



Ninepoint Focused Global Dividend Class

August 2018 Commentary

Year-to-date to August 31, the Ninepoint Focused Global Dividend Class generated a total return of 9.16% compared to the S&P Global 1200 Index (CAD), which generated a total return of 8.69%.

Returns in the month of August were good on both an absolute and relative basis, with the Fund generating a total return of 1.43% while the benchmark generated a total return of 1.34%. Our investments in the Information Technology, Healthcare and Consumer Discretionary sectors performed well and offset weakness in the Energy, Telecom and Utilities sectors.

Admittedly, we are later in the economic and investment cycle, but we believe that it is too early to position for an outright downturn. The economic data remains robust and, broadly speaking, earnings growth will be exceptional through the balance of 2018. Further, current expectations for 2019 are calling for another year of double digit earnings growth.

Our modelling indicates that the Canadian dollar should continue to weaken in 2018. However, with Mexico agreeing to some form of bilateral trade agreement with the United States, currency volatility has picked up. Although Canada reportedly missed a month end deadline, we are hopeful that a more equitable, negotiated trilateral agreement can be reached shortly. We have therefore added some USD/CAD currency hedges to reduce volatility in the Fund.

Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Class included Mastercard (+186 bps), Microsoft (+162 bps) and Visa (+134 bps). Top detractors year-to-date included Brookfield Asset Management (-47 bps), MGM Resorts International (-41 bps) and Affiliated Managers Group (-30 bps).

Taking advantage of the trade war rhetoric between the US and China, we recently added LVMH, the European-based, luxury goods company to the Fund. We like the fact that LVMH is broadly diversified across Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, Selective Retailing and Other Activities with 70 brands sold through about 4,370 stores worldwide.

Globally, luxury spending has been solid and in the first half of 2018 LVMH reported organic revenue growth of 12%, or 14% excluding the termination of the HK International Airport concession contract, despite unfavourable currency moves. On reported basis, revenue in Asia (ex-Japan) grew 18%, Japan grew 12%, France grew 11% and Europe (ex-France) grew 10%. On the conference call, management downplayed concerns related to Chinese consumer spending, which remains resilient. Buoyant consumer confidence bodes well for future top line growth, which should drive the shares higher.

The Ninepoint Focused Global Dividend Class was concentrated in 31 positions as at August 31,

Investment Team



Jeff Sayer, CFA
Vice President, Portfolio Manager

2018 with the top 10 holdings accounting for approximately 43.5% of the fund. Over the prior fiscal year, 24 out of our 31 holdings have announced a dividend increase, with an average hike of 32.2%. 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

¹ All returns and fund details are a) based on Series F shares; b) net of fees; c) annualized if period is greater than one year; d) as at August 31, 2018; e) 2015 annual returns are from 11/25/15 to 12/31/15. The index is S&P GLOBAL 1200 TR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information.

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