SIGNATURE GLOBAL REIT FUND

January 2021

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Series F returns (in %) as at January 31, 2021	Year-to-date	1 year	3 year	5 year	10 year	Since Inception*
Signature Global REIT Fund	0.4	-8.2	5.9	6.3	7.7	6.6

*Source: CI Global Asset Management, as at January 31, 2021. *Since inception date: July 28, 2005.*

Performance Summary

The Signature Global REIT Fund (Series F) returned 0.36% for the month of January 2021.

Contributors to Performance

Tricon Residential, Prologis, and Equinix were the top contributors to fund performance.

Detractors from Performance

Americold, Alexandria, and Chindata Group were the biggest detractors to fund performance.

Portfolio Activity and Market Commentary

It was a volatile start to 2021 for equity markets, which started down, rallied back strongly, then had a poor final week of January to finish slightly negative for the month. Vaccine news and further fiscal stimulus continued to drive the headlines, with a Reddit short squeeze to add some drama. The S&P 500 Composite Index fell 1.02% during January and the S&P/TSX Composite Index was down 0.32%. REITs were also relatively flat during the month and fairly consistent across various regions. In Canadian dollar terms, the FTSE/EPRA NAREIT Developed Total Return Index decreased 0.51%, while the MSCI US REIT Index gained 0.16%, the S&P/TSX Capped REIT Index 0.31%, and the EPRA/NAREIT Developed Asia Index 0.37%. Bond yields rose at the start of the year on stimulus hopes and vaccine rollouts. The U.S. 10-year Treasury yield ended December 2020 up 16 bps to 1.08%, while the Canadian 10-year yield increased 21 bps to 0.89%.

During the month, the fund participated in an equity raise for Medical Properties Trust. The US$737 million deal was priced at US$20.05 per share and the proceeds are being used to fund the 800 million pound acquisition of a portfolio of behavioural health facilities in the U.K. This marks the fund’s first investment in the company. Also during the month, the fund sold its position in Northwest Healthcare Properties. The fund’s top ten holdings as of January 31 included Tricon Residential, Prologis, Americold, Alexandria, American Homes 4 Rent, ESR Cayman, Equinix, InterRent, American Tower, and AvalonBay Communities. Collectively, the top ten holdings comprise approximately 43% of the fund.

News and Noteworthy Developments

It was a busy start to 2021 in the real estate sector, with the first acquisition announced on the first business day of January.

The most notable events for the month were:

- On January 4, Brookfield Asset Management announced the privatization of Brookfield Property Partners (BPY) at a price of US$16.50. This was about a 14% premium to where BPY was trading pre-announcement. BPY, which owns primarily global office and US enclosed malls had already had a decent rally on the initial vaccine news back in November. As a public entity, BPY perennially traded below its stated net asset value and there was speculation of the privatization, but it did happen at least a year before most analysts expected.

- On January 11, Interrent announced it was partnering with Creststreet Real Estate Investments in a 50/50 joint venture to acquire 15 properties aggregating 614 residential units in Metro Vancouver for C$292 million. The acquisition represents Interrent's first investment in British Columbia, and Crestpoint's first multi-family investment. Pricing was apparently quite competitive, but the buildings are in desirable areas of Vancouver with upside potential from capital investments.

- On January 12, Warburg Pincus announced the further sell down of its holding in ESR Cayman. Warburg was the largest owner pre-IPO and had always stated its intention of selling down over time. The HKD1.7 billion deal was priced at HKD25.60 per share. The stock ended the month at HKD27.70 and continues to be an excellent performer.

- Also, on January 12, First Capital announced a "temporary" two year, 50% distribution cut. The move did not come as a huge surprise as Riocan had announced a distribution cut in December. Further COVID-19 restrictions across much of Canada, combined with a fairly active development pipeline that needs to be financed led to the decision. The move will allow the company to retain approximately C$95 million per year. The stock was only down mildly on the day of the news, and actually continued its recent momentum shortly thereafter, and was up 8.8% during the month.

- On January 13, American Tower (AMT) announced the acquisition of Telefonica's Telxius tower portfolio. The portfolio consists of 31,000 existing sites across Europe and Latin America and was priced at approximately US$9.4 billion. While AMT has operated in Europe since 2012, the Telxius assets offer additional access to the attractive markets of Germany and Spain and establish the company as the second largest independent European Tower company.

- In the U.S. single family rental space, there were a few notable developments. On January 15, Lennar Corp. announced it is seeking to raise US$2 billion to develop thousands of single-family rental houses. Lennar appears to be building the capability to manage a rental-home division internally according to Bloomberg. On January 28, PSP Investments announced it has teamed up with Pretium, the second largest owner and manager of single-family rental homes in the U.S., to launch a joint venture. This partnership will initially invest US$700 million into single family rental properties in the U.S. south. On January 27th, Tricon Residential hosted a virtual investor day. The presentation focused on highlighting the depth of the management team, its technological platform, and well as the very solid single-family rental dynamics that they expect to continue.

- On January 20, Nippon Prologis announced a follow on US $362 million equity offering with the proceeds used to purchase three logistics parks developed by parent company, Prologis. The deal was well received, with institutional book multiple times oversubscribed.

- On January 26th, as per usual, Prologis led off the US REIT sector earnings season. The company announced strong results which beat analysts' expectations and provided guidance for 2021 that was also ahead of the street. The company is forecasting core funds from operations growth of 10% for 2021. The stock reacted strongly to the results, up over 3% on the day.

Outlook

While REIT quarterly earnings have just begun, early results are in line with our thesis coming into the year. Namely, industrials and other sub-sectors of the market such as manufactured homes, should post strong results and provide positive guidance. Other sub-sectors impacted by COVID-19, such as retail and office, likely won't be so bullish. We do believe investors will reward those companies with good forward guidance. While the vaccine rollout seems to be gaining some momentum after a very sluggish start, it is clear a majority of the population will not get vaccinated until mid-summer. The new mutant strains are concern, although hopefully the current vaccines will also prove to be effective against these variants. While we are confident of an improving economy, we are still more inclined to orient the fund towards sectors with current solid fundamentals, and an outlook that reflects strong growth in 2021.

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

CI GLOBAL ASSET MANAGEMENT

For more information, please visit ci.com.

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