

2024 Real Estate

Outlook & Opportunities

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Firm Overview




Public Real Estate Expertise

- Middlefield’s history in the real estate sector began when the firm was founded over 40 years ago
- Managed by Dean Orrico, President & CEO who has a 25+ year relationship with Canadian REITs and their management teams
- The firm has a longstanding track record of superior real estate performance – recent awards include:
 - Global Real Estate Class: 2x Refinitiv Lipper Fund Award for the Top-Performing Fund Over 5 Years (2022 & 2021)
 - Middlefield Global Real Estate Dividend Fund 2023 Fundata A+ Award

Total Real Estate AUM: \$450 million

 MIDDLEFIELD REAL ESTATE DIVIDEND ETF		
TSX TICKER MREL	YIELD 7.5%	AUM \$95 million

 MIDDLEFIELD REAL ESTATE DIVIDEND CLASS		
FUND CODES MID600 MID601	YIELD 5.5% 4.6%	AUM \$45 million



Source: Middlefield, as at Dec. 31, 2023

Middlefield Real Estate Dividend Class Overview

Fund	YTD	1Y	3Y	5Y	10Y
Middlefield Real Estate Dividend Class (F-series)	8.5%	8.5%	4.6%	5.8%	7.6%

MID601 F Series **4.6%** YIELD*

Risk Rating

Low Low to Medium **Medium** Medium to High High

Management Fee: 75 basis points MER: 1.15%

Target Range for Holdings: 30-40 1-Year Portfolio Turnover: 23.59%



Lead Portfolio Manager: Dean Orrico, President & CEO
 20+ Years of Experience Managing Middlefield's Real Estate Investment Strategies

Morningstar: 5-Star Fund ★★★★★

Top decile for **1,3,5 & 10-year** returns in Morningstar's real estate category

Lipper: Top-Performing Real Estate Fund Over 5 Years



Source: Middlefield, as at December 31, 2023
 Annualized total returns, assuming the reinvestment of distributions and net of fees

Real Estate Market Update

Market Backdrop

Real Estate Tailwinds

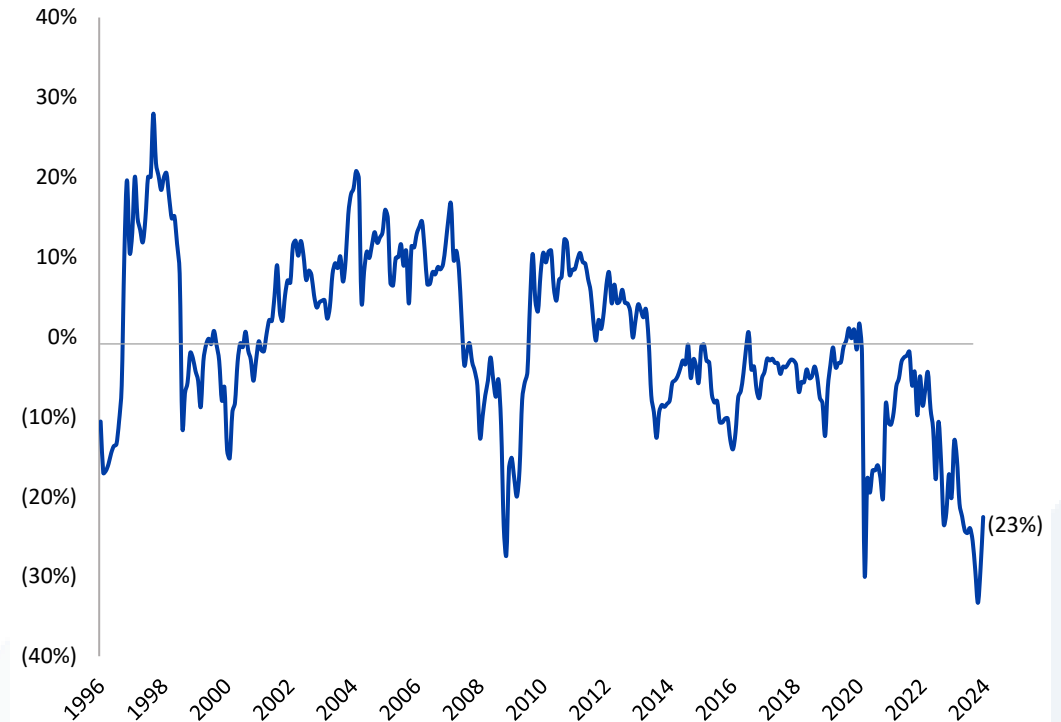
- Demand > Supply and dividends are well-supported
- Inflation and long bond yields have decreased in recent months and rate cuts are expected throughout 2024
- A pick-up in M&A activity since December 2023 supports valuations and increases investor awareness

