



Ninepoint Diversified Bond Fund

July 2018 Commentary

They say patience is a virtue, and we finally feel a bit virtuous. On these hot summer days, it doesn't take much to move the markets one way or another. In July, the Bank of Japan signalled its intention to increase its 10-year JGB yield target from 10bps to 20bps. Additionally, the Trump/Junker meeting went reasonably well, signalling a détente in the U.S./Europe trade rhetoric. The result: global yields (finally) went up across the board, vindicating our low duration positioning. The Diversified Bond fund was up 25bps for the month, in stark contrast to typical index funds and ETFs (the Bloomberg Barclays Canadian Aggregate and iShares Core Canadian Bond Index (XBB) were down 78bps and 84bps, respectively).

Our outperformance was in part driven by our tactical short position in Government of Canada 30-year bonds, which declined ~2.6% in the month. Moreover, with yields moving higher and credit performing well in this risk-on environment, our negative duration preferred shares and low duration high yield bonds performed well. Finally, our option hedges on the iShares 7-10 Year Treasury Bond ETF performed as expected, adding to performance. We deployed cash from maturing Banker's Acceptances in short term Investment Grade bonds, taking our overall IG weight to 72% (of which one fifth matures within a year). We are maintaining our conservative positioning bias, and continue to tweak it around the edges as opportunities present themselves.

Looking ahead, after a few disappointing months, economic data in Canada is starting to surprise to the upside, and the market is appropriately pricing in another rate hike in October (a third one this year). In the U.S., the economy continues to do well, supported by profligate fiscal stimulus. As such, we see no reason for the Federal Reserve to alter its guidance on rate hikes at its coming September meeting.

For now, the one risk the market seems to be forgetting is the 25% tariff on \$200bn of goods from China that the Trump administration is on track to put in place in early September. If that goes through, we expect in-kind retaliation from China and another round of risk-off markets. But for now, attendance and volumes are light, and investors are happy to ride the wave. We will look to adjust the portfolio accordingly as we get closer to the end of August.

Until next month,

The Bond Team: Mark, Etienne and Chris

Investment Team



Mark Wisniewski,
Partner, Senior Portfolio
Manager



**Etienne Bordeleau-
Labrecque, MBA, CFA**
Vice President, Portfolio
Manager

NINEPOINT DIVERSIFIED BOND FUND - COMPOUNDED RETURNS¹ AS OF JANUARY 31, 2024 (SERIES F NPP118) | INCEPTION DATE: AUGUST 5, 2010

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	-0.3%	-0.3%	6.2%	4.0%	3.4%	-1.5%	1.0%	2.3%	3.2%