hazelview
INVESTMENTS

Hazelview Alternative Real Estate Fund (HREAL)

Quarterly Manager Commentary

as of December 31, 2025

Q4

This Quarter

Market Overview

In 2025, global REIT performance reflected a year defined by macro volatility, shifting investor sentiment, and meaningful divergence in global monetary policy. Early in the year, the combination of heightened trade and policy uncertainty weighed on valuations, despite generally resilient real estate fundamentals. As the year progressed, trade headwinds began to ease and monetary policy became more accommodative across most major economies, supporting an improvement in financial conditions and a rebound in REIT performance during the third quarter. Momentum extended into the early part of the fourth quarter following initial rate cuts by the Federal Reserve, though renewed uncertainty around the pace and durability of future easing led to a modest pullback toward year-end. Against this backdrop, global REITs delivered an 8.3% total return in local currency terms, outperforming global bonds (4.9%) but lagging global equities (18.4%), which were propelled higher by tech and AI-related enthusiasm[1].

REIT performance varied widely across regions in 2025, led by Japan and Hong Kong, which generated returns of 39.3% (JPY) and 31.5% (HKD), respectively. In Japan, real estate outperformed broader equities amid low vacancy rates and higher inflation, which drove strong rental growth across the office, hotel, and residential sectors. After lagging in recent years, Hong Kong experienced a positive inflection in investor sentiment toward real estate, supported by lower interest rates and improving financial conditions. Singapore also outperformed on a relative basis, supported by strong performance among office, industrial and retail REITs.

Canada also outperformed the global benchmark in 2025, generating a total return of 11.8% (CAD). Performance across the market varied, with strength concentrated in senior housing, where operators such as Chartwell Retirement Residences delivered returns of 37.8% (CAD). Despite elevated inflation and fiscal concerns, the U.K. outperformed on a relative basis delivering a total return of 11.1% (GBP) with retail and storage leading the way.

Australia lagged its Asia-Pacific peers and slightly trailed the global benchmark, driven by Goodman Group, Australia's largest global benchmark constituent, which declined -12.3% (AUD). In February, the company raised $4 billion (AUD) to invest in the development of its data centre landbank, which heightened investor concerns around capital intensity and execution risk.

Continental Europe also modestly underperformed in 2025 as the region faced headwinds in the back half of the year from weaker economic growth and a pause in rate cuts by the ECB. Within the region, Germany and Sweden were among the largest detractors, declining -13.4% (EUR) and -8.6% (SEK), respectively, while Spain and the Netherlands generated impressive returns of 21.5% and 30.9% (EUR).

U.S. REITs were the weakest performing major region in 2025. In our view, this primarily reflected a more restrictive U.S. monetary policy stance relative to other major economies, which kept interest rates higher for longer than anticipated and weighed on investor sentiment.

Sector performance in 2025 also exhibited pronounced dispersion as divergent supply and demand dynamics drove materially different outcomes across property types. Cold storage and life science were the weakest performing sectors, declining -46.1% and -36.5%, respectively, as elevated supply and softer demand weighed on occupancy rates and rent growth.

Despite heightened investor enthusiasm towards AI, data centre REITs lagged in 2025 following strong outperformance in 2023 and 2024. The residential sector was also a notable laggard in 2025. Single family rental and multifamily REITs declined -10.2% and -6.3%, respectively. U.S. multifamily operators experienced a weaker than anticipated peak leasing season, while Canadian multifamily REITs were impacted by higher supply and lower immigration levels resulting in weaker demand. The German residential sector also underperformed, despite solid operating results from companies like Vonovia as investor skepticism around private market valuations and a shift in capital toward growth-oriented equities affected performance. In contrast, Australian residential fared much better, with Stockland and Ingenia Communities posting total returns of 25.1% and 14.8% (AUD), respectively.

Healthcare was the standout sector in 2025, posting a total return of 36.1%. Senior housing fundamentals strengthened meaningfully throughout the year as robust demand from aging demographics, combined with decade-low levels of new supply, supported material gains in occupancy, rental rates, and NOI margins.

1. Bloomberg LP. Data as of December 31, 2025. Global REITs represented by the FTSE EPRA NAREIT Developed Total Return Index in local currency. Regional returns represented by their respective FTSE EPRA NAREIT Total Return regional sub-indices. Individual company total returns over holding period in local currency.

Performance

The Fund generated a return of -0.6% on a net basis during the quarter. The uncorrelated alpha and dynamic beta components contributed positively to performance during the quarter while the long-only component detracted from performance. The Fund's USD currency hedge resulted in a modest gain during the quarter.