Real Estate Headwinds

- Public market volatility and/or a severe recession impacts all equities
- Office market is struggling with high vacancy and poor investor sentiment
- Higher interest rates and cost inflation for new developments

REITS ARE OVERSOLD AND TRADING AT STEEP DISCOUNTS TO NAV

Historical Premium/Discount to NAV



Source: RBC Capital Markets, December 31, 2023

Market Backdrop

North American Real Estate Transactions Gaining Momentum

- Investor interest and flows are returning alongside increasing investor risk-appetite
- More clarity on valuations due to a decrease in interest rate volatility and a path to lower rates has come into view
 - **Yield declines and rate cuts will be a catalyst for an increase in investor sentiment and funds flows into the sector**
 - M&A activity is expected to continue due to ongoing pricing dislocations
- Investor appetite for income producing assets such as public REITs is returning as the attractiveness of cash and near-cash alternatives wanes

TPG Buys Stake in Canadian Warehouses from Oxford for \$750 Million

US private equity firm TPG Inc. has acquired a majority stake in a portfolio of warehouse properties around Toronto for C\$1 billion (\$750 million).



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American Healthcare REIT Seeking \$700 Million in NYSE IPO

Amy Or, Bloomberg News



Blackstone to take Tricon Residential private for \$3.5 billion

Reuters
January 19, 2024 10:05 AM EST • Updated 4 days ago



Mexican Industrial REIT Readies IPO to Tap Nearshoring Demand

Michael O'Boyle, Bloomberg News

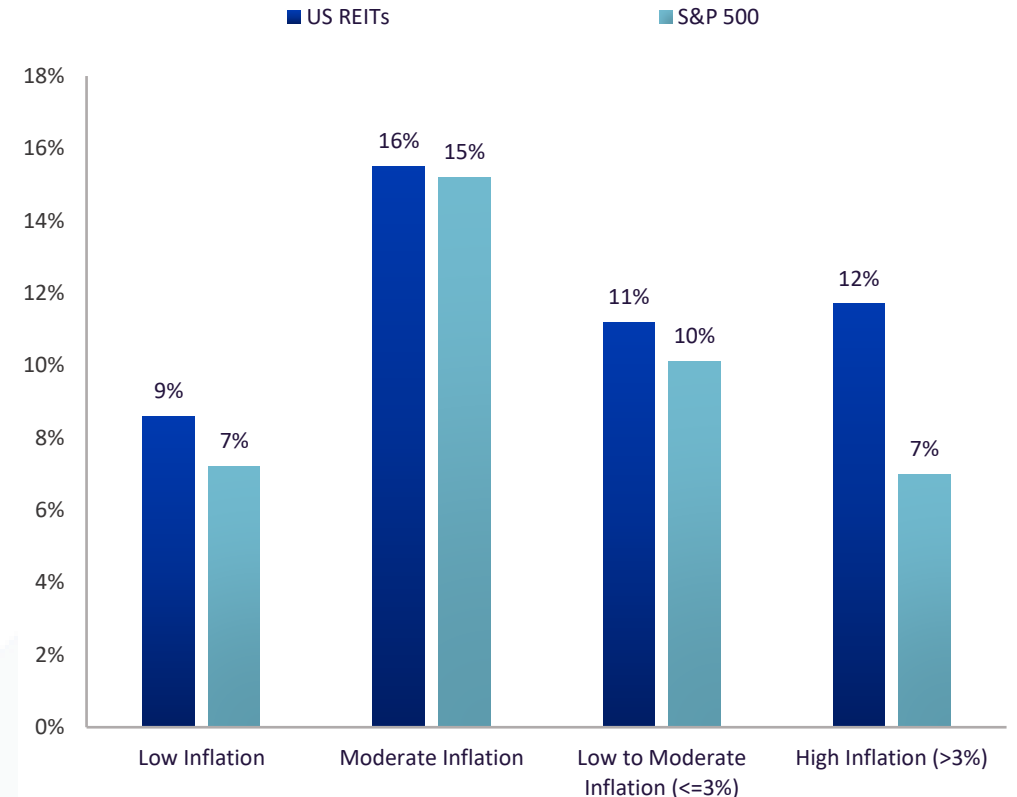


Attractive Entry Point for Public REITs

It's a Good Time to Consider Adding Real Estate

- Fundamentals are excellent across most real estate asset sectors
- Demand remains strong and supply is constrained
 - Major tenants are looking for more space in the retail and industrial sectors
- Interest rates are the primary catalyst for increased investor sentiment and funds flows
 - **Evidenced by Canadian REITs returning approximately 18% since October 31st 2023 as Canadian 10-year bond yields declined by ~100 bps**
- REITs historically generate competitive returns in various economic cycles
- Unlike many private real estate funds and companies, the highest quality REITs have low debt and lower borrowing costs

