Ninepoint Global Infrastructure Fund

August 2020 Commentary

Investment Team

Jeff Sayer, CFA
Vice President, Portfolio Manager

Year-to-date to August 31, the Ninepoint Global Infrastructure Fund generated a total return of 0.94% compared to the MSCI World Core Infrastructure Index, which generated a total return of -5.13%. For the month, the Fund generated a total return of -1.24% while the Index generated a total return of -1.29%.

The explosive summer rally continued through the normally quiet month of August, led by the Information Technology, Consumer Discretionary and Communication sectors with the Utilities, Energy and Real Estate sectors bringing up the rear. Powering above the February highs, the S&P 500 recorded its best August performance in over 30 years and closed at 3,500 (just a few points the all-time closing high reached the prior trading day). With the US 10-year Treasury bond yield rising from 0.536% to 0.693% through the month, it is unsurprising that the interest rate-sensitive sectors lagged, although the move in rates barely registers on a long-term chart.

Despite a lack of progress on the next fiscal support package, investors have been willing to continue to pour money into the market leaders (including Tesla, Zoom and the big five mega-capitalization technology companies: AAPL, MSFT, AMZN, GOOG and FB) almost irrespective of valuation. But as the phased reopening continues, we believe that the rally will broaden to other economically sensitive sectors, with the inevitable approval of a safe, effective vaccine perhaps acting as the catalyst for a more lasting growth to value rotation.

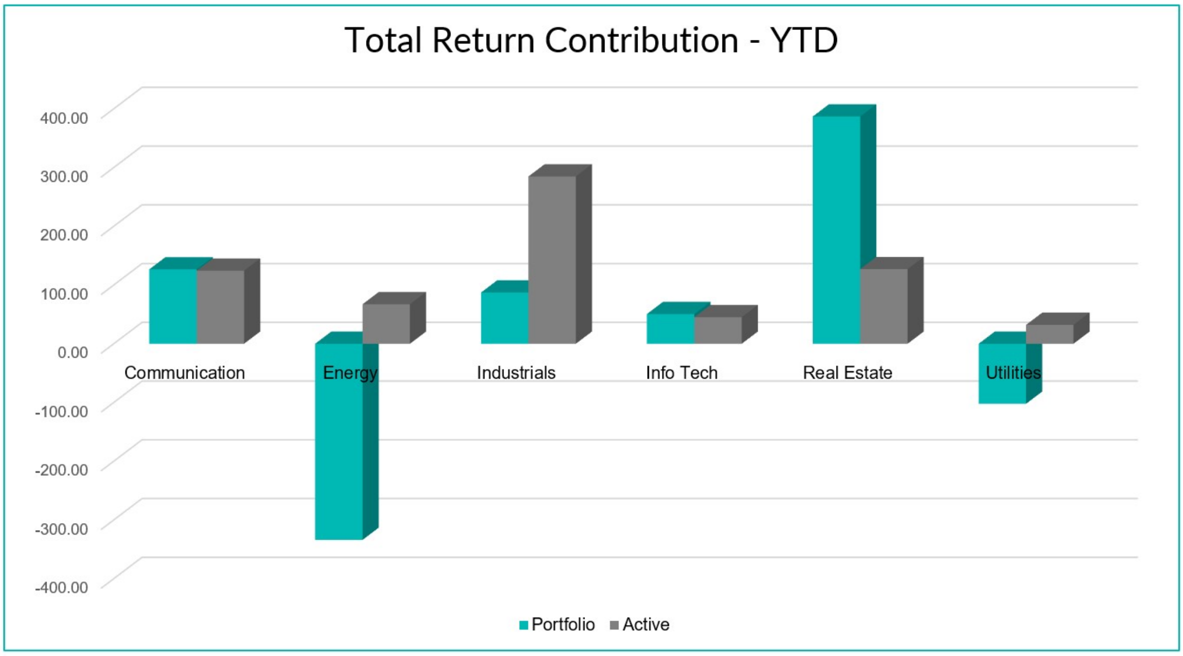
In the meantime, historic monetary and fiscal stimulus continues to result in directionally improving economic statistics, with the JPMorgan Global Composite PMI at 52.4 in August, a 17-month high. Similarly, the US Composite PMI came in at 54.6 (the strongest expansion of private sector output since March 2019), with the manufacturing PMI at 53.1 and the services PMI at 55.0 in August. The improvement in both the manufacturing and services components of the economy has led to a brighter jobs outlook and the US Bureau of Labor Statistics recently reported that total nonfarm payroll employment rose by 1.371 million jobs in August and the unemployment rate declined to 8.4%. Although millions are still unemployed (or under-employed), the recovery continues to outpace even the most optimistic scenarios at the depths of the COVID-19 outbreak.

The importance of liquidity to the equity rally should not be underestimated and the US Federal Reserve has now clearly signaled “average inflation targeting”, which was widely expected. Since the Fed plans to allow inflation to run above its previous ceiling of 2.0% and won’t react to low unemployment levels, we expect interest rate hikes to be on hold for years. From our perspective, this has two key implications: dividend-paying equities haven’t been this attractive relative to bonds in over twenty years and rising inflation expectations should provide a tailwind for real asset strategies (such as infrastructure and real estate).

