SIGNATURE GLOBAL REIT FUND

APRIL 2021 COMMENTARY

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Series F returns (in %) as at April 30, 2021	Year-to-date	1 year	3 year	5 year	10 year	Since inception*
Signature Global REIT Fund	9.3	17.0	8.3	7.1	7.9	7.1

Source: CI Global Asset Management, as at April 30, 2021. *Inception date: July 28, 2005.

PERFORMANCE SUMMARY

Signature Global REIT Fund (Series F) returned 4.1% net of fees for the month of April 2021.

CONTRIBUTORS TO PERFORMANCE

American Homes 4 Rent, Prologis, and Alexandria were the top individual contributors to fund performance in April.

DETRACTORS FROM PERFORMANCE

Sunac, Chindata, Switch Inc., and CTP were the top individual detractors to fund performance in April.

MARKET COMMENTARY AND PORTFOLIO ACTIVITY

Equity markets continued their march higher in April, with similar themes as the last couple of months, namely accelerated vaccine rollout and further fiscal stimulus. Q1 earnings thus far have also been generally supportive for the market. The S&P 500 Index gained 5.34% during April while the S&P/TSX Composite Index rose by 2.89%. REITs had a good month as well, and once again the strength was generally broad-based across all sub-sectors. In the U.S., self storage led the pack on the back of very solid Q1 earnings from those companies that had reported. In Canadian dollar terms for the month of April, the FTSE/EPRA NAREIT Developed Total Return Index returned 4.18%, the MSCI U.S. REIT Index returned 5.59% while the S&P/TSX Capped REIT Index gained 4.64%. Bonds yields halted their recent ascent. The US 10-year Treasury yield ended down 11bps to 1.63%, while the Canadian 10-year yield fell marginally, by 1bp to 1.55%.

During the month, the fund added a German residential REIT, LEG Immobilien, to the portfolio and trimmed a few U.S. residential REITs, Camden, Equity Residential, and Avalon Bay to fund the purchase. The fund also sold out of China property services company, Shimao. The fund's top ten holdings at April 30 included Tricon Residential, Prologis, American Homes 4 Rent, Americold, Alexandria, Interrent, Equinix, ESR Cayman, American Tower, and Brookfield Asset Management. Collectively, the top ten holdings comprise ~42% of the fund.

The first month of the second quarter was a busy one. Large transactions, including mergers and acquisitions, important regulatory changes, improvements in vaccine roll-out, and the start of Q1 earnings all featured throughout the period.

Properties transacting

On the transaction front, following activity from earlier this year (including the proposed acquisition of Brookfield Properties by Brookfield Asset Management, an unsolicited private equity bid for Columbia Property Trust, and a hostile bid for Australian Unity Healthcare by Northwest Healthcare Properties REIT), several M&A transactions were announced, as were a number of large strategic property transactions. On the M&A front, a marriage has been proposed between U.S. shopping centre REITs Kimco and Weingarten Realty Investors, as well as a combination between U.S. triple net REITs Realty Income Corp and VEREIT. Across the pond, Starwood announced a public tender offer for Invesco Office J-REIT, which if successful, would be the first ever J-REIT to be taken private. Several other material transactions occurred during April, with Public Storage deploying its balance sheet into ezStorage for US$1.8 billion, and ESR Cayman (in conjunction with Singapore sovereign wealth fund GIC) agreeing to acquire Blackstone's A$3.8 billion Milestone Logistics portfolio. These transactions highlight the ongoing thirst for properties, and the importance of scale.

