Ninepoint Global Infrastructure Fund

December 2021 Commentary

Year-to-date to December 31, the **Ninepoint Global Infrastructure Fund** generated a total return of 13.43% compared to the MSCI World Core Infrastructure Index, which generated a total return of 16.13%. For the month, the Fund generated a total return of 4.91% while the Index generated a total return of 5.93%.

Now that 2021 has come to an end, investors can look back on the year and should feel reasonably good about the performance of a well-diversified investment portfolio. Notwithstanding solid index level performance, the last twelve months were quite challenging with aggressive sector rotations underneath the surface complicating the investment process. But despite a late-November to early-December trading wobble, triggered by the identification and rapid spread of the Covid-19 Omicron variant and the hawkish “Powell Pivot” during testimony before the Senate Banking Committee, the broad equity markets experienced a solid seasonal rally and finished strong.

As we had hoped, the equity markets have generally ignored incremental news related to the spread of the Omicron variant. Admittedly, new cases are skyrocketing but, thankfully, infection severity and mortality rates seem to be vastly reduced relative to other variants. Specifically, if we look at data from South Africa, the 7-day moving average of new cases peaked at 23,284 on December 18th while deaths reached 90 on January 5th compared to the prior wave where the 7-day moving average of new cases peaked at 20,076 on July 8th while deaths peaked at 419 on July 26th. Extrapolating from the data, scientists around the world are concluding that Omicron is incredible contagious but is far less dangerous than prior variants. Again, we understand the need for an abundance of caution, but Omicron will likely only pause and not derail the global economic reopening, assuming everyone can continue to follow recommendations from the scientific and health care communities.

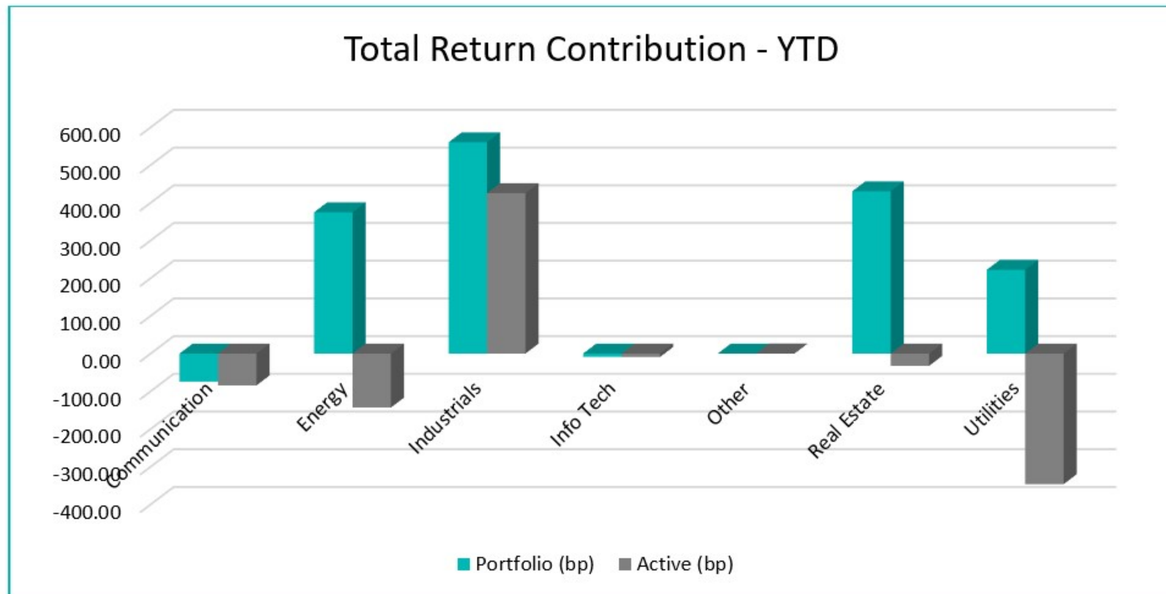
But as we suspected, from a medium to longer-term perspective, the hawkish “Powell Pivot” has greater implications for earnings growth, valuation multiples and the equity markets. After Powell’s testimony before the Senate Banking Committee where he said, “it’s probably a good time to retire that word (transitory)” and continued, “it is therefore appropriate in my view to consider wrapping up the taper of our asset purchases, which we actually announced at our November meeting, perhaps a few months sooner”, investors were intensely focused on the December 15th FOMC meeting. With the release of the official statement and dot plot chart, the Fed essentially moved in line with market expectations; asset purchases were tapered by $30 billion per month from $15 billion per month and the number of expected rate hikes moved from two to three in 2022 (with three more expected in 2023) based on a bump in PCE inflation expectations from 2.2% to 2.6% in 2022 and from 2.2% to 2.3% in 2023. In terms of the outlook for equities, rising interest rates and a steepening yield curve have generally been positive for the value/cyclical trade at the expense of high priced, long duration assets (unprofitable tech has been hit particularly hard recently).