Therefore, from an asset allocation standpoint, we continue to believe that there is no better investment alternative than a diversified portfolio of dividend paying stocks (including global equities and publicly listed real estate and infrastructure securities). Any near-term weakness in equities stemming from disappointment related to a Phase IV stimulus package, concerns regarding the rising number of new COVID-19 cases around the world or uncertainly surrounding the upcoming US Presidential election should be viewed as an opportunity to rebalance portfolios and position for a return to positive GDP growth.

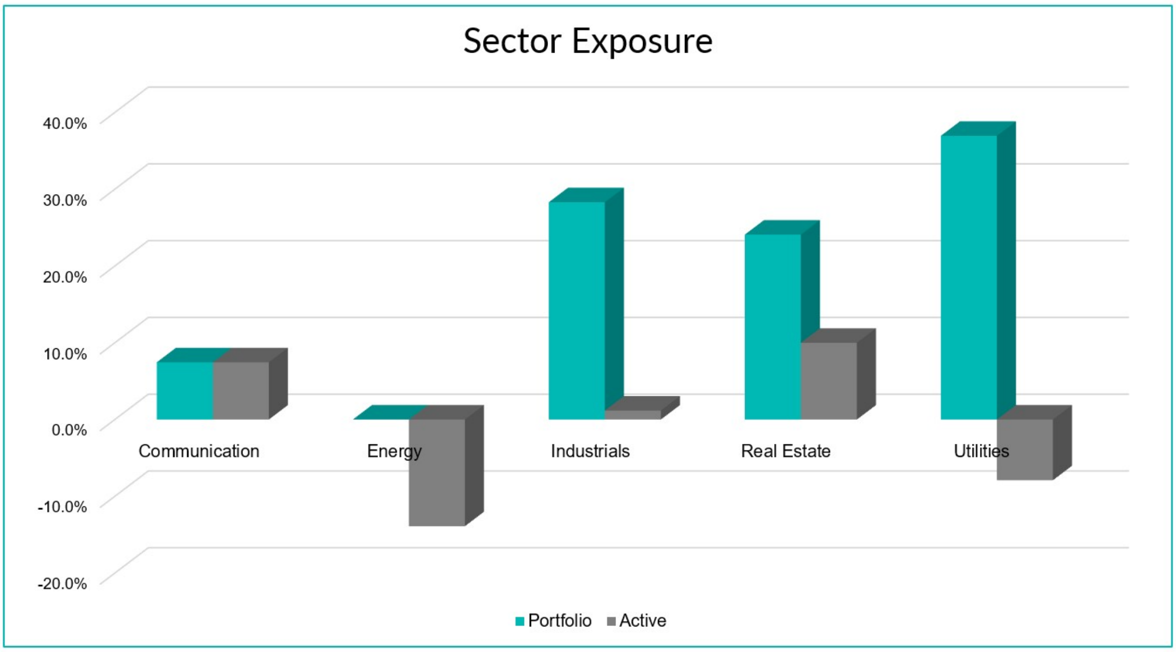
Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Real Estate (+387 bps), Communication (+127 bps) and Industrials (+87 bps) while top detractors by sector included Energy (-334 bps) and Utilities (-102 bps) on an absolute basis.

On a relative basis, positive return contributions were generated from every sector year-to-date. Ranked by the greatest relative contribution to the least, the order was as follows: Industrials, Real Estate, Communication, Energy, Information Technology and Utilities.



Source: Ninepoint Partners

We are currently overweight the Real Estate, Communication and Industrials sectors, while underweight the Energy and Utilities sectors. At the end of the month, we held a 3% cash position but have emphasized themes tied to the digitalization of the economy (including communication and ecommerce), renewable energy generation and clean power technology.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Boralex (+115 bps), Equinix (+114 bps) and Northland Power (+107 bps). Top detractors year-to-date included NextEra Energy Partners (-130 bps), Engie (-114 bps) and TC Energy (-101 bps).

In August, our top performing investments included Quanta Services (+74 bps), TPI Composites (+49 bps) and Union Pacific (+32 bps) while Evergy (-48 bps), American Tower (-38 bps) and QTS Realty (-31 bps) underperformed.

The Ninepoint Global Infrastructure Fund was concentrated in 28 positions as at August 31, 2020 with the top 10 holdings accounting for approximately 39.2% of the fund. Over the prior fiscal year, 15 out of our 28 holdings have announced a dividend increase, with an average hike of 4.2% (median hike of 3.3%). 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 AUGUST 31, 2020 (SERIES F NPP356)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-1.2%	0.9%	2.7%	-1.5%	2.1%	6.3%	6.1%	7.2%
Index	-1.3%	-5.1%	-3.1%	-2.8%	-2.9%	7.1%	8.0%	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 August 31, 2020; 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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