CI GLOBAL REIT FUND
Commentary

CI GLOBAL ASSET MANAGEMENT

MARCH 31, 2025

PERFORMANCE SUMMARY

For the quarter ended March 31, 2025, the CI Global REIT Fund (Class F) had a total return of 2.8%.

CI GLOBAL REIT FUND

1Y%	3Y%	5Y%	10Y%	S.I%*
8.3	-2.1	5.5	4.1	6.0

*Inception date July 28, 2005

Source: CI Global Asset Management as at March 31, 2025

Contributors to performance: Ventas, Welltower, and VICI Properties were the top individual contributors to fund performance in the quarter.

Detractors from performance: Equinix, Host Hotels, and Digital Realty were the top individual detractors to fund performance in the quarter.

MARKET SUMMARY AND PORTFOLIO ACTIVITY

REIT markets generally had positive total returns in the first quarter of 2025. The FTSE EPRA/Nareit Index (in Canadian dollar terms) had a total return of 1.9%, with the S&P/TSX Capped REIT Index up 2.7% and the MSCI US REIT Index up 1.0%. By comparison, the S&P 500 Index was down 4.3% and the S&P/TSX Composite Index was up 1.5%. Bond yields fell in North America, partly on the belief economic uncertainties would lead to a path of lower central bank rates, and the spectre of trade policy uncertainty driving a flight to safety. Subsequent to quarter end, President Trump announced tariffs that have led to a global sell off in equities, that was mitigated by a delay in the full implementation of reciprocal tariffs.

During the quarter, the fund initiated a position in Australian based Goodman Group and also data centre owner Digital Realty. The fund added to positions in British Land, Unite Group, and Prologis. The fund sold out of its positions in European Residential REIT, Land Securities, and Catena and reduced its positions in First Capital, Kimco Realty, and SBA Communications. The fund's top ten holdings as of March 31, 2025 included: Ventas, VICI Properties, Welltower, Equinix, Prologis, American Homes 4 Rent, Chartwell, Brixmor, American Tower, and CTP. The top ten holdings comprised approximately 40% of the fund.

SUBSECTOR REVIEW

We provide a brief overview of the underlying themes and outlook for many of the U.S. real estate subsectors in which the fund is invested.

Shopping Centres

Full year guidance from most U.S. Shopping Centre REITs was in line with expectations and incorporates credit loss assumptions well above actual amounts realized over the past few years. U.S. shopping centre REITs have a bias toward needs-based retailers, which should be more insulated from any potential economic slowdown, and tenant watch lists have been shortened as a result of bankruptcies over the last six months. While recently introduced tariffs could stoke inflation, pressure consumer spending and negatively impact the employment picture - all headwinds to retail leasing activity - U.S. Shopping Centre REITs are entering a potential period of economic weakness from a position of strength, with record low vacancy rates and minimal new supply under development.

Industrial

While industrial REITs reported a generally optimistic view for 2025, with an expectation for vacancy rates to peak in the first half of the year, newly implemented tariffs have created uncertainty for industrial occupiers which may lead to delayed leasing decision making. Given this backdrop, we anticipate the trough in occupancy may spill into next year. On the positive side, supply is poised to materially fall through 2025 after elevated inventory growth over the past two years, which reduces the risk of oversupply. In addition, market rents remain above in-place expiring rents which could mitigate some of the effects of a slower leasing environment.

Office

The average vacancy rate of the top 20 office markets in the U.S. was 15.4% as of Q1 25, unchanged from year-end, according to CoStar. Leasing volume increased meaningfully across all U.S. regions last year, but east coast markets have been the most active, with 2024's leasing volume exceeding 2019 levels. Although fundamentals appear to have troughed, job and wage growth are two crucial drivers of office demand, and the combination of tariffs and a slowing economy are risks to the outlook. We expect the health of office fundamentals will remain highly market-dependent in 2025, with New York and other east coast markets likely continuing to outperform and the west coast remaining soft. Given the importance of federal government employment in Washington D.C., DOGE-related cutbacks could lead to softening office fundamentals in that market. Office transaction activity is picking up with large real estate investors, including Blackstone, beginning to selectively acquire high quality office buildings in desirable locations.

