Ninepoint Global Infrastructure Fund

April 2019 Commentary

Investment Team

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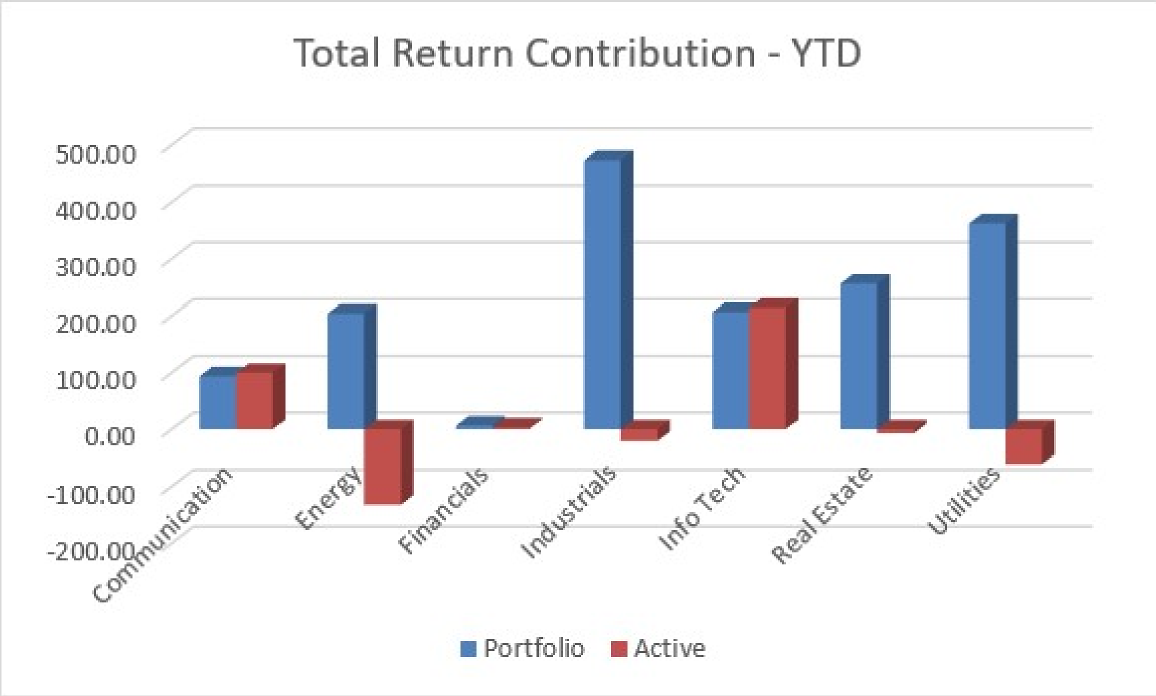
Year-to-date to April 30, the Ninepoint Global Infrastructure Fund generated a total return of 15.98% compared to the MSCI World Core Infrastructure Index, which generated a total return of 14.67%. For the month, the Fund generated a total return of 2.66% while the Index generated a total return of 1.38%. After an extremely disappointing Q4 2018, the broad markets continued to make a V-shaped recovery in 2019, approaching prior all-time highs.

As we've discussed previously, the 2019 rally has been driven by multiple expansion, which has been validated by a Q1 2019 earnings season that has played out better than originally feared. With approximately 80% of the S&P 500's constituents having reported results, the blended revenue growth rate (includes both actual and estimated results) has reached 5.2% and the blended earnings growth rate has improved to a decline of only 0.8% on a year over year basis, according to FactSet. Forecasters who had been calling for a decline of mid-single digits and potentially an earnings recession seem to have been proven to be overly pessimistic.

Further, global economic data has continued to stabilize, with the IHS Markit US Composite PMI at 53.0 in April, the IHS Markit Eurozone Composite PMI at 51.3 in April and the Caixin China Composite PMI at 52.7 in April, all above the key 50.0 expansionary level. Although the United States and China have yet to officially announce some form of a trade deal, we believe that an agreement is more likely than not, given President Trump's bid for a second term, which should bolster global growth expectations going forward.

