



Ninepoint Global Infrastructure Fund

January 2019 Commentary

Year-to-date to January 31, the Ninepoint Global Infrastructure Fund generated a total return of 5.37% compared to the MSCI World Core Infrastructure Index, which generated a total return of 4.70%. After the worst stock market performance in December since 1931, markets rebounded sharply in January with the S&P 500 posting its best performance since 1987.

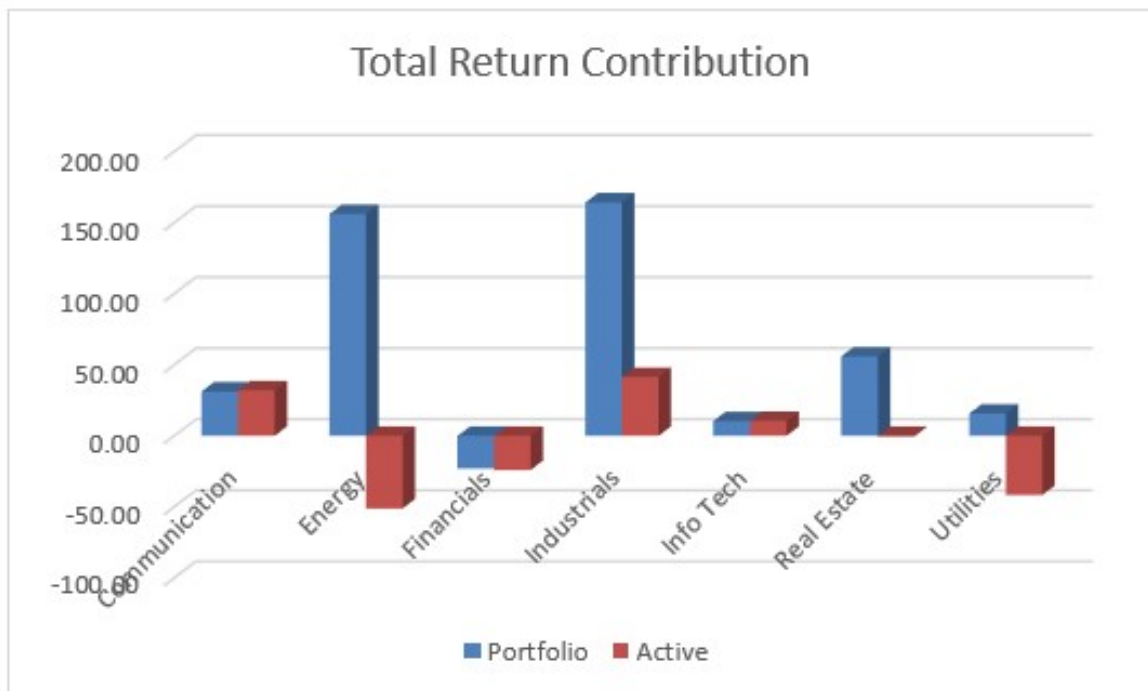
Investment Team



Jeff Sayer, CFA
Vice President, Portfolio Manager

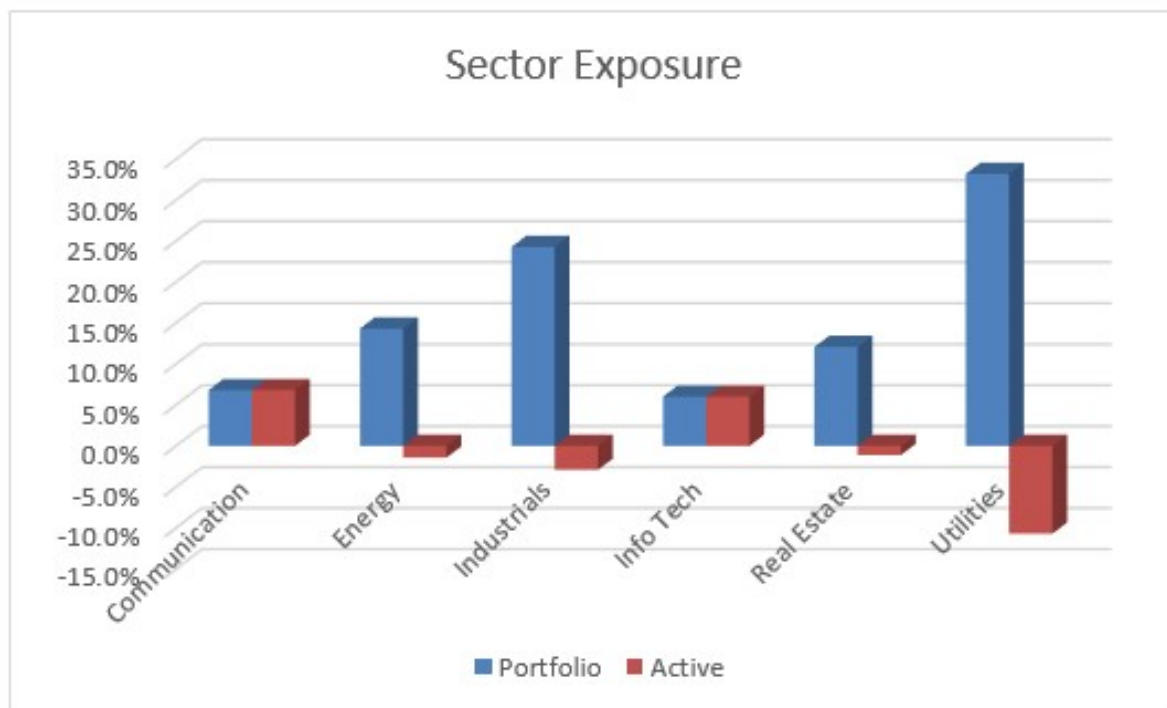
Essentially, the worst performing stocks and sectors in December reversed course to become the market leaders in January, which speaks to the sentiment/positioning-driven nature of the sell-off to end 2018. Two of the three key investor concerns are already showing signs of improvement in early 2019 with the FED pivoting to a very dovish, “patient” approach to future interest rate hikes and Trump appearing to soften his stance on China. Forward earnings estimates have continued to decline but commentary in the Q4 2018 earnings releases has not been pointing to any significant downward revisions from here. Hopefully, fundamentals will matter again in 2019 and we can get back to stock picking based on company specific analysis.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+164 bps), Energy (+156 bps) and Real Estate (+56 bps) while top detractors by sector were limited to the Financials (-23 bps).



Source: Ninepoint Partners

We are still materially underweight the Utilities sector and have allocated capital to the Communications Services and Information Technology sectors instead. With the Utilities sector currently trading at 17.5x forward earnings expectations and the S&P 500 trading at 16.1x (cheaper despite a better growth outlook), we believe that the sector is unlikely to outperform in 2019. Assuming fears of a recession continue to dissipate, we believe that more attractive investments can be found several other sectors and sub-industries in the infrastructure space.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Pembina Pipeline (+64 bps), ONEOK (+53 bps) and Union Pacific (+53 bps). Top detractors year-to-date included Intercontinental Exchange (-23 bps), NextEra Energy (-10bps) and Microsoft (-9 bps).