Multifamily

Operating performance was steady for U.S. multifamily REITs in Q4 24, with occupancy averaging 95.8%, essentially unchanged year-over-year, and blended rent spreads of 0.1%. Regionally, coastal markets generally saw stronger sequential rent and occupancy trends whereas sunbelt markets remain challenging given an influx of new supply. A slowdown in job or wage growth would be negative for multifamily demand, which is economically sensitive. Multifamily fundamentals are likely to fare worse in a recession than single family rentals and manufactured housing given much greater new supply deliveries, shorter length of stays, and a tenant base more sensitive to job and wage growth. Construction start activity has fallen off and 2026 should be a much better year from a supply growth perspective compared with 2024 and 2025. Higher construction costs resulting from tariffs increase the "economic rent" required to justify new apartment construction, which could further constrain new supply. In addition, U.S. multifamily REITs have strong balance sheets, and are positioned to capitalize on external growth opportunities.

Single Family Rental (SFR)

Blended rent spreads for SFR REITs have moderated over the past year and were 2.8% on average in Q4 24, down from 4.4% in Q3 24 and 5.2% in Q4 23. Recent operating updates showed an improvement in fundamentals through February, with blended rent spreads improving to 3.5% and occupancy rates up 30bps, on average, compared with 96.1% at year-end. SFR portfolios should perform more defensively than apartments in a recession given a higher proportion of dual-income households, which insulates from the impact of job losses, as well as households with children, which drives stickiness and a reluctance to change schools. In a weaker economic environment, turnover rates should decline, and occupancy rates should hold relatively stable for SFR, mitigating downward pressure on rents. Tariff-driven increases in construction materials costs could also pressure "build-to-rent" development yields, reducing competitive supply.

Storage

Self-storage demand in the U.S. has been weighed down by a sluggish residential resale market. Move-in rents are down approximately 45% from the peak levels in 2021, as operators have been defending market share with low starting rents and pushing through substantial rent increases (ECRIs) in subsequent months. Average occupancy rates for REITs were 92% in Q4 24, down 15bps year-over-year but in line with the sector average 2014-2019. With volatile interest rates and mortgage rates still in the mid-6% range, we are somewhat cautious on the outlook for 2025. Though tariffs are unlikely to have a meaningful direct impact on the subsector, a pullback in consumer spending would likely prolong weakness in move-in rates and could limit the ability of existing customers to absorb rate increases.

Healthcare

We expect seniors housing to deliver among the best earnings growth within the real estate sector over the next few years, given a highly visible demand outlook that is largely unaffected by economic policy. Unfavourable development economics should also continue to limit new supply. Availability of labour and the potential for higher labour costs remains an area of uncertainty given changes to immigration policy although this could be countered by increasing slack in the labour force in a recession. Seniors housing focused REITs have remained highly acquisitive, with Ventas guiding to $1 billion of acquisitions in 2025, and Welltower having recently agreed to acquire Amica Senior Lifestyles for C$4.6 billion.

Medical office real estate should continue to perform defensively, particularly on-campus and healthcare system-affiliated properties which represents the majority of REIT portfolios. Though FFOPS growth from this group is likely to remain modest, the relative attractiveness of the asset class has improved as the outlook for other property types has become more uncertain.

Life science demand has yet to pick up meaningfully, and there are elevated supply deliveries in certain markets in 2025 which should restrict material rent growth. Like other asset classes, beyond 2025 the supply picture improves and into 2026 we could see a more balanced market, perhaps even tilting towards landlords if the new supply gets absorbed.

Lodging

Revenue per Available Room (RevPAR) growth for the top 50 markets in the U.S. accelerated in Q4 24, driven by higher than anticipated leisure travel around the holidays. RevPAR growth was 3% overall in 2024 and the new year started relatively strong, with RevPAR growth of 4% year-over-year through early March. This strength could be set to moderate if there is reduced discretionary spending and pressure on inbound travel. Group demand could slow, although there is typically a longer lag as these bookings are made further in advance. Given a relatively high sensitivity to macroeconomic conditions, lodging REITs have sold off more sharply than the overall U.S. REIT sector since April 1. Full year guidance from Lodging REITs was generally conservative, which should help to provide some cushion against weakening demand in the near term.