Looking forward, we are still comfortable with our outlook that inflation will decline (from relatively moderate levels), and interest rates will rise (from extremely low levels) over the next few years. Although investors should expect choppier performance throughout the coming year, especially leading up to and coming out of the initial interest rate hike, with long-term interest rates still well below 2.0% (the US 10-year Treasury bond yield ended the year around 1.50%) and consensus earnings growth of 9% in 2022 (according to FactSet), 2022 should be another year of positive returns for the broad equity markets. Investors need to be disciplined and remain focused on the facts that vaccination rates are up, Covid-19 hospitalizations and deaths are down, and the global economy is slowly reopening (despite the Omicron variant). Further, corporate balance sheets are relatively clean and cash flow growth remains robust, so we believe that share buybacks are set to ramp up and dividend growth is set to accelerate over the next few years. Essentially, this environment bodes well for the performance of our dividend-focused and real asset strategies relative to other asset classes, until the Fed truly tightens monetary

conditions.

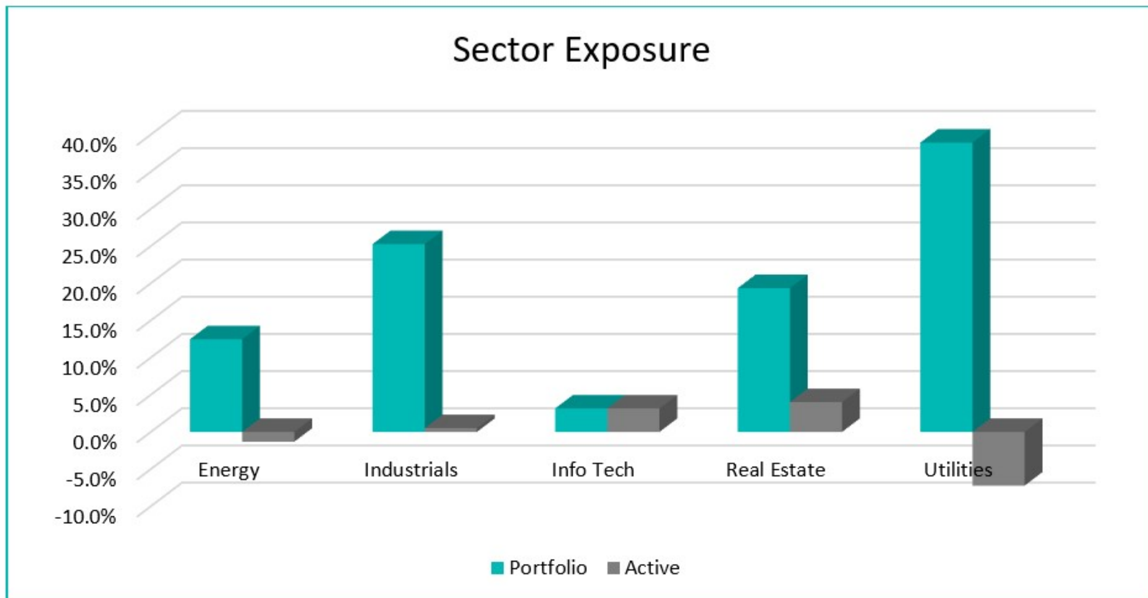
Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+560 bps), Real Estate (+430 bps) and Energy (+375 bps) while top detractors by sector included Communication (-74 bps) and Information Technology (-9 bps) on an absolute basis.

On a relative basis, a positive return contribution from the Industrials (+433 bps) sector was offset by negative contributions from the Utilities (-306 bps), Energy (-112 bps) and Communication (-85 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Real Estate and Information Technology sectors, market weight the Industrial and Energy sectors and underweight the Utilities sector (due to the threat of rising rates in 2022 and 2023). With the Bipartisan Infrastructure Bill signed into law, we are positioned to benefit from the increment $550 billion to be spent on traditional transportation infrastructure, broadband & 5G infrastructure and electrical power infrastructure. If the Build Back Better Plan can be revived in 2022, it could provide even more capital to fund renewable energy and clean power technologies. Should we see legislative progress being made, we would look to increase exposure to those businesses that stand to benefit in 2022 and beyond.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 30 positions as at December 31, 2021 with the top 10 holdings accounting for approximately 40.4% of the fund. Over the prior fiscal year, 22 out of our 30 holdings have announced a dividend increase, with an average hike of 7.5% (median hike of 7.5%). 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 DECEMBER 31, 2021 (SERIES F NPP356) | INCEPTION DATE: SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	4.9%	13.4%	7.7%	7.5%	13.4%	14.5%	9.8%	8.4%	8.1%
MSCI World Core Infrastructure NR (CAD)	5.9%	16.1%	8.6%	9.8%	16.1%	10.8%	10.0%	12.1%	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 December 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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