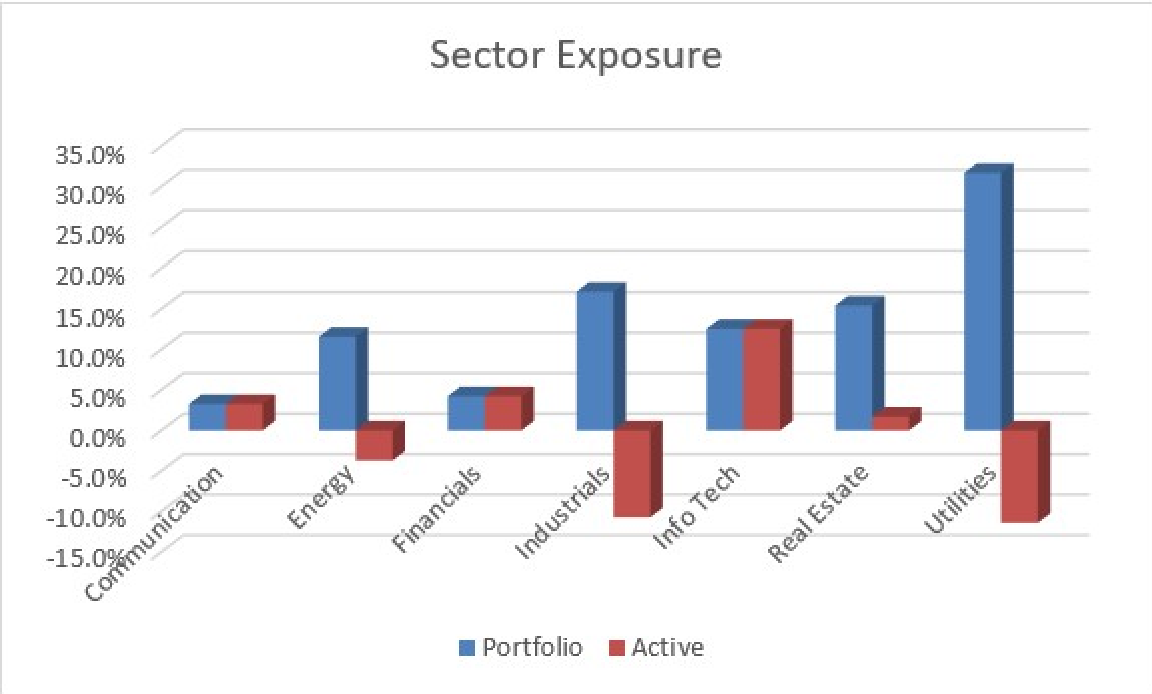
Finally, the earnings multiple expansion that we've seen in 2019 can be justified by the FED's dovish messaging through the first four months of the year. We are quite aware that the 3-month to 10-year yield curve inverted (although the more widely-watched 2-year to 10-year yield curve remained positively sloped) but this will likely prove to be a false signal in terms of predicting a recession within the next 12 to 18 months given how quickly the curve normalized. Instead, we are diligently watching consumer confidence (which rebounded in April to 129.2 compared to 124.1 in March), jobless claims (which remained near 50-year lows in April) and the unemployment rate (which fell to 3.6% in April, the lowest rate since December 1969) for any signs of an impending economic downturn. For now, monetary policy remains supportive of continued economic expansion.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+474 bps), Utilities (+362 bps) and Real Estate (+256 bps) while no sector had a negative contribution on an absolute basis.



Source: Ninepoint Partners

Note that we are underweight the Energy, Industrials and Utilities sectors and have allocated capital to the Communication, Financial and Information Technology sectors in line with our "total-infrastructure" approach. We are essentially market weight the Real Estate Sector, which is dominated by cell tower REITs.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Union Pacific (+118 bps), ONEOK (+90 bps) and Microsoft (+89 bps). Top detractors year-to-date included Engie (-18 bps), Raytheon (-13 bps) and Plains GP Holdings (-12 bps).

In April, our top performing investments included Microsoft (+35 bps), Comcast (+31 bps) and CP Railway (+30 bps). Top detractors in March included Waste Management (-11 bps), Raytheon (-11 bps) and ENEL (-11 bps).
Comcast, a significant holding in the portfolio, continued to recover from depressed valuation levels at the beginning of 2019 and rallied nicely in April. Essentially, concerns that management would overpay for 21st Century Fox in a bidding war with Disney in late 2018 proved to be unfounded. Instead, Disney acquired Fox and subsequently sold the combined Company's stake in Sky (the British broadcaster with 23.7 million customer relationships) to Comcast, which provided investors with an excellent buying opportunity. Management's confidence in the deal was made clear on January 23, 2019 with the announcement of a 10% dividend increase (to $0.84 per share on an annualized basis) and the accelerated reduction of the indebtedness incurred to complete the asset purchase.

First quarter results, released on April 25, 2019, demonstrated the strength of the combined business model, with revenue increasing 17.9%, adjusted EBITDA increasing 18.1%, net income attributable to Comcast increasing 14.0% and adjusted earnings increasing 16.9% to $0.76 per share. But beyond the financial metrics, the strength of Comcast's service offering relative to its peers can be seen from management's ability to continue to protect its subscriber base in an era of cord-cutting.

In fact, in the first quarter of 2019, Comcast's cable segment added 300,000 total customer relationships to reach 30.7 million customers (now 54.4 million total customer relationships including Sky). The Company added 375,000 high-speed internet customers and 170,000 wireless lines while losing only 121,000 video customers. The relatively muted video customer losses were particularly impressive given that Charter lost 152,000 video subscribers in the same quarter and AT&T lost 544,000 and Dish lost 266,000 pay TV subscribers, respectively. The strong subscriber metrics enabled Comcast to generate $4.6 billion of free cash flow in the quarter, which bodes well for future shareholder-friendly initiatives such as debt reduction, dividend growth and share buybacks.

The Ninepoint Global Infrastructure Fund was concentrated in 31 positions as at April 30, 2019 with the top 10 holdings accounting for approximately 34.6% of the fund. Over the prior fiscal year, 27 out of our 31 holdings have announced a dividend increase, with an average hike of 14.8%. Using a total infrastructure approach, we will continue to apply a disciplined investment process, balancing valuation, growth and yield in an effort to generate solid risk-adjusted returns.

Jeffrey Sayer, CFA

NINEPOINT GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS[1]
AS OF JULY 31, 2020 (SERIES F NPP356)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	5.0%	2.2%	8.1%	-4.1%	7.4%	7.4%	5.4%	7.4%

Index	1.2%	-3.9%	2.7%	-8.0%	0.7%	8.5%	7.6%	12.5%

[1] All returns and fund details are a) based on Series F units; b) net of fees; c) annualized if period is greater than one year; d) as at April 30, 2019; e) 2011 annual returns are from 09/01/11 to 12/31/11. The index is 100% MSCI World Core Infrastructure NR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: capital depletion risk; concentration risk; credit risk; currency risk; cybersecurity risk; derivatives risk; exchange traded funds risk; foreign investment risk; income trust risk; inflation risk; interest rate risk; liquidity risk; market risk; regulatory risk; series risk; short selling risk; small company risk; specific issuer risk; tax risk.

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