Net Lease

Net Lease has performed well on a relative basis since the start of the new administration, benefitting from a rotation to defensive subsectors. Net Lease should be insulated from tariffs given long duration leases, minimal tenant concerns at present and strong rent coverage levels. Within the Net Lease sector, the gaming REITs are well positioned, with good costs of capital and a pandemic proven tenant base. Credit spreads for high yield borrowers, a category which applies to many casino operators, have risen materially since March, which could lead to an increase in the number of acquisition opportunities for gaming REITs.

Data Centres

Data Centre REITs entered 2025 trading at elevated valuations, following a record year of leasing volume and expectations that market rents and earnings growth would continue to move higher. However, Data Centre REITs have underperformed YTD, largely resulting from a narrative shift that calls into question the longevity of elevated AI-related data centre demand. In January, DeepSeek released a new AI model that matched or exceeded the performance of existing models but which was built for a fraction of the compute power. DeepSeek's release raised questions about the need for massive hyperscaler capex on AI. In February, Microsoft was reported to have adjusted or canceled a few data centre leases, which exacerbated concerns of slowing AI-related spending. Big picture, we believe secular themes including generative AI and cloud adoption should contribute to growing data centre demand and strong leasing volumes. Slowing economic growth is unlikely to have much impact on data centre demand unless it leads to a change in hyperscaler views on capital allocation and capex. Power availability remains a constraint on data centre development and pre-lease rates are very high, mitigating oversupply concerns.

Towers

As a long lease duration property with most revenues derived from master lease agreements with large carriers, Tower REITs have outperformed YTD, benefitting from a flight to safety trade. Fundamentally, not much has changed for Towers and cash flow per share growth will likely remain subdued in 2025. Demand could start to ramp up more meaningfully in 2026 with T-Mobile and DISH likely having requirements. Towers should be relatively insulated from the impact of tariffs although more expensive imported telecom equipment for large customers could defer some leasing decisions.

OUTLOOK

It goes without saying that it has been a difficult start to the year for investment markets with uncertainty created by the recent tariff announcements. On the overall macro front, we highlight the following points from CI's economics team:

- **Elevated Uncertainty and Volatility:** The Trump administration's aggressive policy proposals and tariffs are creating significant economic uncertainty, negatively impacting investor and consumer confidence.
- **U.S. Growth Slowing, Inflation Rising:** Following above-trend growth, the U.S. economy faces risks from slower consumer spending and higher inflation. The front-loading of inventories driven by tariff-related concerns is also likely to weigh on economic activity in the coming quarters.
- **Canadian Recession Risk Rising:** Canada faces heightened recession risks if broad U.S. tariffs are implemented, impacting consumption, housing, business investment, and longer-run growth potential, despite the Bank of Canada's aggressive easing of monetary policy.
- **Global Recalibration Possible:** Trump's policies could trigger broader shifts in international alliances and economic relationships, prompting countries to reconsider economic and security dependencies on the U.S.
- **Mixed Global Growth Outlook:** China's economy is stabilizing, and Europe's growth remains sluggish. Fiscal stimulus offers cautious optimism, though the overall outlook hinges on easing U.S.-led trade tensions.

The new U.S. administration announced broad reciprocal tariffs targeting imports from nearly all U.S. trading partners. The tariffs will be implemented under the International Emergency Economic Powers Act (IEEPA) of 1997, declaring the U.S.'s persistent trade deficit as a national emergency. The tariff situation remains fluid, with Trump saying he is open to concessions in return for "phenomenal" offers. The initial reciprocal tariffs that were announced have been delayed for 90 days (though a 10% minimum tariff still applies). Notably, China announced reciprocal tariffs which the U.S. responded to, driving tariff rates on Chinese goods to the U.S. to 145% and American goods to China to 125%. It appears that both countries have agreed to stop escalating the rate from here.

