

# SIGNATURE GLOBAL REIT FUND

December 2020



*Lee Goldman, Senior Portfolio Manager, MBA, CFA*

*Kate MacDonald, Portfolio Manager, M.Fin., CFA*

| Series F returns (in %) as at December 31, 2020 | Year-to-date | 1 year | 3 year | 5 year | 10 year | Since Inception* |
|---|--------------|--------|--------|--------|---------|------------------|
| Signature Global REIT Fund                      | -4.7         | -4.7   | 5.4    | 5.5    | 7.9     | 6.6              |

Source: CI Global Asset Management, as at December 31, 2020. \*Since inception date: July 28, 2005.

## Performance Summary

For the month-ended December 31, the Signature Global REIT Fund (Series F) returned 1.1% net of fees.

## Contributors to Performance

ESR Cayman Ltd., Americold Realty Trust, and Alexandria Real Estate Equities Inc. were the top individual contributors to Fund performance in December.

## Detractors from Performance

First Capital Realty Inc., Allied Properties REIT, and American Tower Corp. were the top individual detractors to Fund performance in December.

## Portfolio Activity and Market Commentary

It was a strong finish to 2020 for equity markets, capping off a remarkable comeback from the COVID-19 lows of March. Clearly the start of the vaccine rollout, albeit on a slow initial pace, and the possibility of life getting more back to normal in 2021, has investors looking past the current spike in cases and hospitalizations. The S&P 500 gained a further 3.84% during December, while the S&P/TSX Composite Index was up 1.72%. REITs were mixed during the month. In Canadian-dollar terms for the month of December, the FTSE/EPRA NAREIT Developed Total Return Index returned 1.97%, the MSCI US REIT Index returned 1.70% while the S&P/TSX Capped REIT Index was down 2.61%, and the EPRA/NAREIT Developed Asia Index dropped 0.46%. Bond yields finished the month slightly higher. The U.S. 10-year Treasury yield ended December up 8 basis points (bps) to 0.91%, while the Canadian 10-year yield closed-up 1 basis point to 0.68%.

During the month, the Fund participated in two Asian REIT IPO's. China Resource MIXC Lifestyle Services Ltd., a property services company, and ESR Kendall Square REIT Co., Ltd., the first Korean listed industrial focused REIT. ESR

Kendall Square was spun out of ESR Cayman, another one of the fund's holdings. The Fund sold out of its positions in CAI Immobilien Anlagen AG and Parkway Life REIT, and trimmed slightly its holdings in Tricon Residential, Brookfield Asset Management Inc., and Alexandria. The Fund's top 10 holdings at December 31 included Tricon Residential, Prologis Inc., Americold, Alexandria, American Homes 4 Rent, ESR Cayman, Equinix, InterRent, American Tower, and AvalonBay Communities Inc. Collectively, the top 10 holdings comprise approximately 41% of the Fund.

### News and Noteworthy Developments

- On December 2, it was reported that Apartment and Investment Management Co. (AIV) had received an all-cash bid from Westdale Real Estate and Management. A price was not provided, but the Board did reject the offer and described it as "grossly inadequate". The company did instead follow through on its previously announced plan to split into two, with the stabilized assets being spun out into Apartment Income REIT, while the value-added assets remained in AIV. Shareholders of the original AIV received the same number of shares of the new AIRC. AIRC is still considered a potential take out candidate going forward.
- On December 2, Allied Properties REIT (TSX: AP.UN) announced a 3.1% increase in its monthly cash distributions for 2021 to \$0.1417 per unit (\$1.70 per unit annualized). President & CEO, Michael Emory, noted Allied is confident in its ability to reduce its funds from operations (FFO) and adjusted funds from operations (AFFO) payout ratios in 2021 despite the distribution increase. The distribution reflects a 73%/88% payout ratio based on 2021 FFO/AFFO per unit – and a 4.5% yield as of December 31, 2020.
- On December 3, Vonovia SE, Germany's largest apartment REIT, announced the acquisition of 1,000 apartments in Kiel, Germany from H&L Ejendomme A/S.
- On December 14, Blackstone Group Inc. upped its presence in the biotechnology lab space and other life-sciences real estate, agreeing to pay \$3.45 billion for a portfolio of buildings primarily in Cambridge, Massachusetts, from Brookfield. The acquisition is the latest sign of growing investor interest in life-sciences real estate during the COVID-19 pandemic. Blackstone was already one of the world's leading investors in this type of property, even before the COVID-19 outbreak.
- On December 22, Equity Residential announced the sale of a large 679-unit apartment building in downtown San Diego for approximately \$312 million at an implied cap rate of 4.1%. The company used the proceeds, as well as cash on-hand and borrowings to pay down a \$750 million unsecured note that had an interest rate of 4.625%.
- On December 23, ESR Cayman Ltd. announced a joint venture (JV) with Singapore's sovereign wealth fund, GIC Private Limited. The \$750 million JV will develop and acquire industrial and logistics assets in India.

### Outlook

While finishing well above their March lows, REITs overall were down for 2020, and underperformed the broader market by a wide margin. Performance differed tremendously between sub-sectors of the real estate market however, with COVID-19 resistant sectors such as industrial and data centers having positive years while those hit

the hardest from COVID-19 from a property fundamental perspective, such as retail and office, down considerably. The vaccine rollout that started in December provides some optimism that life will start to get back to normal in 2021, although likely slowly as currently cases are still escalating. REIT results in the first half of 2021 at least should be quite reflective of the COVID-19 impacts, with industrial, data centers, single-family rentals and manufactured home communities faring quite well, while malls, offices, and seniors housing will likely be weak. While the market is forward-looking, we still favour those sectors that in which we are confident in the near fundamentals and the fund is positioned accordingly. Overall, we expect the low interest rate environment, the institutional and private equity interest in real estate, and an economic recovery from COVID-19 to all be positive factors for REIT performance in 2021.

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



**For more information, please visit [ci.com](https://www.ci.com).**

---

## IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns), including changes in security value and reinvestment of all dividends/distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or construed as an endorsement or recommendation of any entity or security discussed. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

The opinions expressed in the communication are solely those of the author and are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.

The author and/or a member of their immediate family may hold specific holdings/securities discussed in this document. Any opinion or information provided are solely those of the author and does not constitute investment advice or an endorsement or recommendation of any entity or security discussed or provided by CI Global Asset Management.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Global Asset Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Global Asset Management and the portfolio manager believe to be reasonable assumptions, neither CI Global Asset Management nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

CI Global Asset Management is a registered business name of CI Investments Inc.

© CI Investments Inc. 2021. All rights reserved.

Published January 12, 2021.