Both Pembina Pipeline (a Canadian-based midstream service provider) and ONEOK (a US-based midstream service provider) rebounded along with the WTI crude oil price as OPEC cut supply in January. Union Pacific rallied from deeply oversold conditions in early 2019 and reported solid operating and financial results during the month, highlighted by 39% EPS growth and an operating ratio (expenses divided by revenue) of 61.6% in the fourth quarter, compared to 62.7% in the comparable period in 2017.

Intercontinental Exchange declined on the news that several major banks and financial institutions were planning to launch a new, lower-cost rival exchange. After a spectacular run in 2018, NextEra Energy was likely the subject of some profit taking, as guidance only called for "financial results at or near the top end of our 6% to 8% adjusted earnings per share compound annual growth rate range". Microsoft also dipped slightly after its financial results, with guidance negatively impacted by some temporary issues including fluctuations in foreign exchange and a chip shortage impacting PC sales, although both factors should normalize by the second half of 2019.

The Ninepoint Global Infrastructure Fund was concentrated in 28 positions as at January 31, 2019 with the top 10 holdings accounting for approximately 39.4% of the fund. Over the prior fiscal year, 23 out of our 28 holdings have announced a dividend increase, with an average hike of 11.0%. 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 GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS¹
AS OF MARCH 31, 2020 (SERIES F NPP356)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-9.6%	-7.3%	-7.3%	-6.9%	1.9%	4.9%	3.0%	6.5%
Index	-8.9%	-11.0%	-11.0%	-9.7%	-5.4%	5.9%	6.3%	12.0%

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 January 31, 2019; e) 2011 annual returns are from 09/01/11 to 12/31/11.

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