Signature Global REIT Fund
September 2020

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Class F returns (in %) as at September 30, 2020	Year-to-date	1 year	3 year	5 year	10 year
Signature Global REIT Fund	-8.3	-5.9	6.0	5.3	7.5

Source: Signature Global Asset Management, as at September 30, 2020.

Performance Summary

For the month-ended September 30, Signature Global REIT Fund (Class F) returned -0.9% net of fees.

Contributors to Performance

ESR Cayman Ltd., Parkway Life REIT, and Safehold Inc. were the top individual contributors to Fund performance in September.

Detractors from Performance

Americold Realty Trust, Kilroy Realty Corp, and Equity Residential were the top individual detractors to Fund performance in September.

Portfolio Activity and Market Commentary

REIT performance continues to be lackluster, and although the economy is slowly reopening, investors are still focused on COVID-19 and the potential for a second wave in the fall. That, combined with political uncertainty regarding the U.S. election, means some volatility can be expected. In Canadian-dollar terms for the month of September, the FTSE/EPRA NAREIT Developed Total Return Index returned -1.0%, The MSCI US REIT Index returned -1.2% while the S&P/TSX Capped REIT Index returned -0.8%, and the EPRA/NAREIT Developed Asia Index returned -2.5%. The broader markets were also weak in September, with the S&P 500 Index down 3.8% and the S&P/TSX Composite Index down 2.1%. Bond yields remained very low and within a fairly narrow range over the past several months. The U.S. 10-year Treasury yield ended the month virtually unchanged at 0.69%, while the Canadian 10-year yield closed down slightly at 0.56%.

During September, the Fund participated in the initial public offering (IPO) for a fast-growing Chinese data center provider, Chindata Group. The IPO was incredibly oversubscribed with over 300 orders from some of the world's largest investors. Thanks to Signature's relationship with the issuer and the bankers, the Fund, along with other Signature funds that participated, received one of the top fills. The stock opened up strongly on its first day of trading on September 30 and finished that day at $16.23, which was well above the $13.50 IPO price. Other portfolio moves during the month included selling out of RioCan REIT, trimming Prologis Inc., Equinix Inc., and Tricon Capital Group Inc. a little after strong runs in those stocks, and increasing the weight in Canadian Apartment Properties REIT. The Fund's top ten holdings at September 30 include Prologis, Tricon, Equinix, Alexandria Real Estate Equities Inc., Americold, American Homes 4 Rent, American Tower Corp., ESR Cayman, InterRent REIT, and AvalonBay Communities Inc. Collectively, the top ten holdings comprise approximately 43% of the Fund.

News and Noteworthy Developments

- On September 1, Allied Properties REIT (TSX: AP.UN) announced a $153.3 million private placement (approximately 4.1 million units at $37.00 per unit) to fund its development commitments into 2021. As we understand, the private placement was done in response to inbound interest from a sizeable investor. The private placement was met with some criticism by Allied's broader investor base, given Michael Emory's recent commentary on the Q2 earnings call during which he said, "We're in an excellent liquidity position with the ability to fund all our commitments through 2021."

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

- On September 14, Apartment Investment Management Company (AIMCO) announced it will separate into two public companies: Apartment Income REIT (AIR) will own a $10.4 billion portfolio of stabilized apartment assets and AIMCO will retain the development and redevelopment businesses, along with a $1.3 billion portfolio of assets. There was investor pushback regarding the proposal, and it is felt that value could be unlocked through asset sales or perhaps the sale of the company, rather than a spin out which has major tax implications for certain investors. An investor group led by Land & Buildings Investment Management is looking to block the transaction.

- On September 15, American Tower (AMT), a global cell tower REIT with an enterprise value of approximately $170 billion, announced it had inked a new master lease agreement (MLA) with T-Mobile. 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 favourably in the public market, with the cell tower REIT sector increasing approximately 400 basis points (bps) in trading on the day.

- On September 29, Sun Communities announced a large $2.1 billion acquisition of a portfolio of 101 marinas from Safe Harbour Marinas, 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 portfolio to approximately 15%, roughly equal with its RV business. To pay for the acquisition, the company announced a marketed forward equity sale on September 30. Investor demand was strong, with the deal being upsized from an initial 5.6 million shares to 8 million. It was priced at $139.50, but the stock quickly moved up on October 1 to over $147 per share.

Outlook

Overall, group REITs are still struggling to find traction during the pandemic. The recent uptick in cases in many parts of the world has not helped sentiment but thus far, hospitalization rates have remained well below the spring rates. In general, younger people have been getting infected and seem to have far fewer complications. So long as health systems do not get overwhelmed, economies should remain open and that should be positive for many aspects of real estate. Good progress is being made on the vaccine front and that would also be a positive catalyst. The next few weeks leading up to the U.S. 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 capital to them. Among them are industrial, data centers 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. Patient capital is very likely to be rewarded in this environment.

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

IMPORTANT DISCLAIMERS

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