Long-Only

Positive contributors to performance within the long-only component included select holdings in the U.S. healthcare and hotel sector. The long-only component's exposure to certain names within the U.S. data centre and self-storage sectors detracted from performance. Underweight exposure to Asia-Pacific regions that saw continued outperformance during the quarter like Japan and Singapore also detracted from performance.

In the U.S. healthcare sector, Sonida Senior Living and Ventas contributed positively to performance generating total returns of 17.6% and 11.2% (USD), respectively. Sonida Senior Living outperformed following news of a strategic merger with CNL Healthcare Properties. The transaction, valued at an estimated $1.8 billion (USD), considerably increases Sonida's portfolio to ~14,700 units and cements them as the eighth largest owner of senior living assets in the U.S. We continue to have a positive view of the senior housing sector in the U.S. and Sonida Senior Living as a key operator within the space. Meanwhile, Ventas delivered impressive third quarter earnings results on the back of strengthening senior housing fundamentals. The company reported normalized FFO per share increasing 10% and same-store NOI increasing 7.8% year-over-year while also raising its full-year 2025 FFO and acquisition guidance. We believe Ventas is taking advantage of its cost of equity to purchase assets that are immediately accretive to earnings which should lead to higher bottom-line growth over the next 12 months.

In the U.S. hotel sector, Hilton saw strong performance after delivering impressive third quarter results, posting a total return of 10.8% (USD). The company reported better than expected EBITDA and EPS while also raising full-year guidance for both metrics. These robust operating results speak to the strength of their fee-driven business model. We believe the setup for Hilton heading into 2026 is positive, driven by a resilient economy, a more favorable calendar shift and events like the World Cup and America250 which should result in higher inbound foreign travel to the U.S. Additionally, Hilton continues to buyback its stock aggressively and through the first nine months of 2025, repurchased $2.5 billion (USD) of shares. We expect Hilton will continue to repurchase a similar amount or more in 2026.

Annualized Returns[1]	QTD	YTD	1 YR	2 YR	SI[2]
HREAL	-0.6%	4.1%	4.1%	6.8%	8.5%

Asset Class	Long	Short	Net
Common Equity	159.8%	-84.2%	75.6%
Fixed Income	6.8%	0.0%	6.8%
Direct	3.2%	0.0%	3.2%
Cash & Other	14.4%	0.0%	14.4%
Total	**184.2%**	**-84.2%**	**100.0%**

Since Inception Metrics	HREAL	Benchmark
Sortino Ratio	1.2	1.0
Upside Capture	94.7%	N/A
Downside Capture	77.2%	N/A

Top 10 Holdings*	Sector	Asset Class	Country	% of NAV Assets
Digital Realty Trust	Data Centre	Common Equity	United States	7.3%
CubeSmart	Self Storage	Common Equity	United States	7.0%
Sonida Senior Living	Healthcare	Common Equity	United States	5.4%
Essential Properties Realty Trust	Triple Net Lease	Common Equity	United States	5.3%
Prologis	Industrial	Common Equity	United States	5.2%
Vanguard Real Estate ETF	Diversified	Common Equity	United States	5.1%
Broadstone Net Lease	Triple Net Lease	Common Equity	United States	4.6%
Invitation Homes	Single Family Rental	Common Equity	United States	4.3%
Ventas	Healthcare	Common Equity	United States	3.8%
Eastgroup Properties	Industrial	Common Equity	United States	3.5%

1. The returns are based on Class F-1 units, net return (CAD), returns less than 1 year are not annualized. 2.January 18, 2023. All data as of December 31, 2025. Benchmark is the FTSE EPRA NAREIT Developed Total Return Index. *Long position holdings.

In the U.S. data centre sector, Digital Realty Trust detracted from performance during the quarter, declining -9.8% (USD) despite reporting operational results that beat expectations for the third quarter and raising full-year guidance. Digital Realty Trust and other data centre operators faced headwinds stemming from uncertainty about the sustainability of AI capex spending and fears around circular reference deals involving large AI companies like OpenAI. We continue to maintain a positive outlook on data centres as AI training and inference increase in scale while supply remains considerably constrained by the lack of power availability. This supply-demand backdrop has driven vacancy rates to historic lows, reaching just 1.6% in the third quarter of 2025, with colocation vacancy below 1% across the top ten U.S. data centre markets.

