received final approval from the Ontario Superior Court of Justice to convert from a corporation to a REIT. Further, First Capital announced that Gazit-Globe Ltd., its largest shareholder, had sold a portion of its remaining interest in First Capital, reducing its ownership to 6.7% from 9.9%. First Capital management waived the one-year lock-up in favour of facilitating the reduction in Gazit-Globe’s position. The balance of Gazit-Globe’s interest remains subject to the original lock-up agreement, which expires on April 16, 2020. On December 30th, First Capital converted to a REIT and changed its name to First Capital REIT (TSX: FCR.UN).
- On December 18th, Sun Life Financial announced the £300 million (~US\$390 million/C\$515 million) acquisition of an 80% stake in InfraRed Capital Partners (“InfraRed”), a global infrastructure and real estate investment manager, to expand its footprint and broaden its product capabilities in infrastructure and real estate. The transaction will add US\$12 billion (~C\$16 billion) to assets under management. InfraRed will form part of SLC Management, Sun Life’s alternative asset management business. The transaction is notable to us, as it further underscores institutional appetite for real asset investment management capability.



- On December 20th, Granite REIT announced a C\$246.7 million acquisition of five assets, including two modern, multi-tenant distribution properties near Memphis International Airport, one of the busiest cargo airports in the U.S., and three development assets in the Netherlands, comprising a combined 2.5 million square feet at an anticipated stabilized yield of approximately 5.1%. Further, the REIT has extended its C\$300M term loan to December 2026 and refinanced the related cross-currency interest rate swap resulting in Euro-denominated payments at a 1.36% fixed interest rate. In our view, Granite REIT is well positioned to drive accretive growth given its strong balance sheet and access to lower cost Euro-denominated debt. Following these commitments, management estimates the REIT’s proforma liquidity at about C\$650 million without requiring equity issuance.

Outlook

Generally healthy real estate operating fundamentals, lower bond yields, continued strong institutional demand for direct property and REIT equity issuances, and recent mergers and acquisitions have contributed to positive REIT returns year to date. While 10-year bond yields have backed up from their lows in August, they remain low by historical standards and Signature expects the lower-for-longer environment to persist for some time. As we look forward to 2020, we see an acceleration in per unit growth over 2019 levels, which should, when combined with yield, continue to drive attractive total returns from current levels. REITs are continuing to benefit from solid fundamentals across most property types and debt refinancing opportunities as rates remain low on a historical basis.

Class F returns (in %) as at December 31, 2019	Year-to-date	1 year	3 year	5 year	10 year
Signature Global REIT Fund*	23.3	23.3	9.8	7.9	10.7

*Formerly Sentry Global REIT Fund. Inception date: July 28, 2005.

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

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