AVERAGE ANNUAL RETURNS OVER LAST 25 YEARS



Source: Bloomberg. December 31, 1999 to December 31, 2023

Regional Overview

Real Estate Requires a Global Focus: Great Opportunities in North America & Internationally

Canada

- Greater demand vs. supply across multiple real estate sub sectors
- REIT CEOs are very positive even if the economy slows due to high quality tenant portfolios, growing demand vs. constrained supply and balance sheet strength
- Interest rate cuts by the Bank of Canada beginning as early as Q2 2024

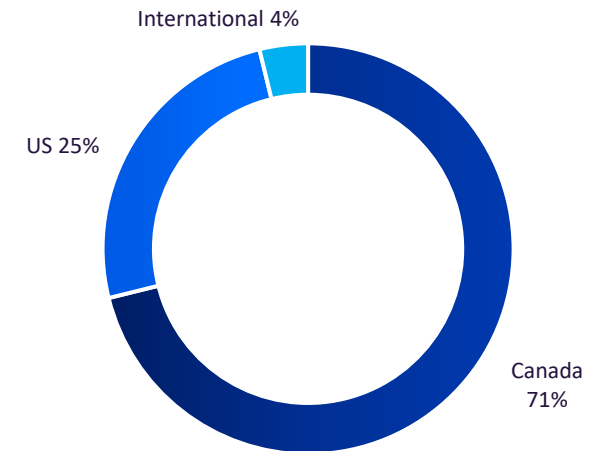
United States

- Access to sectors not available in Canada such as data centres, towers, single family rental housing
- Apartment rents not subject to rent control

Europe

- Land constrained markets limit the risk of new supply
- Structural shortage of affordable housing

Geographic Mix



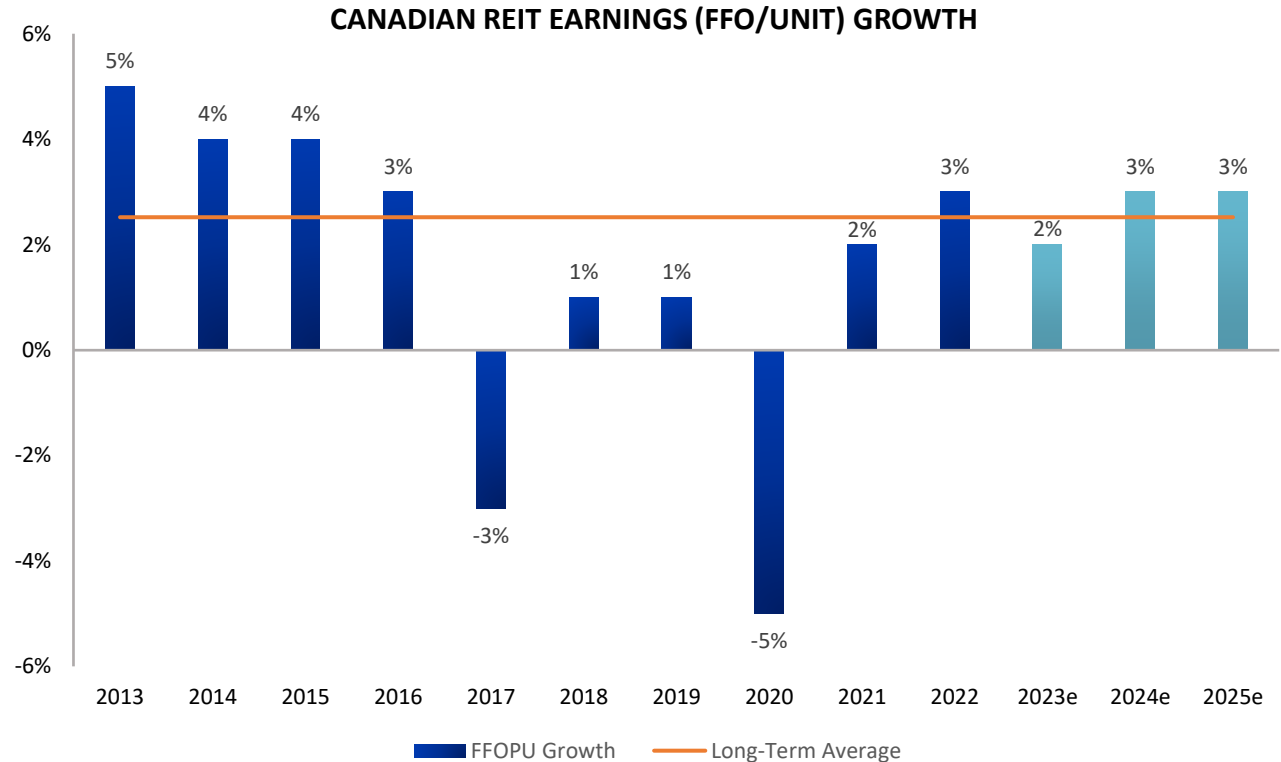
Source: Middlefield, Bloomberg. December 31, 2023