In the U.S. self-storage sector, CubeSmart saw its share price decline by -10.2% (USD) during the quarter. The overall U.S. self-storage sector experienced a challenging quarter as operational headwinds tied to a sluggish housing market resulted in tepid new demand that weighed on CubeSmart's stock price. The company's third quarter results delivered FFO in-line with expectations with a modest full-year guidance raise, reflecting a stabilization in demand. We believe valuation is attractive, especially as sector fundamentals and sentiment should gradually improve over the next 12 months with our underwriting indicating the company trading at a 23.5% discount to its intrinsic value.

Uncorrelated Alpha

In terms of uncorrelated alpha and pairs trading, the Fund saw positive performance from pairs within the U.S. region, particularly within the cold storage, industrial and triple net space. The long components of these trades outperformed their short position counterparts, generating a positive relative spread for the Fund. In the U.S. cold storage space, Americold outperformed relative to Lineage, mostly driven by relative valuation. Similarly, in the industrial space, LXP Industrial outperformed relative to Terreno as the higher multiple for Terreno got re-rated lower given the growth profiles between the two companies have converged. In the triple net lease space, Gaming and Leisure Properties outperformed relative to Vici Properties. One of Vici's major tenants is facing financial pressure and the market is expecting the company will likely need to renegotiate their lease to a lower rental rate.

Dynamic Beta

REITs continued to trade within a tight channel during the quarter and the Fund maintained a beta range between low ~70% to high ~80%. The Fund maintained its strategy of reducing exposure at the top of the channel and adding back exposure at the bottom of the channel. The active management of beta exposure successfully generated incremental positive returns while reducing volatility, resulting in improved risk-adjusted metrics.

Market Outlook

Since the start of 2020, global REITs have generated a cumulative total return of just 10.5%, compared with 111.9% for global equities[1]. This extended period of underperformance reflects an unusually challenging backdrop for real estate, defined by two successive shock events: the COVID-19 pandemic and one of the most aggressive global monetary tightening cycles in modern history. Together, these forces disproportionately impacted commercial real estate, driving a sharp compression in valuations and a deterioration in investor sentiment.

Today, investor sentiment towards real estate remains remarkably low. In our view, current market positioning is reminiscent of the periods preceding the 2000 tech crash and following the global financial crisis. From such low levels of sentiment, even a modest improvement in investor confidence or a partial rotation out of more crowded sectors could have a profound impact on fund flows into real estate.

Looking forward, the fundamental and macro backdrop for real estate entering 2026 is materially more constructive. New supply is declining across most major property types globally, demand for space remains resilient, and pricing power has re-emerged. Against this backdrop, REIT earnings globally are projected to grow by 7.2% in 2026[2]. We view this attractive earnings growth as another important piece of the public real estate mosaic for the year ahead.

Taken together, we believe global REITs are poised to transition out of this atypical period of underperformance and into an environment where performance more closely resembles the two decades preceding the pandemic. During that period, global REITs generated annualized returns of approximately 9.4%, over five times higher than their annualized returns since 2020, supported by favorable supply-demand dynamics, strong earnings growth, and healthier investor sentiment.

A cornerstone of our outlook for global REITs in 2026 lies in the improving fundamental landscape, led by declining supply trends across major property types. After several years of elevated development activity in select sectors, construction starts have fallen meaningfully as higher costs, labor shortages, and more restrictive development financing constrain new projects. As a result, new supply as a percentage of existing inventory is expected to continue declining over the next 24 months, enhancing pricing power for incumbent owners and supporting stronger rental growth and earnings expansion. This dynamic is evident across most developed markets, including the U.S., Europe, Canada, Australia, Japan, Singapore, and South Korea.

The demand side of the equation is also expected to remain resilient in 2026, forming another key piece within the broader real estate mosaic. Occupancy rates for major property types in most geographies are at or above historical averages, reflecting steady tenant demand despite a more subdued macro environment. Even in challenged sectors like office, premium assets continue to see stronger absorption as tenants gravitate towards higher-quality space amid limited supply in prime locations.

While the improving fundamental backdrop provides REITs with a solid foundation for growth, we believe valuations represent the most compelling piece of the public real estate mosaic entering 2026. Trailing 10-year returns for REITs across the U.S., Europe, Asia-Pacific, and globally are at or near cyclical lows. Historically, when global REIT trailing 10-year returns decline toward ~4%, that has marked an attractive entry point for investors, followed by meaningfully above-average forward returns. Entering 2026, trailing 10-year returns stand at the 4.2% level globally, approximately 5.0% in the U.S. and 0.5% in Europe, placing each of those regions firmly within its historical “buy zone”.

