Ninepoint Focused US Dividend Class

April 2018 Commentary

Year-to-date at April 30, the Ninepoint Focused US Dividend Class generated a total return of 0.89% compared to the S&P 500 Index, which generated a total return of 1.74%.

Investment Team

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Returns in the month of April were decent on both an absolute and relative basis, with the Fund generating a total return of 0.35% while the benchmark generated a total return of 0.03%.Thankfully, after a tough couple of months, April was generally better for the broad equity markets. The February to March correction reset valuations to levels roughly in line with historic averages and a solid earnings season provided some relief for investors.

Our modelling indicates that the Canadian dollar should continue to weaken in 2018. However, with some form of a resolution to the ongoing NAFTA negotiations expected shortly, we have hedged approximately half of our USD exposure in order to reduce currency-related volatility in the Fund.

Top contributors to the year-to-date performance of the Ninepoint Focused US Dividend Class included Mastercard (+72 bps), Raytheon (+53 bps) and Visa (+51 bps). Top detractors year-to-date included Comcast (-54 bps), Brookfield Asset Management (-37 bps) and MGM Resorts (-36 bps). MGM declined after reporting an in line quarter but guiding second quarter revenue per available room (RevPAR) growth to a range of 1% to 3%, which was below consensus expectations of 4%. With the guidance reset due to softness at the Monte Carlo and Mandalay Bay casinos (along with a notable fight cancellation in the second quarter), we believe free cash flow growth will allow the shares to grind higher in the near to mid-term. Note that we have sold our entire position in Comcast based on fears of a pending bidding war for SKY PLC.

In the Industrials sector, the railroads have been some of the top performing stocks since bottoming in early 2016. With US domestic operations, the rails were tremendous beneficiaries of US tax reform. Further, as trucking remained tight and rail volumes recovered, pricing power returned to the industry.

The appointment of Hunter Harrison as CEO of CSX (CSX US) on March 6, 2017 was a clear signal that significant change was coming. He was renowned for the implementation of Precision Scheduled Railroading and we anticipated huge improvements in the operating metrics and cost structure at CSX. Sadly, Hunter Harrison passed away before his could complete this transformation. However, we have held onto our stock since much of the heavy-lifting was done and management has committed to achieving his 60% operating ratio target by 2020. Based on current assumptions, cumulative cash flow is expected to total $8.5 billion over this period and the announcement of a new $5 billion share repurchase plan and a 10% dividend increase confirms management's emphasis on shareholder returns.

The Ninepoint Focused US Dividend Class held 29 positions as at April 30, 2018 with the top 10

holdings accounting for approximately 42% of the fund. Over the past year, 24 out of our 29 holdings have announced a dividend increase, with an average hike of 23.0%. We will continue to apply a disciplined investment process, balancing various quality and valuation metrics, in an effort to generate solid risk-adjusted returns.

Jeffrey Sayer, CFA