

SIGNATURE GLOBAL REIT FUND

November 2020



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Series F returns (in %) as at November 30, 2020	Year- to- date	1 year	3 year	5 year	10 year	Since Inception*
Signature Global REIT Fund	-6.3	-7.9	4.6	5.3	7.8	6.6

Source: CI Global Asset Management, as at November 30, 2020. *Since inception date: July 28, 2005.

Performance Summary

For the month-ended November 30, the Signature Global REIT Fund (Series F) returned 6.0% net of fees.

Contributors to Performance

Brookfield Asset Management Inc., InterRent REIT, and Allied Properties REIT were the top individual contributors to Fund performance in November.

Detractors from Performance

Americold Realty Trust, Equinix, Inc., and Shimao Services Holdings Ltd. were the top individual detractors to Fund performance in November.

Portfolio Activity and Market Commentary

It was quite a month for equity markets; they essentially went straight up. First, somewhat surprisingly, we saw an increase on the U.S. election, despite the fact the outcome was in doubt for several days as mail-in ballots were counted. Second, the positive vaccine news from both Pfizer Inc. and Moderna will hopefully mean that life in 2021 can get back to somewhere that is near normal. The fact that COVID-19 continues to rage across much of the world seemed to take a back seat. The S&P 500 and the S&P/TSX Composite Index were both up nearly 11% on the month. REITs performed strongly, as well as the sectors that had really been beaten up during COVID-19, namely retail, office, and hotels, which bounced back. In Canadian-dollar terms for the month of November, the FTSE/EPRA NAREIT Developed Total Return Index returned 10.15%, the MSCI US REIT Index returned 7.78% while the S&P/TSX Capped REIT Index returned 17.75%, and the EPRA/NAREIT Developed Asia Index returned 9.14%. Bond yields also reacted to the vaccine news, rising to the highest levels since April on November 9 before falling back to finish the month

little changed. The U.S. 10-year Treasury yield ended November down 4 basis points (bps) to 0.83%, while the Canadian 10-year yield closed up 1 bp to 0.67%.

During the month, the Fund participated in equity raises by two existing holdings, Granite REIT and Safehold Inc., and added to its position in European Residential REIT as well. The Fund also sold some of its shares in Sunac China Holdings. The Fund's top 10 holdings at November 30 included Tricon Residential, Prologis Inc., Alexandria, Americold, American Homes 4 Rent, Equinix, InterRent, American Tower Corp., ESR Cayman Ltd., and Brookfield Asset Management Inc. Collectively, the top 10 holdings comprise approximately 41% of the Fund.

News and Noteworthy Developments

- On November 5, American Tower (AMT) announced the acquisition of InSite Wireless Group, a top 10 U.S. tower company for \$3.5 billion. InSite has about 3,000 sites, mostly in North America. The deal should be immediately accretive and bolsters AMT's position in the beginning phase of the 5G cycle.
- On November 9, Pfizer announced that its COVID-19 vaccine was 90% effective in preventing the disease, a figure that director of the National Institute of Allergy and Infectious Diseases (NIAID), Dr. Anthony Fauci, called "just extraordinary". The markets rallied strongly on the news, including the REIT sector, and especially the sub-sectors of the market such as retail and office that had struggled during the pandemic. That news was followed by more positive vaccine news from Moderna on November 16, which continued the market rally.
- On November 17, Granite REIT announced a \$250 million bought deal equity financing that will be used in part to fund the acquisition of \$564 million of four assets in the U.S. and four assets in the Netherlands. The properties are located in Granite's core distribution and logistics markets and have a total gross leasable area of approximately 5 million square feet. The equity deal was done at a price of \$75 per share and was Granite's second equity raise of the year.
- On November 18, European Residential REIT (ERE) announced the acquisition of an 84-suite residential asset in Rotterdam for 22 million euros, or approximately 265,000 euros per suite. That brings the amount of acquisitions completed since September to 68 million euros. While the implied cap rate was a low 3.5%, they are located in the fast growing Randstand area and have good potential for higher rents.
- On November 24, Warburg Pincus announced it was selling 138 million shares of ESR Cayman, equivalent to approximately US\$427 million. Due to strong demand from other investors, the deal was upsized to US\$559 million. Warburg Pincus was one of the initial investors in ESR Cayman prior to the company going public and had intended to sell down its position subsequently.
- On November 26, the Province of Nova Scotia announced that it is implementing a 2% cap on residential rent increases until the earlier of February 1, 2022 or the conclusion of the State of Emergency. The Fund's holding, Killam Apartment REIT Properties, derives about 35% of its rent for the province, but the measure should not have a material impact on next year's results. However, it does highlight the heightened regulatory uncertainty faced by apartment landlords during COVID-19.

Outlook

The REIT market had a tremendous rally on the back of positive vaccine news and the hopes that life will be getting back to normal in 2021. We have continuously believed that the sell-off during COVID-19 had been overdone and that the REITs, across many property types had more value than was being ascribed by the market. No doubt there will continue to be some volatility going forward as more vaccine news comes out and the process of administering the vaccine commences. While it was encouraging to see the beaten up sub-sectors bounce back substantially, we still feel it is prudent to stick primarily in the areas of the market that have shown operational resiliency throughout the pandemic and that will continue to benefit from some of the trends that COVID-19 has accelerated. These include the industrial, data centers, and single-family rentals sectors. But as the economy shows signs of recovering as COVID-19 hopefully diminishes, there will be opportunities to deploy additional capital into other sub-sectors of the REIT market as well.

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



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