Key Growth Region: Canada

Fundamentals remain intact

- Canada targeting 1.5 million new permanent residents by 2026
- 82% of Canada's 40 million people live in major urban centres; 46% live in the six "VECTOM" cities
- Canada is one of the most supply constrained markets in the world
- Major institutional investors such as Blackstone and TPG announcing multi billion acquisitions/investments in late 2023/early 2024

REIT earnings still growing above historical averages



Sources: Middlefield, RBC Research. As at 31 December 2023

Long-Term Average = 2.5% over past 25 years

Real Estate Sub Sector Dynamics

Industrial REITs: E-commerce, reshoring and just-in-case inventory management are driving demand for industrial warehouse space

- Canadian availability rate of 3.2% vs. 15-year average rate of 4.8%
- Elevated land and construction costs limit the risk of new supply

Multi-Family REITs: Supply of apartment rentals is unable to keep pace with increasing demand for housing

- Record-setting immigration and demand from non-permanent residents driving apartment rents higher
- Increase in mortgage rates forcing would-be homebuyers to rent

Necessity-based Retail REITs: Valuation support for grocery-anchored retail and residential development upside on urban lands

- Limited new supply of open air, grocery-anchored properties over the past 10 years and little development activity due to higher costs and interest rates
- Tenant mix is extremely sound and looking to expand

Office REITs: Office REITs are facing structural headwinds

- More workers demanding flexible working arrangements
- “Return to office” in North America is lagging Europe and Asia
- New supply making older office buildings obsolete with low occupancy

Source: Middlefield. As at 31 December 2023

Our Positioning: Investing in Areas with High Growth Potential

Industrial

Re-leasing spreads robust even with rent growth slowing

Multifamily

Affordable Housing Shortage

Retail

Tenant quality and mix never been better

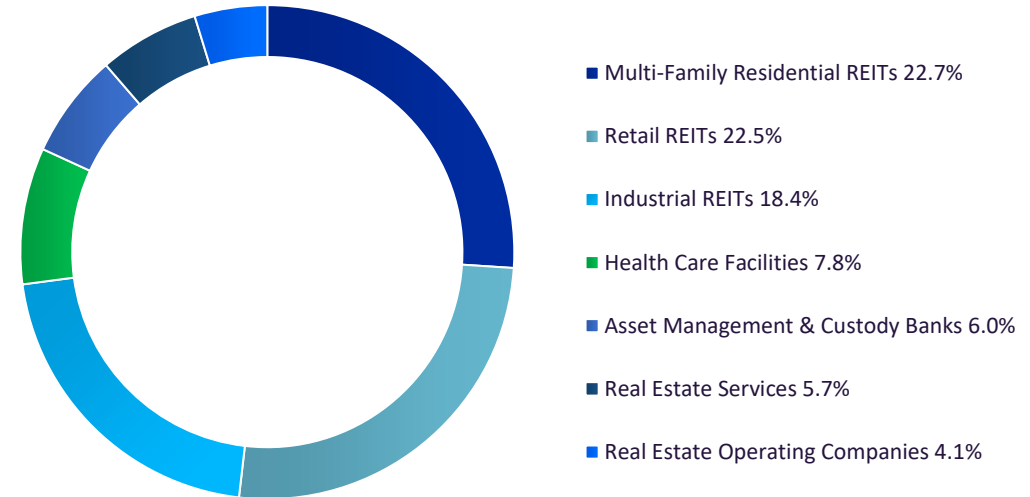
Specialized REITs

Real Estate Supporting the Digital Era

Healthcare

Emerging from Pandemic Challenges












Middlefield Real Estate Dividend Class Sector Mix



Source: Middlefield, Refinitiv. December 31, 2023

Why Should Investors Add Real Estate Now?

Lower Interest Rates, Excellent Fundamentals & Higher Returns

Near-term Performance Drivers		Medium & Long-term Tailwinds	
	Inflation is subsiding and rate cuts expected in 2024		Active Management 25+ year history with intimate knowledge of the REIT sector evidenced by long-term outperformance vs. peers and benchmark
	Prices trading at excessive discounts to NAV		Strong REIT Balance Sheets REITs have solid balance sheets, access to debt and ample liquidity
	Volatility has historically subsided after peak rates		Built-In Growth for High-Quality Assets Market rents are above in-place rents for many of our portfolio companies
	Inflows coming from cash and near cash alternatives		Limited Supply Coming to Market New supply, especially in Canada, is down significantly due to high development costs and interest rates
	Portfolio companies are fundamentally solid		
	Rising rents and increasing cash flows across focus areas		
	Economic soft landing scenario is coming into view		



Learn more

MIDDLEFIELD.COM