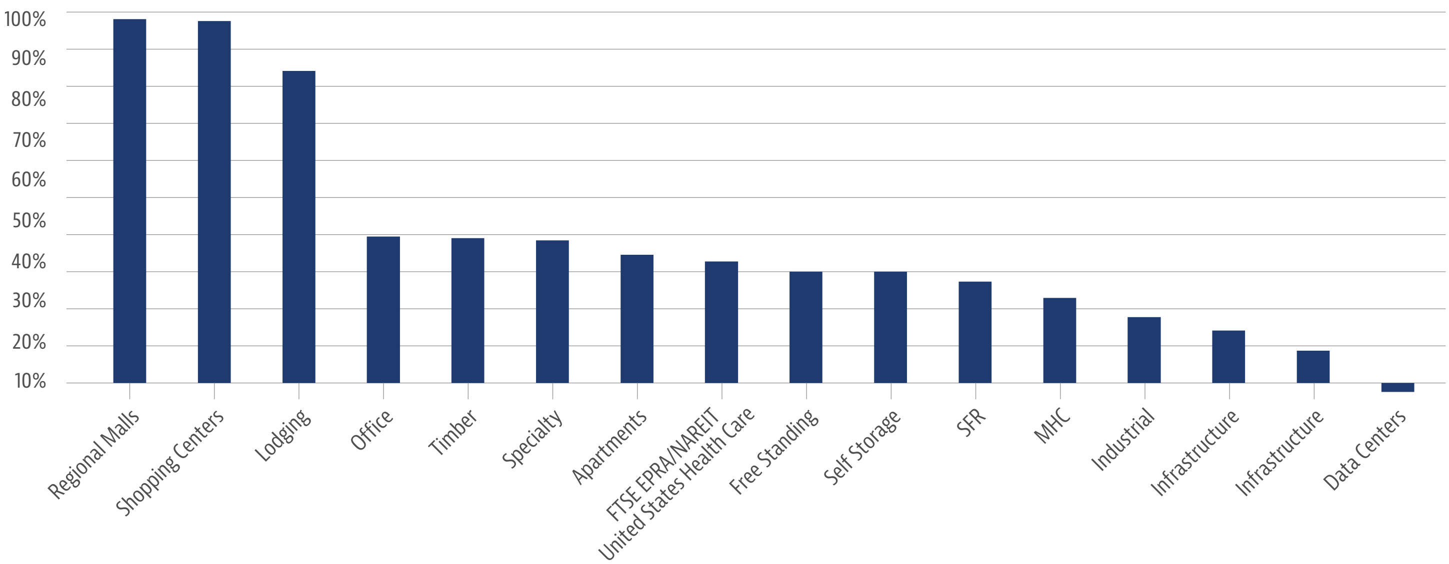
First we take Manhattan, then we take Berlin

In the U.S., on April 28 President Joe Biden announced the proposed US$1.8 trillion American Families Plan. Without getting into the details of the ambitious plan, one real estate specific consideration involves ending tax deferral for section 1031 like-kind exchanges for gains in excess of US$500,000. The proposal would essentially eliminate the deferral of capital gains from property transactions. It is largely believed that while 1031 transactions represent somewhere between 5-10% of annual transaction activity, REITs are relatively infrequent users of the exemption, so the impact appears to be minimal at this time. It is believed Biden's proposal still faces many challenges before becoming law, and given that the MSCI U.S. REIT Index continued to trade near its highs following the announcement, it appears 1031 exchange risks are being shrugged off at this time. Moving across the Atlantic, the German Federal Constitutional Court ruled the Berlin rent freeze as unconstitutional. The ruling is important, as it reinforces that multifamily rents can only be regulated at the federal level, and local regions cannot enforce their own set of rules, which is a positive as other regions of the country may have sought to use the Berlin rent freeze as a blueprint. While we expect political noise could stay elevated, we remain constructive on German residential landlords and whilst not exposed to Berlin, as mentioned, we added LEG Immobilien SE during the month owing to strong fundamentals in its markets.

A shot in the arm for REITs

Real estate has largely been viewed as part of the global "recovery" trade. With retailers shuttered, employees working from home, and students learning online, many facets of real estate suffered operating difficulties with the onset of COVID-19. Like the markets broadly, since Pfizer's announcement of its vaccine, REITs have staged a remarkable rally, with the hardest hit segments posting the most impressive gains. As of May 2, within the G7, the U.K. is leading the vaccination effort, with over 50% of its population now having received at least one dose. The U.S. is not far behind at ~44%, and despite the slow start, Canadian vaccination rates have increased and sit at over 1/3 of the population. At the same time, net change in daily cases has also started to crest, which should bode well for further re-opening plans. For example, many restrictions were lifted in April in London and New York is set to fully re-open on July 1. We will remain optimistic about the recovery until given a firm reason to believe otherwise.

