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GLOBAL ASSET MANAGEMENT™

Signature Global REIT Fund
July 2020

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Class F returns (in %) as at July 31, 2020	Year-to-date	1 year	3 year	5 year	10 year
Signature Global REIT Fund	-5.9	1.0	7.0	5.3	8.7

Source: Signature Global Asset Management, as at July 31, 2020.

Performance Summary

For the month-ended July 31, the Signature Global REIT Fund (Class F) returned 2.4% net of fees vs. 1.3% for its benchmark. Year-to-date, the Fund is leading its benchmark, down -7.4% versus -15.9% for the FTSE/EPRA NAREIT Developed Total Return Index (in Canadian dollars).

Contributors to Performance

Equinix Inc., Americold Realty Trust, and Prologis Inc. were the top individual contributors to Fund performance in July.

Detractors from Performance

Cushman and Wakefield plc, Equity Residential and InterRent REIT were the top individual detractors to Fund performance in July.

Portfolio Activity and Market Commentary

REIT performance generally continued to slowly improve in July, with U.S. REITs returning 4.10% (in U.S.-dollar (USD) terms), the FTSE EPRA/NAREIT Developed Index (USD) at 2.85%, the EPRA/NAREIT Developed Asia Index (USD) down 1.63% , and the S&P/TSX Capped REIT Index (CAD) up 1.13%. As we have noted previously, the Signature Global REIT Fund was well positioned preceding the COVID-19 health crisis, with a healthy cash position, a bias towards REITs with prudent leverage and well staggered debt maturities, and nil exposure to hotel and mall REITs. The Fund remains positioned accordingly today.

During the second quarter, the Fund reduced its position in Cushman & Wakefield, a real estate services company, reflecting a continued preference for entities owning income-producing assets. The Fund's top ten holdings at July 31 include Prologis, Equinix, Americold, Alexandria Real Estate Equities Inc., American Tower Corp., Tricon Capital Group Inc., American Homes 4 Rent, InterRent REIT, AvalonBay Communities Inc., and Brookfield Asset Management Inc. Collectively, the top ten holdings comprise approximately 42% of the Fund.

News and Noteworthy Developments

- On July 9, Tricon Residential's (TSX: TCN) single-family rental joint venture (the "JV", in which Tricon holds a one-third interest) priced its 2020-SFR1 securitization transaction. Tricon's largest securitization transaction to date, comprising six offered classes of fixed-rate certificates with a total face amount of US$553 million, was priced at a record low (for a single-family rental securitization) weighted average coupon of approximately 2.34% with a term to maturity of six years. This is an encouraging endorsement of the value of single-family rental home assets.

- On July 20, Mindspace Business Parks REIT, filed for its initial public offering (IPO) which would make it India's second-ever REIT, following the IPO of Embassy Office Parks in 2019. Both Mindspace and Embassy are sponsored by Blackstone and own some of the highest quality office campuses in India, catering to multinational tenants with strong focus on technology like IBM and Microsoft Corp. Rumours have also emerged that Brookfield is next on deck to launch an Indian office property IPO.

- On July 21, Prologis continued to prove that the right type of real estate can do exceptionally well through a pandemic as it reported earnings that were very positive, raising funds from operations (FFO) guidance for the year. Demand for warehouse properties continues to be robust as evidenced by the 22% rental increases that Prologis was able to get over expiring leases for the quarter.

- Business is good for Alexandria; the life sciences campus REIT reported earnings on July 26, noting rent collections of over 99%, and lease executions at rates 37% higher than expiring lease contracts.

- Equinix, the world's largest data center REIT and one of the Fund's largest holdings reported results on July 29. The company increased its guidance for the year and its results for the quarter significantly beat expectations on strong revenue per cabinet.

- NAREIT updated its U.S. REIT rent collection data for July noting that all major sectors outside of retail collected rents of over 95% for the month. Free-standing retail collected 91.4% of rents while shopping malls continue to struggle having collected only 69.5%, albeit marking an improvement over the 60.6% collected in June and 50.2% in April.

- In late July, mall owner Simon Property Group, together with its partner Authentic Brands, made a $305 million "stalking horse" bid for upscale men's clothier Brooks Brothers, which sought Chapter 11 bankruptcy protection earlier in the month. In the past, Simon and Authentic have also teamed up to buy Forever 21, Aeropostale and Lucky Brands with the goal of leveraging their real estate platform and restructuring expertise to revive the businesses.

Outlook

As the COVID-19 situation continues to evolve, we view the Fund as well positioned. We believe that the very well-established global REIT industry, offering over 20 classes of real estate, gives us many attractive options to position our investors for the future of real estate. While we expect volatility to persist, we believe that the structurally low interest rate environment will continue to make well-capitalized REITs with strong cash flow profiles, uniquely attractive. We continue to favour defensive needs-based real estate, including data centers, towers, industrial, multi-family, single-family rentals and grocery-anchored retail.

Source: Bloomberg Finance L.P., Company Reports and Signature Global Asset Management.

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