CI Global REIT Private Pool
Third-quarter 2020 Commentary

Market Overview

- The performance of real estate investment trusts (REITs) continues to be lacklustre as although economies are slowly reopening, investors are still focused on the economic shocks from the COVID-19 pandemic and the potential for a second wave of COVID-19 this fall. That combined with political uncertainty regarding the U.S. election and heightened volatility in the markets, which is to be expected.

- The broader markets, led by technology stocks, fared better than REITs during the quarter, with the S&P 500 Index up 8.93% and the S&P/TSX Composite Index up 4.73%. Bond yields remained low and still within a fairly narrow range over the past several months. The U.S. 10-year Treasury yield ended the quarter at 0.69%, while the Canadian government 10-year bond yield closed at 0.56%.

Fund Holdings

- CI Global REIT Private Pool (the Fund) was launched on May 27, 2020, and the seed capital for the Fund was invested that day.

- The Fund's initial portfolio was invested in sub-sectors of the REIT market that have been working, and should continue to work, during the COVID-19 pandemic; namely, industrial, data centres/cell towers, apartments, single-family rental and life sciences–related real estate. Subsequent cash into the Fund was invested in a similar fashion. By geography, approximately 51% of the Fund's portfolio is invested in U.S.-listed companies, 28% in Canada, 12% in Asia and 9% in Europe. The Fund's top 10 holdings as at September 30 include GDS Holdings Ltd.; ESR Cayman Ltd.; Prologis, Inc.; Tricon Residential Inc.; Alexandria Real Estate Equities Inc.; American Homes 4 Rent; Equinix, Inc.; Invitation Homes Inc.; Americold Realty Trust; and American Tower Corp. Collectively, these holdings comprise approximately 35% of the Fund's assets.

News and Noteworthy

- Following are some of the events that occurred during the quarter that involved certain Fund holdings.

- Allied Properties Real Estate Investment Trust announced a $153.3-million private placement (approximately 4.1 million units at $37 per unit) to fund its development commitments into 2021. As we understand, the private placement was done in response to in-bound interest from a sizeable investor. The private placement was met with some criticism by the company's broader investor base given CEO Michael Emory's recent commentary on the company's second-quarter 2020 earnings call, which suggested, "We're in an excellent liquidity position with the ability to fund all our commitments through 2021."

- On September 10, 2020, it was announced that mall owners Simon Property Group, Inc. and Brookfield Property Partners L.P. had agreed to an US$800-million deal to acquire J.C. Penney Co., Inc. out of bankruptcy, concluding months of discussion about a potential buyout of the troubled department store chain.

- American Tower, a global cell tower REIT with an enterprise value of m approximately US$170 billion, announced it had inked a new master lease agreement with T-Mobile US, Inc. Though details surrounding the deal are limited, it appears to cover a sizable portion of T-Mobile's existing cell tower sites within American Tower's portfolio. The news was viewed favorably in the public market, with the cell tower REIT sector increasing approximately 400 basis points in trading on the day.

- Sun Communities, Inc. announced a US$2.1 billion acquisition of a portfolio of 101 marinas from Safe Harbor Marinas, LLC, including assumed debt of approximately US$808 million. While Sun Communities did own a few existing marinas in its portfolio, the deal will bring the marina weighting within the company's portfolio to approximately 15%, roughly equal with its recreational-vehicle business. To pay for the acquisition, the company announced a marketed forward equity sale on September 30, 2020. Investor demand was strong, with the deal being upsized from an initial 5.6 million shares to 8 million. Each share was priced at US$139.50, but the stock quickly moved up on October 1 to over US$147 per share.

Outlook

- As a group, REITs are still struggling to find traction during the COVID-19 pandemic. The recent uptick in COVID-19 cases in many parts of the world has not helped sentiment, but thus far hospitalization rates have remained well below the rates during the spring of 2020 as it has generally been younger people getting infected more recently, and they seem to

have far fewer complications after contracting the COVID-19 disease. As long as health systems do not get overwhelmed, economies should remain open, and that should be a positive for many aspects of real estate. Good progress seems to being made on the vaccine front, and that would also be a positive catalyst.

- The next few weeks leading up to the U.S. presidential election could show some market volatility as there certainly seems to be the possibility of a long, drawn-out process to decide the ultimate winner. Let's hope it doesn't come to that.

- Even with all the uncertainly, several segments of the real estate market continue to perform, and we continue to allocate the Fund's capital to them. Among them are industrial spaces, data centres and cell towers, single family rentals, and certain sub-sectors of the multi-family space. Interest rates remain hugely supportive, balance sheets are in great shape and lots of pension and private equity money continues to search for real estate investments. Patience with investing capital is very likely to be rewarded in this environment.

Sources: Bloomberg Finance L.P. and Signature Global Asset Management, as at September 30, 2020.

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Performance data is not yet available because the Fund has not been distributing securities under a simplified prospectus for at least 12 consecutive months.

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