



Ninepoint Concentrated Canadian Equity Fund

December 2019 Commentary

The S&P/TSX declined 5.4% as Materials (+6%, led by the Gold & Precious Metals subsector +15%), Consumer Staples (-1%) and Communication Services (-3%) outperformed the broader market while Healthcare (-17%), Industrials (-9%) and Consumer Discretionary (-9%) led the decline.

Investment Team

Our portfolio outperformed as the gains from security selection in Energy and our Material sector overweight, along with our underweight in Healthcare and Industrials, surpassed the losses from Financials.

In the Energy sector, Crescent Point Energy (+6%), Canadian Natural Resources (flat) and Cenovus Energy (-2%) outperformed the sector (which fell 7%) on the back of the rise in Western Canada Select and Edmonton Sweet Light crude prices. Early in the month of December, the Premier of Alberta established an 8.7% temporary reduction in Alberta oil supply, which caused Edmonton Mixed Sweet and Western Canada Select (WCS) differentials to tighten dramatically (albeit from extreme levels). All three companies benefitted from the decline in the differentials relative to Western Texas Intermediate (WTI) crude.

In Materials, our significant overweight contributed as Materials, led strongly by Gold & Precious Metals companies, were the only positive sector as Detour Gold (+17%) is our only undervalued gold holding and it added value. Unfortunately the sector overweight contribution was offset by negative security selection as we favor Methanex (-10%) and Nutrien (-5%) at these levels, as high quality companies trading at an attractive discount.

The Healthcare sector underperformed the market by ~11%; our zero weight, based on there being no attractive investment opportunities, added value. Having increased earlier in the year, the cannabis stocks continued to fall with Aphria leading the decline in the month (-25%). Despite the declines, the four listed names (Cronos Corp. joined the index in December) still command ~1% index weight and remain extremely volatile. As a bottom-up value investor, we find the valuations extremely difficult to comprehend, much less useful to justify owning any position.

The Industrials sector, our largest underweighted sector, underperformed the market by ~4%. Other than owning undervalued Westjet (-12%), we struggle to find value elsewhere.

In Financials, our position in CI Financial (-13%) detracted value. CI Financial has faced a number of headwinds over the last few months after acquiring Sentry Investments. These headwinds relate to net redemptions, lackluster investment performance and more significantly the decline in the global equity markets, which impact their revenues (based on assets under management multiplied by the MER's that they generate). We believe the company continues to manage its issues prudently, though the turnaround will take time. In the interim, CI management has set its sights on a much

focused and highly accretive capital allocation strategy by decreasing dividend payout and simultaneously increasing buybacks. In the first nine months of 2018, CI bought back ~8% of its shares and has a buyback in place for another 10%. We believe CI has a best in class management team – well aligned with shareholders, lowest operating cost structure, economies of scale and trades at a compelling discount to its intrinsic.

Until Next Month,

Scheer, Rowlett & Associates Investment Management

NINEPOINT CONCENTRATED CANADIAN EQUITY FUND - COMPOUNDED RETURNS¹
AS OF APRIL 30, 2020 (SERIES F NPP152)

| | 1M | YTD | 3M | 6M | 1YR | INCEPTION |
|-------|-----------|------------|-----------|-----------|------------|------------------|
| Fund | 8.6% | -29.5% | -26.5% | -24.4% | -22.1% | -13.3% |
| Index | 10.8% | -12.4% | -13.9% | -8.8% | -7.9% | 1.6% |

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 December 31, 2018; 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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