FTSE EPRA/NAREIT U.S. REAL ESTATE SUBSECTOR TOTAL RETURNS: NOV 6, 2020 TO APR 30, 2021



Source: Bloomberg and CI Global Asset Management

Strong start to earnings season

Real estate companies began reporting Q1 results during April, and by and large, results have tended to meet or beat estimates, with a number of subsectors providing higher earnings guidance. On April 19, Prologis kicked off earnings season for U.S. REITs (as they usually do) and posted very strong results once again. Earnings beat expectations and the company raised its guidance for same store net operating income (+75bps) and funds from operations (+1.5%) for the remainder of the year. The results demonstrate the resiliency of industrial demand throughout the pandemic, with rising rents, stable occupancy and further cap rate compression. Duke Realty, another industrial REIT owned by the fund also posted results which featured a bump in annual guidance.

Within residential, on the multifamily front the harder hit gateway markets have shown signs of stabilization, and occupancy rates are poised to recover much of the ground lost during the pandemic. Concessions are expected to burn off which should lead to another leg of revenue improvements, suggesting a continued recovery in apartment fundamentals throughout 2021. Camden Property Trust is our largest weight among U.S. apartment REITs which have reported thus far, and the REIT reported results that were slightly ahead of expectations, but more importantly increased funds from operation (FFO) guidance by 1.8% on continued strong fundamentals in the U.S. Sun Belt. Both manufactured home community (MHC) REITs (which own MHCs, RV parks and marinas) owned by the fund also reported. Equity Lifestyle Properties reported stronger than expected results on higher revenue, increased full year 2021 guidance and also acquisitions totaling US$304 million for the quarter, including US$262 million for approximately 4,000 marina slips. Sun Communities runs a similar business to Equity Lifestyle and last year completed a large acquisition of marinas as well, with the purchase of Safe Harbor. Sun also reported strong results with FFO beating consensus by almost 7%, and upping guidance to reflect expected 18% year-over-year growth on strong RV bookings (which is proving to be an excellent way to travel while staying socially distanced).

Within office, reported results were more varied. Life science office owner Alexandria posted results that were ahead of estimates and increased guidance owing to stronger than initially forecast organic growth. The life sciences market continues to be very strong, with active leasing and healthy renewal spreads. In the traditional office segment, operating results continue to be challenging, but commentary around heightened tour activity (a leading indicator of leasing volumes) suggests the back half of the year could see stabilization in occupancy levels. Outside of Alexandria, our largest office weight is Allied Properties, and the company reported results that met expectations and reaffirmed its guidance for 2021, with an optimistic tone on future leasing activity in both its office portfolio and data centre properties. For the time being, we continue to be cautious on some of the more traditional office REITs.

An important area for the fund is the digital infrastructure names in the data centre and tower subsectors. Of most significance is Equinix, the world's largest data centre REIT. Equinix reported results that were ahead of expectations, and operating guidance suggested earnings were poised to be ahead of previous indications, however currency headwinds prevented this from transpiring. Demand is reportedly as strong as ever, as the pressure for firms to digitize during the pandemic appears to show no signs of slowing. The REIT logged its best first quarter bookings ever, and its second best bookings quarter ever. American Tower also reported results which exceeded estimates, and modestly raised annual guidance. Digital infrastructure continues to offer strong, visible, and highly contracted earnings growth.

MARKET OUTLOOK

In the U.S., after underperforming the broader benchmark through early March, REITs have rallied and have outperformed through the end of April to the tune of nearly 600bps on a total return basis. This dynamic has played out in other geographies. For example, the S&P/TSX Capped REIT Index has outperformed the S&P/TSX Composite Index by 367bps, and the FTSE EPRA/NAREIT Index has outperformed the FTSE100 Index by 228bps. As the "re-opening" continues, and despite higher interest rates, economic growth should be supportive of real estate fundamentals, and healthier tenants should instill greater confidence in cash flows and be supportive of cap rates and real estate valuations. While valuations are no longer at bargain basement levels, earnings growth appears to be positively inflecting, distribution yields are still attractive in the context of bond rates, and pockets of value still remain to be invested in.

For more information, please visit ci.com.

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