



Ninepoint Global Infrastructure Fund

August 2021 Commentary

Year-to-date to August 31, the Ninepoint Global Infrastructure Fund generated a total return of 8.82% compared to the MSCI World Core Infrastructure Index, which generated a total return of 11.37%. For the month, the Fund generated a total return of 2.77% while the Index generated a total return of 2.66%.



Ninepoint Partners,

Since the Covid-19 pandemic induced collapse in 2020, the broad equity markets have continued to grind higher in an almost linear fashion. In addition to the tremendous amount of fiscal stimulus and monetary support that have powered the rally, the Q2 2021 earnings season was exceptional. From the depths of the downturn, the blended year-over-year earnings growth rate for the S&P 500 came in at 90.9%, the highest year-over-year growth rate since Q4 2009, according to FactSet. Although the earnings growth rate is widely expected to trend back toward more normal levels over the next few years, consensus estimates still imply 43% earnings growth in 2021 and 9% in 2022. Unsurprisingly, we have seen several equity strategists boost their 2021 S&P 500 targets in recent weeks. From an investor's perspective, the only downside of the unrelenting march higher is that it has been difficult to find attractive entry points for new positions.

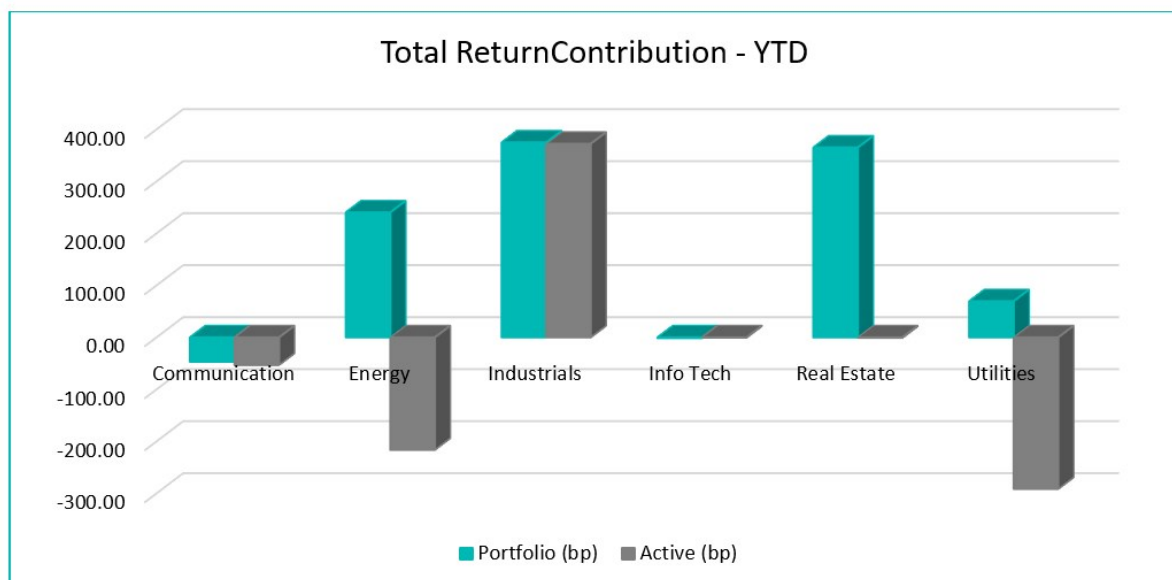
As we head into September and October, traditionally a tricky period for the markets, the debate regarding the path of monetary policy normalization has not yet been resolved. Although Chairman Powell's speech at the Jackson Hole Economic Policy Symposium was quite dovish, other members of the FOMC have suggested that tapering discussions are now appropriate, and we expect an announcement during one of the remaining two FOMC meetings before the end of 2021. However, it is worth noting that Chairman Powell took the time to clearly articulate that a reduction in asset purchases is not intended to signal impending rate hikes, essentially confirming the Fed's strategic view that tapering is not tightening. With policy normalization well-telegraphed, solid investment returns should continue through at least 2023 since we are likely several years away from real tight monetary policy.

Recent economic data points still seem to support Chairman Powell's patient approach, particularly given the unusual dynamics of the Covid-19 induced recession. The mismatch in job openings and job seekers (perhaps at least partially caused by direct stimulus payments and extended payroll support) will take time to normalize. This was evident in the most recent US non-farm payrolls report, that showed the creation of only 235,000 new jobs in August compared to expectations of between 725,000 and 750,000 new jobs. Further, although absolute US retail sales are well above pre-pandemic levels, retail sales declined in July, down 1.1% month-over-month, weaker than the expected decline of 0.2% month-over-month as supply chain issues persisted and consumers apparently shifted some consumption from goods to services. Finally, although inflation measures are elevated, with CPI up 0.5% in July on a seasonally adjusted basis after rising 0.9% in June and up 5.4% over the last 12 months, much of the price increases in shelter, new vehicles, recreation, medical care and personal care should trend lower as spending patterns return to normal.

Broadly speaking, we remain generally optimistic regarding the investment outlook. In terms of valuation, with long-term interest rates still well below 2.0% (the US 10-year Treasury bond yield is pinned below 1.50%) and above trend earnings growth in 2021 and 2022 (again according to FactSet), forward earnings multiples should be expected gently trend lower over time but remain elevated relative to historic levels. We would therefore characterize the current environment as mid-cycle, where positive investment returns depend on identifying companies with accelerating earnings, cash flow and dividend growth. Essentially, we think this environment bodes well for the relative performance of our dividend and real asset strategies over the medium term.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+375 bps), Real Estate (+365 bps) and Energy (+240 bps) while top detractors by sector included Communication (-47 bps) and Information Technology (-1 bps) on an absolute basis.

On a relative basis, a positive return contribution from the Industrials (+372 bps) sector was offset by negative contributions from the Utilities (-292 bps), Energy (-216 bps) and Communication (-53 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Industrials, Real Estate and Information Technology sectors, while underweight the Utilities sector. We have positioned for the middle phase of the investment cycle, where above-average earnings, cash flow and dividend growth should compensate for some degree of multiple-compression due to rising interest rates. Although the bipartisan infrastructure bill has yet to be signed into law (which has put a pause on the relative performance of some of the direct beneficiaries), we expect the House to vote on the bill by September 27th. The renewable energy and clean power technology trade should regain traction in anticipation of the fiscal spending package, and we are positioned accordingly.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 30 positions as at August 31, 2021 with the top 10 holdings accounting for approximately 38.7% of the fund. Over the prior fiscal year, 22 out of our 30 holdings have announced a dividend increase, with an average hike of 6.8% (median hike of 6.9%). 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 RETURNS¹ AS OF AUGUST 31, 2021 (SERIES F NPP356) | INCEPTION DATE: SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTIO
Fund	2.8%	8.8%	6.6%	10.7%	14.9%	8.8%	9.3%	7.9%
MSCI World Core Infrastructure NR (CAD)	2.7%	11.4%	6.8%	14.4%	14.4%	9.5%	9.2%	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 August 31, 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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