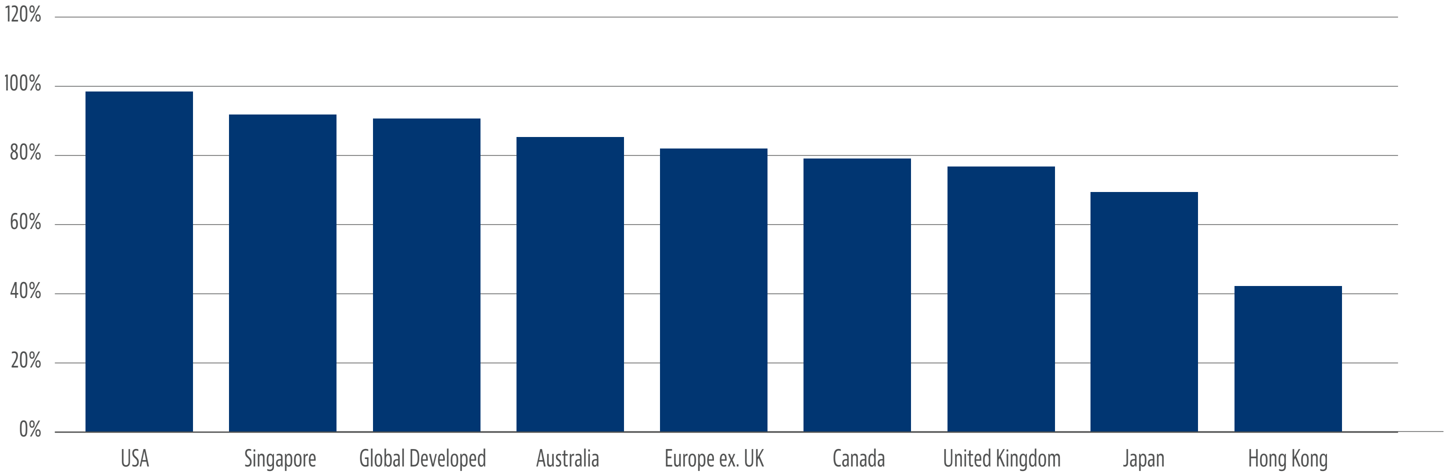
To the extent that tariffs lead to higher construction costs, this is somewhat positive for existing landlords as it will further reduce supply prospects. However, it would be negative to companies with active development pipelines without fixed price contracts. In terms of REIT subsector impacts, we would imagine the following within the U.S. which the fund is invested in:

- **Industrial:** The likelihood of slower economic growth and uncertainty would be a headwind to leasing activity. Third party logistics providers (3PLs), which are a major lessor of industrial space, may temper leasing velocity owing to the elimination of the de minimis exemption. Tenants which rely on imports for their business may also face headwinds from higher costs. Offsetting these pressures in the midterm could be the reshoring of manufacturing activity.
- **Retail:** Reciprocal tariffs on Asian countries are meaningful for a variety of "softline" and "hardline "goods. This could lead to lower consumption and potential to delay retailer store leasing and opening. We would expect discretionary categories could be hit the hardest which would impact malls more than necessity based retail typically found in strip centres.
- **Office:** To the extent the tariff shock leads to a slowdown in employment, this could be negative for office space demand.
- **Residential:** Demand for different types of accommodation are typically tied to job growth. Multifamily rents are usually the highest within the residential sector, and a softer economy could lead to a trading down to other forms of accommodation. Single family would be the next most affordable after apartments, with manufactured housing having the lowest cost of rentership and is generally viewed as the most defensive. High mortgage rates have led to a "lock in" of homeowners, leading to low housing volume activity, as well as high cost of ownership. Lower bond yields could lead to lower mortgage rates and increase the propensity of a tenant to move out, though this would not be as likely to play out in a scenario where unemployment is meaningfully rising.
- **Seniors Housing:** The subsector continues to benefit from a post-pandemic occupancy recovery, limited new supply, and a strong demand profile from the aging demographic. Tariffs should have limited impact on the subsector as demand is typically needs-based.
- **Lodging:** As one of the most economically sensitive subsectors, a rise in unemployment and overall economic activity would be negative for lodging as "lease" duration is short (e.g. tenants may only stay for one night compared with multi-year contractual leases in other subsectors). Demand from international travellers could be impacted from negative sentiment that may develop towards the U.S. as a result of the trade policies.
- **Triple Net:** REITs with long term triple net leases to high quality credit tenants (which we would include the gaming REITs such as VICI) can be in a position to outperform owing to their defensive cash flow, and a lower interest rate environment given a better cost of capital to make accretive acquisitions.
- **Towers:** Cell tower REITs have among the largest weighted average lease terms among REIT subsectors, and the counterparties are generally large, well capitalized cellular wireless companies. Cash flows are very defensive and owing to the lease duration, tend to respond positively to lower government bond yields.
- **Data Centres:** It is hard to imagine a material change in Data Centre demand as a result of tariffs owing to the secular drivers around generative AI and cloud adoption.
- **Storage:** Tariffs should not have a major direct impact on the sector. However, to the extent it leads to a weaker consumer may limit the ability of storage companies to push through high rate increases. A major economic slowdown that translates into a further slowdown in the housing market could serve to reduce demand.

