Ninepoint Global Infrastructure Fund

April 2021 Commentary

Investment Team

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Year-to-date to April 30, the Ninepoint Global Infrastructure Fund generated a total return of 2.46% compared to the MSCI World Core Infrastructure Index, which generated a total return of 5.21%. For the month, the Fund generated a total return of 1.74% while the Index generated a total return of 1.78%.

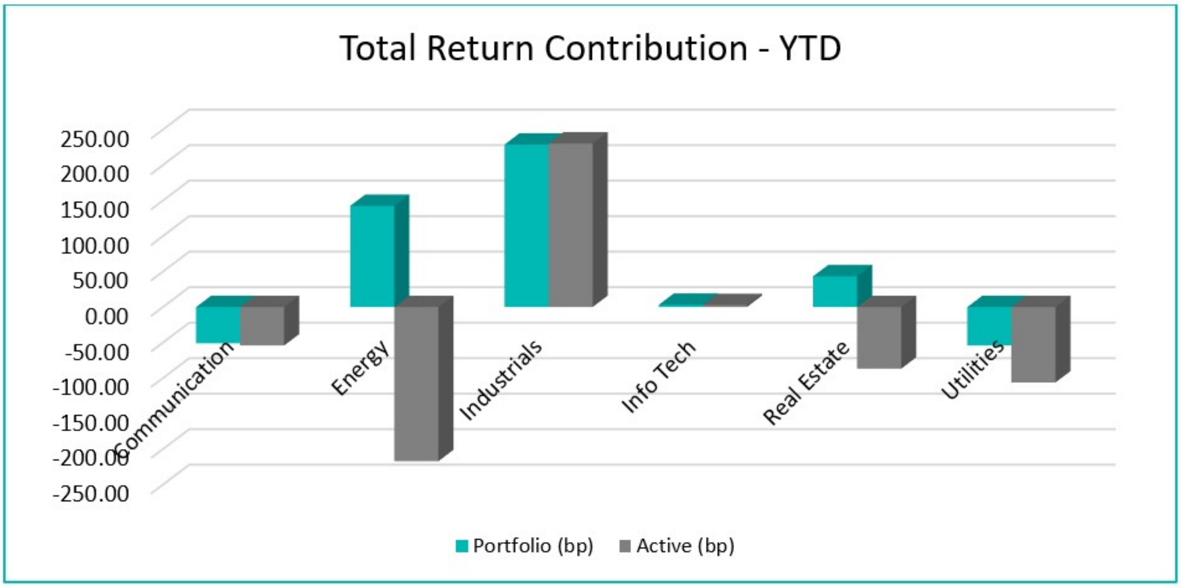
After a slow start, which was especially disappointing to see in both Canada and Europe, the Covid-19 vaccine rollout is beginning to accelerate globally. In the United States, with approximately 46% of the population having received at least one dose and approximately 32% of the population having been fully vaccinated, we are unfortunately seeing a deceleration in the rate of vaccination. Hopefully, this trend improves through public education and provider outreach, better availability and ease of access and incentives or even pressure from the private sector. It is critically important to continue to make progress with the vaccine uptake since health experts believe that a vaccination rate of about 50% to 60% is needed to dramatically lower the number of new cases and bring transmission of the virus under control.
Practically speaking, the stock market is a forward discounting mechanism and investors are clearly anticipating revenue and earnings growth in 2021 and 2022. First quarter earnings results have been exceptionally strong and, with 88% of the companies in the S&P 500 having reported, 76% have reported a positive revenue surprise and 86% have reported a positive earnings surprise. If these figures hold, it should be the highest percentage of earnings beats since FactSet began tracking this metric in 2008. Currently, the Q1 2021 blended earnings growth rate for the S&P 500 is coming in at 49.4%, which would represent the highest year-over-year growth rate since Q1 2010. Based on the Q1 financial results and analysts' forecasts, S&P 500 revenue growth is expected to come in at 11.5% and earnings growth is expected to come in at 32.9% for calendar 2021. With long-term interest rates still well below 2.0% (the US 10-year Treasury bond yield is currently around 1.60%), equity multiples can remain elevated so it should be no surprise that markets have pushed to all-time highs.

Underneath the surface of the indices, the rotation from growth/momentum toward value/cyclical is becoming more pronounced. Speculative areas of the market (for example high growth but unprofitable information technology stocks, SPACs and the latest "hot" IPOs) have come under serious selling pressure. Even the mega cap tech stocks are underperforming, although most have still generated a positive total return year-to-date, with the fortress balance sheets allowing billions of dollars' worth of share buybacks. We think this rotation bodes well for the relative performance of our dividend and real asset strategies over the medium term.

