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Sentry Global REIT Fund
March 2019

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Performance Summary

- For the month and quarter ended March 31, 2019, Sentry Global REIT Fund Class F (the "Fund") returned 4.4% and 12.8%, respectively. For comparison, the Fund's benchmark, the FTSE EPRA/NAREIT Developed Index, was up 5.2% in March and 12.4% over the quarter.

Contributors to Performance

- American Tower Corp.; Equinix, Inc.; and Alexandria Real Estate Equities Inc. were the top individual contributors to Fund performance in March. Year-to-date, Equinix, Alexandria Real Estate Equities and Prologis, Inc. were the top contributors to Fund performance.

Detractors from Performance

- Cushman & Wakefield PLC, First Capital Realty Inc. and Dream Office Real Estate Investment Trust were the top individual detractors from Fund performance in March. Year-to-date, Nippon Prologis REIT, Inc. and OneMarket Ltd. were the top detractors from Fund performance.

Portfolio Activity and Market Commentary

- Real estate investment trusts (REITs) outperformed the broader markets in March, capping off a solid first quarter of 2019. Year-to-date, U.S. REITs have led the pack, with the MSCI US REIT Index up 16.3%. Canadian REITs were also up strongly during the quarter, with the S&P/TSX Capped REIT Index up 15.8%. Similarly, the FTSE EPRA/NAREIT Developed Europe Index was up 13.8% (in euro terms) year-to-date and the EPRA NAREIT Asia Index was up 14.5% (in U.S.-dollar terms). Despite the rebound off the December 2018 lows, global REITs, on average, have continued to trade at discounts to consensus net asset value estimates.

- As we noted last month, real estate operating fundamentals remain healthy across most markets and asset classes. Recent earnings call commentary, meetings with management, investor days and conference dialogue continue to point to positive, albeit moderating, same property net operating income growth.

- We have continued to recycle capital selectively, exiting SL Green Realty Corp., Brookfield Property Partners L.P. and DEXUS Property Group year-to-date, and adding exposure where we perceive mispricing/better growth. We have also written a number of covered call options on select U.S. REIT holdings to generate additional (premium) income for the Fund.

- The U.S. 10-year bond yield finished the first quarter of 2019 at 2.41%, down 28 basis points (bps) from the end of 2018 and 83 bps from the high on November 8, 2018. On March 22, the U.S. 10-year to three-month yield curve inverted for the first time since 2006. Over the past 50 years, the yield curve has inverted on a number of occasions: 1969, 1973, 1978, 1989, 1998 and 2006. Historically, 10-year to three-month inversions have typically – but not always – coincided with a chain of events that ultimately led to a recession, quarters or years later. Our view is that lower yields will serve as a stabilizing force to growth rather than a precipitator of a deflationary contraction, which we believe is the prevailing view in the bond market. Barring an external shock, in our view a recession is unlikely this year.

News and Noteworthy Developments

- On March 15, the Fund's largest holding, Continuum Residential REIT, a pure-play private multi-family residential REIT, reported strong fourth-quarter and full-year 2018 results, including a 12% sequential net asset value per unit increase to $14.30 per unit at December 31, 2018. Continuum Residential REIT continues to benefit from strong property operating fundamentals in its core markets (Greater Toronto Area (GTA) and Ottawa) driven by unprecedented tenant demand and a shortage of affordable housing alternatives. A confluence of factors (immigration, job growth, lack of new supply, etc.) are likely to fuel continued strong operating metrics. Institutional appetite for GTA multi-family residential properties is also strong, as evidenced by recent transaction activity. Net operating income growth fuelled by higher rental rates and expense discipline, complimented by cap rate compression should yield continued net asset value growth for Continuum Residential REIT and its GTA-oriented publicly traded peers.

- On March 19, Invitation Homes Inc. (NYSE:INVH), the largest single-family rentals REIT in the U.S., announced a secondary offering of 43 million shares, at US$23.30 per share, by the selling shareholders The Blackstone Group L.P. and Starwood Capital Group. Invitation Homes did not receive any proceeds from the offering. Prior to the secondary offering, Blackstone and Starwood Capital Group owned ~42% and ~1.5%, respectively, of Invitation Homes' total shares outstanding. Blackstone Group's exit from Invitation Homes has been widely anticipated (a question of when – not if) since Invitation Homes' initial public offering (IPO) in early 2017 and expiration of the lock-up period for holding IPO shares in December 2017. Blackstone Group now controls 180 million shares, or ~34%, of Invitation Homes' outstanding shares. We expect Blackstone Group will continue to sell down its remaining stake in Invitation Homes over time.

- On March 25, Green Street Advisors published its semi-annual REIT Ownership and Real Estate Fund Flow Trends report, which provides analysis on fund flows in the public and private property markets. According to the report, REIT-dedicated active funds own more than 31% of REITs, versus 34% owned by passive funds. REIT-dedicated active managers have lost market share over recent years, with passive generalist investors the largest gainers. Given significant REIT ownership by passive funds and significant valuation disconnects by issuer and asset class, we continue to view active management as key to capitalize on mispricing in property markets.

- Also on March 25, RioCan Real Estate Investment Trust (TSX:REI.UN) announced that Chief Executive Officer Edward Sonshine will remain as CEO until his retirement on March 31, 2021, subject to a potential one-year extension. Upon his retirement, Mr. Sonshine will become the Non-Executive Chairman of the company's board of directors, at which time the current board chairman will become Lead Trustee. The news represents another step in the orderly succession of leadership at RioCan.

- Fundraising by private equity funds continues to be strong. With year-to-date closings already at US$25 billion (according to Green Street Advisors) and Blackstone Group's latest fund (US$20 billion) expected to close later this year, 2019 could be a banner year for private equity real estate fundraising.

- On March 26, German residential REIT Deutsche Wohnen SE (GY:DWNI) reported solid full-year 2018 results, as expected. We continue to favour Deutsche Wohnen for its strong balance sheet and exposure to growing metropolitan regions in Germany, including significant concentration in Berlin. Population migration into Berlin has resulted in a supply/demand imbalance for housing, benefiting DWNI.

Outlook

- Despite a strong rebound off the December 2018 lows, REITs have continued to trade at a discount to net asset value in the U.S., Canada and Europe. We continue to recycle capital selectively. With bond yields moderating and the U.S. Federal Reserve seemingly “on hold” amid widespread expectation that economic growth will slow down, we believe real estate will remain a desired asset class. In this environment, we continue to view REITs with mid-single-digit free cash flow yields and mid-to-high single-digit free cash flow growth profiles as attractive. We remain biased towards REIT issuers with low leverage, prudent and sustainable payout ratios, low capital expenditure requirements and strong supply/demand dynamics.

Class F returns (in %) as at March 31, 2019	Year-to-date	1 year	3 year	5 year	10 year
Signature Global REIT Fund	12.8	12.5	7.2	8.4	13.8

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