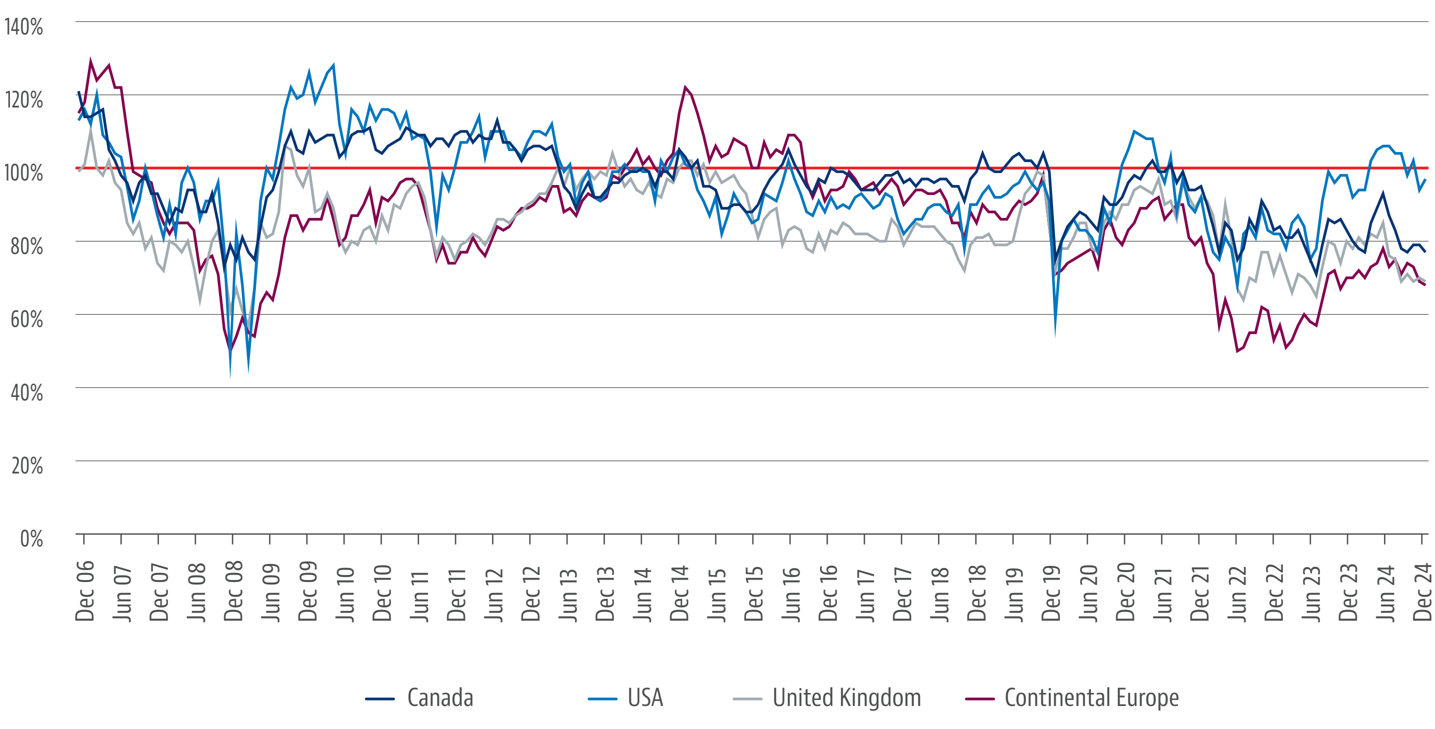
REITs globally screen inexpensively on an absolute and relative basis. Following the recent sell off, REITs across globe are trading at discounts to net asset value (NAV), and in the case of Canada and Europe, below longer term averages. We would note that while Japan looks low, it is brought down by the developers which in some cases are trading at 50% discounts – excluding these developers the country discount to NAV would be closer to 20%.