This signal is reinforced by relative valuation metrics. After underperforming global equities for much of the past six years, REITs now trade at valuation discounts that rank among the widest observed in decades. Global REITs are trading at their lowest price-to-cash-flow multiple relative to global equities in roughly 20 years. A similar conclusion emerges on an EV/EBITDA basis, where REITs also trade at historically low levels versus the broader equity market. In our view, this valuation gap highlights how REITs are too cheap to ignore heading into 2026.

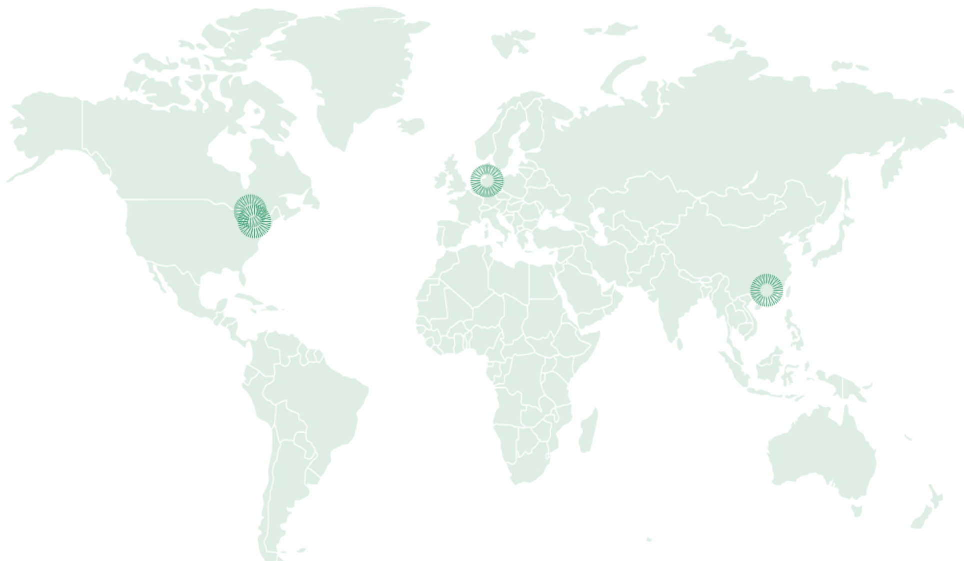
Importantly, this valuation disconnect has not gone unnoticed by REIT management teams, many of which are actively repurchasing shares at significant discounts to intrinsic value. U.S. REITs provide a clear signal of this dynamic with remaining share buyback authorizations estimated at 4.5% of aggregate equity market capitalization. In the third quarter of 2025, U.S. REITs repurchased $1.26 billion (USD) worth of stock, 138% more than the third quarter of 2024.

REITs also screen attractive on an absolute basis. Hazelview’s internal valuation models suggest that REITs are priced at a -17.0% discount to intrinsic value, defined as a blend of NAV and Cash Flow. This implies over 20% upside in price from current levels[3].

As a result, we continue to believe REITs are too cheap to ignore as we enter 2026 and the opportunity set for active managers is particularly compelling as the dispersion across sectors, regions, and individual companies is wide.

1. Bloomberg LP. Global Equities represented by the MSCI World Index. Global REITs represented by the FTSE EPRA NAREIT Developed Total Return Index. Timeframe from January 2, 2020 – December 31, 2025. Returns presented in USD. 2. UBS Global Research, priced as of December 31, 2025. 3. Hazelview Underwriting. Data as of January 7, 2026.

Meet the Team



Corrado Russo
MBA, CFA

Managing Partner &
Chief Investment Officer,
Public Real Estate
25+ years experience
Toronto

Sam Sahn
MBA

Managing Partner
Portfolio Manager
20+ years experience
New York

Claudia Reich Floyd
MBA

Managing Partner
Portfolio Manager
20+ years experience
Hamburg

Philip Du

Partner,
Associate Portfolio Manager
12+ years experience
Toronto

Darren Murray
CFA, CAIA

Managing Partner
Client Portfolio Management
10+ years experience
Vancouver

Dario Maric

Associate,
5+ years experience
Toronto

Contact Us

For more information, please contact:

Jennifer Williams
Managing Partner,
Head of Retail Sales
416.358.7367
jwilliams@hazelview.com

Toronto	New York	Hamburg	Hong Kong
1133 Yonge Street	535 Fifth Avenue	Hohe Bleichen 8	9/F, KONNECT
4th Floor	4th Floor	6th Floor	303 Jaffe Road
Toronto, ON	New York, NY	20354 Hamburg	Wan Chai, Hong Kong
Canada M4T 2Y7	United States 10017	+49 40 55 55 36 - 0	+852 2973 1221
416.923.9967	1.844.304.9967		