The key question over the near term remains the interpretation of incoming macroeconomic data as monetary and fiscal policies remain accommodative, and the pace of the economic reopening picks up. Anecdotal measures of inflation are everywhere, including the prices of commodities such as oil and gas, lumber and steel. Some businesses are even struggling to recall workers and it has not been unusual to see hiring bonuses and wage bumps, particularly in the hospitality and leisure segment of the jobs market. Equity and bond investors are closing watching the data and debating whether the effects are transitory or more permanent, which will likely determine the path of tapering and, eventually, interest rate hikes. For now, we trust that the US Federal Reserve will continue to provide easy monetary conditions thus prolonging the equity cycle through at least 2023.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+207 bps), Energy (+125 bps) and Real Estate (+80 bps) while top detractors by sector included Utilities (-51 bps) and Communication (-54 bps) on an absolute basis.

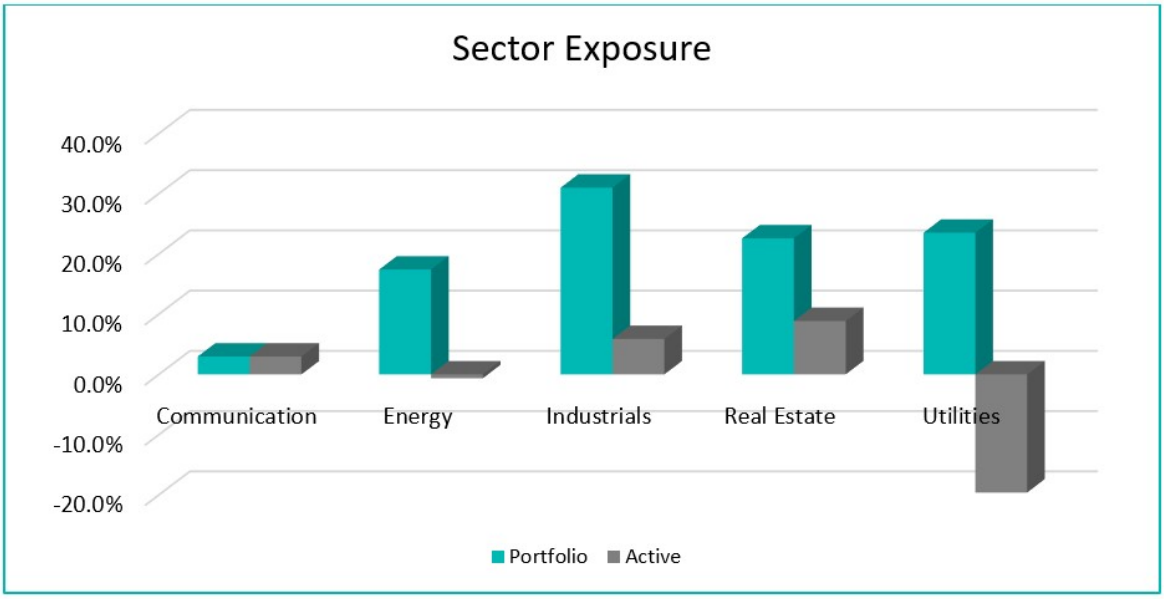
On a relative basis, positive return contributions from the Industrials and Information Technology sectors were offset by negative contributions from the Energy, Utilities and Real Estate sectors.



Source: Ninepoint Partners

We are currently overweight the Real Estate, Industrials and Communication sectors, while underweight the Utilities sector. As the vaccine rollout continues and we look forward to reopening the global economy, we are still very comfortable relying on our investment process. Our work continues to suggest a diversified strategy of dividend-paying securities to optimize the tradeoff between risk and return over the next twelve months.

Although the renewable energy trade has paused as we await official passage of the American Jobs Plan, we expect both green energy and traditional fossil fuels to work as investment themes this year. Finally, we continue to believe that certain sub-sectors in the Infrastructure space, dependent on reduced mobility restrictions (such as toll roads and airports), may hold the potential for outsized returns in 2021.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Quanta Services (+82 bps), Enbridge (+76 bps) and Crown Castle (+69 bps). Top detractors year-to-date included Orsted (-77 bps), Cargojet (-58 bps) and Cellnex (-53 bps).

In April, our top performing investments included Crown Castle (+37 bps), Quanta Services (+24 bps) and American Tower (+24 bps) while TPI Composites (-28 bps), Chevron (-18 bps) and Canadian Pacific Railway (-15 bps) underperformed.

The Ninepoint Global Infrastructure Fund was concentrated in 30 positions as at April 30, 2021 with the top 10 holdings accounting for approximately 38.5% of the fund. Over the prior fiscal year, 24 out of our 30 holdings have announced a dividend increase, with an average hike of 9.2% (median hike of 7.8%). 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 Partners

NINEPOINT GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS[1]
AS OF APRIL 30, 2021 (SERIES F NPP356)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	1.7%	2.5%	2.0%	7.1%	15.5%	8.4%	10.0%	7.6%
Index	1.8%	5.2%	6.2%	9.7%	9.5%	9.2%	9.7%	12.3%

[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, 2021; 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.

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