From a geographic positioning perspective, the fund is overweight Canada and the U.K., partly owing to discounted valuations, and underweight Asia Pacfic, the U.S., and continental Europe. By subsector, larger overweights include residential sectors (Multifamily, Manufactured Homes, Single Family Rental and Student Housing) and Healthcare, while underweights include Diversified, Developers, and Triple Net.

PRICE TO NET ASSET VALUE OF EPRA INDICES



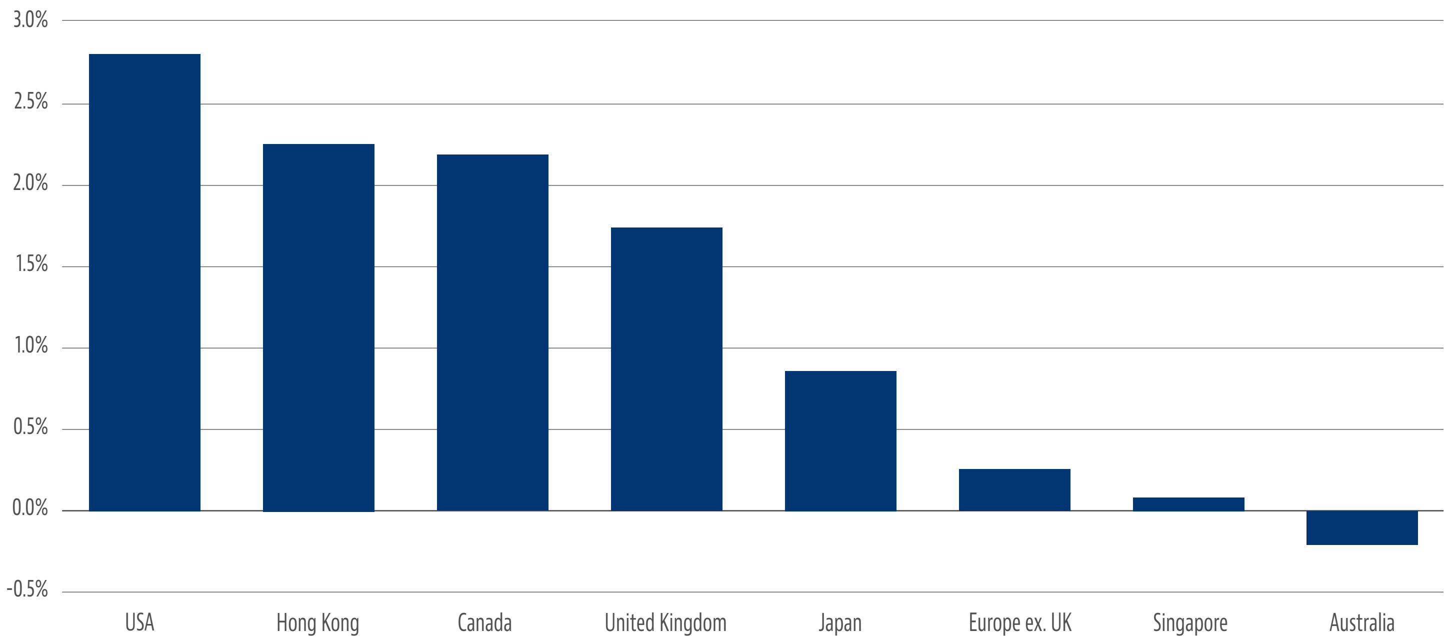
PRICE TO NET ASSET VALUE



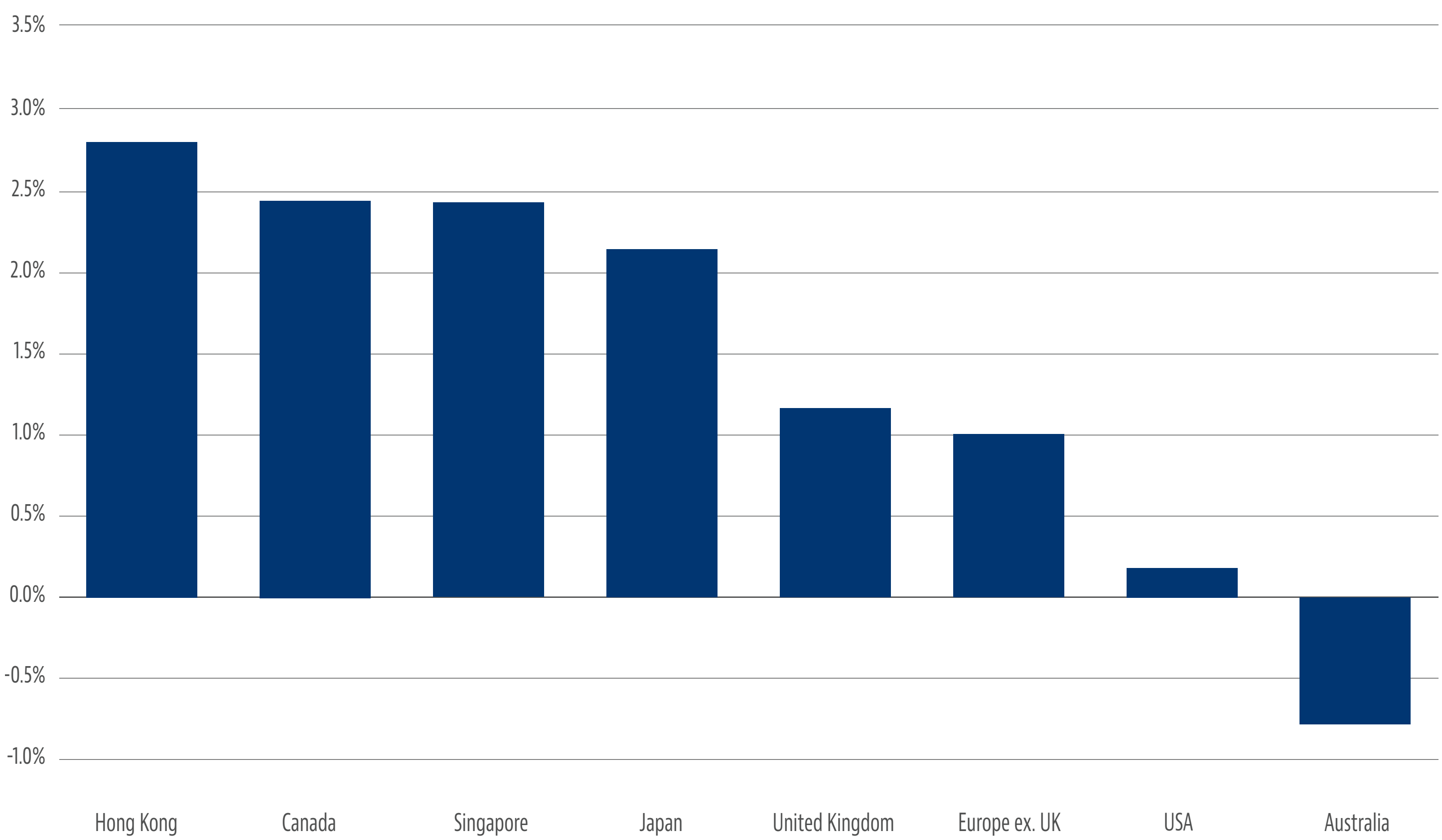
Source: Bloomberg Finance L.P., Green Street Advisors, S&P Capital IQ, EPRA, Company Reports and CI Global Asset Management

REITs typically offer yields which exceed the local benchmark (e.g. yield on EPRA U.S. REITs exceeds S&P500 dividend yield). As discussed, 10-year bond yields have been falling. In most markets globally, REITs offer yields that exceed local risk-free rates. While there is uncertainty in the macro outlook, REITs could make an interesting investment given the discounted valuations above, and the yields they offer which could be attractive to income-oriented investors.

FTSE EPRA NAREIT INDEX - COUNTRY BENCHMARK INDEX YIELD



FTSE EPRA NAREIT INDEX - COUNTRY 10 YEAR YIELD



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

GLOSSARY OF TERMS

Duration: A measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).

Volatility: Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

Derivatives: A financial security with a value that is reliant upon, or derived from, an underlying asset or group of assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its price is determined by fluctuations in the underlying asset.

Standard Deviation: A measure of risk in terms of the volatility of returns. It represents the historical level of volatility in returns over set periods. A lower standard deviation means the returns have historically been less volatile and vice-versa. Historical volatility may not be indicative of future volatility.

For more information on these investment solutions and other timely opportunities, please visit ci.com

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