



Ninepoint Enhanced Equity Strategy

April 2019 Commentary

Equity markets continued their 2019 momentum in April with the S&P 500 establishing a new high of 2945, just above its prior 2930 peak while the TSX composite tested its all-time high around the 16700 level for the third time in the past 18 months. The percentage return was strong on both sides of the border as the S&P 500 climbed 4% and the TSX increased 3.2%. The Loonie lost some more ground last month, dropping ~0.7% relative to the USD, boosting the USD based S&P 500 return for April to 4.7%.

Crude oil had a very strong April but faded toward the end of the month with WTI climbing 6% to almost US\$64/barrel after topping USD\$66 earlier in April. Similarly, Brent crude ended up over 7% for the month at over US\$72/barrel. As has been the case for some time, energy related stocks continued to underperform the price of crude oil, lagging slightly on the way up and falling further as crude sold off near month end. Finally, the price of gold continued to bounce around in the sideways channel it has occupied for several months now, finishing April down 1% to US\$1282 an ounce.

Fears in March over trade rhetoric from Trump and softer economic data were overcome in April by a return to the “Goldilocks” scenario: strong economic data to boost earnings but soft inflation data to keep the Fed on hold. A strong Q1 GDP print for the U.S. economy (3.2% annualized), continued strength in the labour market (200K jobs/month and holding at 3.8% unemployment) and a rebound in retail sales all bolstered the “no recession in sight” narrative. Meanwhile, inflation data remained subdued as both wage gains and price inflation (consumer and producer) continued to underwhelm. Risks to the economic outlook have diminished other than the impossible to forecast trade negotiation between the U.S. and China (though the April headlines and rumours were all positive) and the never-ending Brexit saga.

Our portfolios also enjoyed a strong run last month, as we benefited from very good first quarter earnings across the portfolio. Our U.S. financials reported very strong results, with both Bank of America and Citibank demonstrating solid revenue growth and excellent cost containment, despite the flatter yield curve, throughout the first quarter. Technology continued its leadership in the broader market and our technology positions, including Microsoft and CGI Group, also reported excellent first quarter results. Our Energy book also made a solid contribution during the month although, as mentioned earlier, not as much as the move in underlying crude oil prices would normally imply. The removal of waivers from the Iran sanctions, continued compliance on production cuts from OPEC/Russia and growth in global demand all underpin the higher price for crude oil globally. We believe crude prices can hold in the current range (around US\$60 for WTI and US\$70 for Brent) with risks of a spike materially higher should the Iran situation spiral out of control.

Finally, we continue to hold a significant hedge book using 2800 on the S&P 500 as a key technical

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level for support. As the market has moved above 2900 and earnings season wanes, it becomes more difficult to justify much higher prices for the broader index without a meaningful rise in earnings estimates. Although this increase in 2019 estimates may still occur, it will probably take another strong earnings season in Q2 to get us there. In the meanwhile, with earnings season over, the equity market becomes more vulnerable to geopolitical risk (whether Brexit or Iran) and, of course, Trump's Twitter feed.

Until next month,

The Enhanced Team.

NINEPOINT ENHANCED EQUITY CLASS - COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	3.7%	12.5%	5.1%	2.3%	-5.5%	2.5%	1.4%	4.4%
Index	4.0%	16.7%	9.8%	12.4%	14.4%	13.5%	11.0%	13.9%

NINEPOINT ENHANCED BALANCED FUND - COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	1.7%	6.1%	2.9%	1.1%	-3.4%	2.6%	1.7%	3.8%

NINEPOINT ENHANCED BALANCED CLASS - COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	1.8%	6.5%	3.0%	0.8%	-4.0%	2.3%	1.5%	2.2%

NINEPOINT ENHANCED LONG SHORT EQUITY FUND L.P. - COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	3.3%	6.8%	3.7%	1.2%	-5.4%	2.2%	-0.1%	1.9%	2.2%
Index	4.0%	16.7%	9.8%	12.4%	14.4%	13.5%	11.0%	13.1%	8.4%

NINEPOINT ENHANCED US EQUITY CLASS - COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
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Fund	1.8%	8.2%	3.0%	2.4%	0.3%	4.1%	1.6%
Index	4.0%	18.2%	9.5%	9.8%	13.5%	14.9%	11.6%

NINEPOINT ENHANCED LONG SHORT EQUITY RSP FUND - COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	3.3%	6.4%	3.4%	0.5%	-6.8%	1.2%	-0.6%	1.2%
Index	4.0%	16.7%	9.8%	12.4%	14.4%	13.5%	11.0%	12.3%

¹ All returns and fund details are a) based on Class/Series F shares/units; b) net of fees; c) annualized if period is greater than one year; d) as at April 30, 2019; e) inception date for Ninepoint Enhanced Equity Class is 04/16/12.² 50% of S&P/TSX Composite TRI; 50% of S&P 500 TRI CAD and is computed by Ninepoint Partners LP based on available index information.

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