



Ninepoint Concentrated Canadian Equity Fund

August 2020 Commentary

The S&P/TSX increased 2.4% with Financials (+7%), Industrials (+4%) and Energy (+2%) leading the market as Healthcare (-7%), the Consumer Staples sector (-5%) and Utilities (-2%) ended the month in the red.

Our portfolio outperformed as security selection in Materials and Utilities added value, along with our sector underweight in Consumer Staples, while security selection in Financials detracted value.

In Materials, Teck Resources (+11%) and Methanex (+17%) rebounded. Teck rallied with the general improvement in economic activity and the rally in underlying commodities. With copper moving towards US\$3.00/lb, the market is anticipating a stronger H2 2020. Methanex benefitted from what appears to be a stabilization in methanol pricing. We continue to hold both names as we feel they offer further upside potential.

In Utilities, Altagas (+1%) outperformed on better sentiment in the midstream business, including a few deals in the energy patch that improved counterparty credit quality. We continue to see good value in the company, which is trading below market multiples (~12X forward P/E and ~70% of book value) in an expensive sector.

In Consumer Staples, no positions in the sector contributed to performance as the sector underperformed the market by ~7%.

In Financials Element Fleet Management (-5%) and Fairfax Financial Holdings (-4%) detracted value, despite the sector outperforming by 4.5% based on the banks reporting better than expected Q3 results. Element reported Q2 results (in July) with net revenue exceeding estimates and it subsequently announced the redemption of preferred shares (accretive to earnings). This is a high-quality business that continues to strengthen and we believe that ongoing strong execution will put to rest the market's perceived concerns over COVID-19 related revenue headwinds. Fairfax Financial declined on what we would view as a negative sentiment driven by some deep value equities in the company's investment portfolio that posted share price declines earlier this year. We believe that firming commercial insurance markets will drive better consolidated performance at Fairfax in the second half of 2020.

Of the more than 20 bear markets that have occurred since 1929, the median bear market lasted 302 day (according to Yardeni Research). This year's bear market (peak on February 19th to trough on March 23rd) has clocked in as one of the shortest at 33 days. The technology stocks have been responsible for a substantial portion of the market rebound (FANG stocks in the U.S. and Shopify in Canada (+170% YTD, detracting 3.9% of value YTD in our portfolio)), and are now surpassing valuation levels of the Technology boom of 1999/2000. As fundamental bottom-up equity value investors, we continue to find a great deal of value in our portfolio (trading at below market multiples). We believe that similar to the Technology bubble bursting in 2000, that the market, despite the Robinhood website phenomena, will eventually recognize the overvaluation in this area and move towards the more attractively priced names, such as the ones in our portfolio.

Investment Team



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Vice President & Portfolio Manager, Scheer Rowlett & Associates - Sub-Advisor

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NINEPOINT CONCENTRATED CANADIAN EQUITY FUND - COMPOUNDED RETURNS¹
AS OF AUGUST 31, 2020 (SERIES F NPP152)

	1M	YTD	3M	6M	1YR	INCEPTION
Fund	4.2%	-19.3%	11.4%	-8.5%	-9.4%	-6.4%
Index	2.3%	-1.1%	9.6%	3.3%	3.8%	6.7%

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 August 31, 2020; e) since inception (March 29, 2018). The index is 100% S&P/TSX composite Index and is computed by Ninepoint Partners LP based on publicly available index information.

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