Ninepoint Global Infrastructure Fund

July 2019 Commentary

Investment Team

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Year-to-date to July 31, the Ninepoint Global Infrastructure Fund generated a total return of 18.22% compared to the MSCI World Core Infrastructure Index, which generated a total return of 14.77%. For the month, the Fund generated a total return of 1.52% while the Index generated a total return of 0.19%. After a solid recovery rally to start the year, markets faltered in May as US-China trade negotiations broke down. However, sentiment improved dramatically through June and July with what appeared to be a truce in the trade war, reasonable second quarter results and dovish reassurances from global Central Banks.

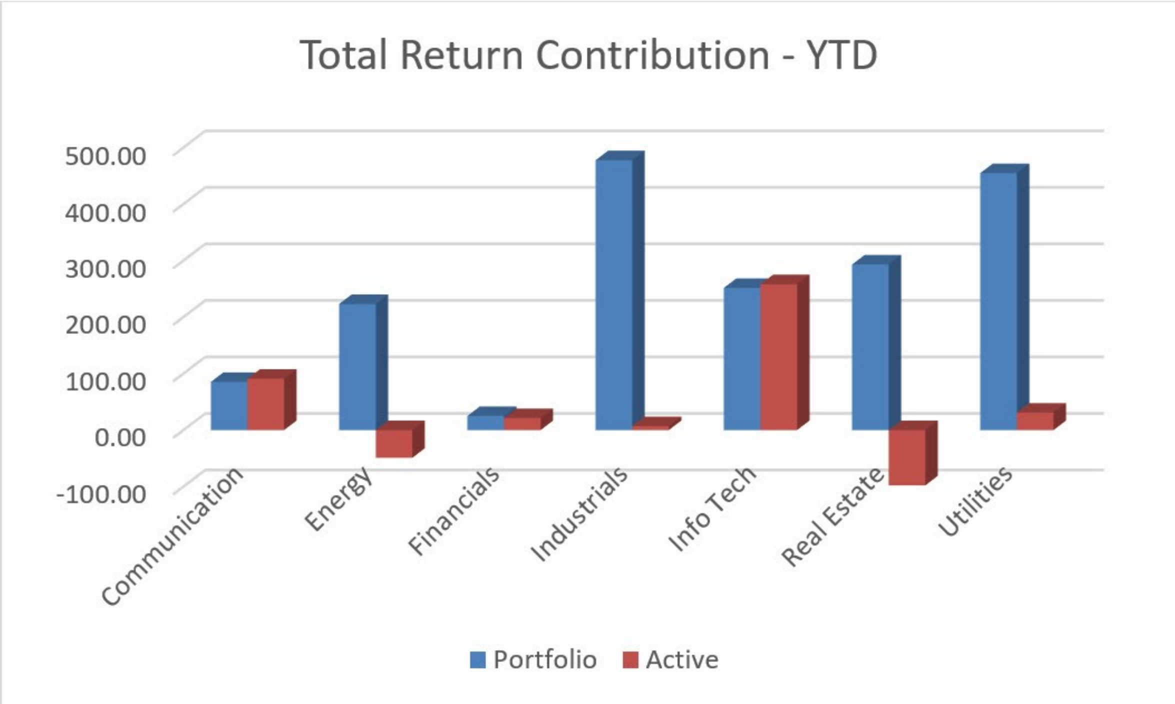
Unfortunately, investors may have gotten ahead of themselves in terms of monetary stimulus expectations and a dovish ECB meeting on July 25 (but without concrete action) and a 25-bps interest rate cut from the US Fed on July 31 (instead of either a 50-bps interest rate cut or 25-bps interest rate cut and clarity on incremental easing) disappointed the market. But keep in mind that the ECB will likely act more aggressively at its next policy meeting and the US Fed funds futures are currently indicating a 100% chance of an interest rate cut on September 18, providing further accommodation and ensuring an extended economic cycle.

On a positive note, with 90% of the companies in the S&P 500 reporting actual results, 75% of companies have reported a positive earnings surprise and 57% have reported a positive revenue surprise, according to FactSet. On a blended basis (combines actual results for companies that have reported and estimated results for companies that have yet to report), the earnings growth rate is coming in at -0.7% and the revenue growth rate is coming in at 4.1%, but both measures have been improving through the earnings season. Importantly, companies with greater US domestic exposure have reported much better revenue and earnings growth rates than those with greater international sales.

We remain concerned that the global PMIs have yet to rebound, with the JPMorgan Global Manufacturing PMI particularly weak in July at 49.3, its lowest level since October 2012. Consistent with global growth concerns, the US 10-year Treasury yield has fallen below 2.0% and the US 2-year to 10-year yield curve, again a widely-watched recession indicator, remains flat (but not yet inverted). Accommodative monetary policy, easing trade tensions and the passage of time will be required to return to more robust economic growth, hence the market's fixation on US Fed Chairman Powell's every word and President Trump's every tweet.

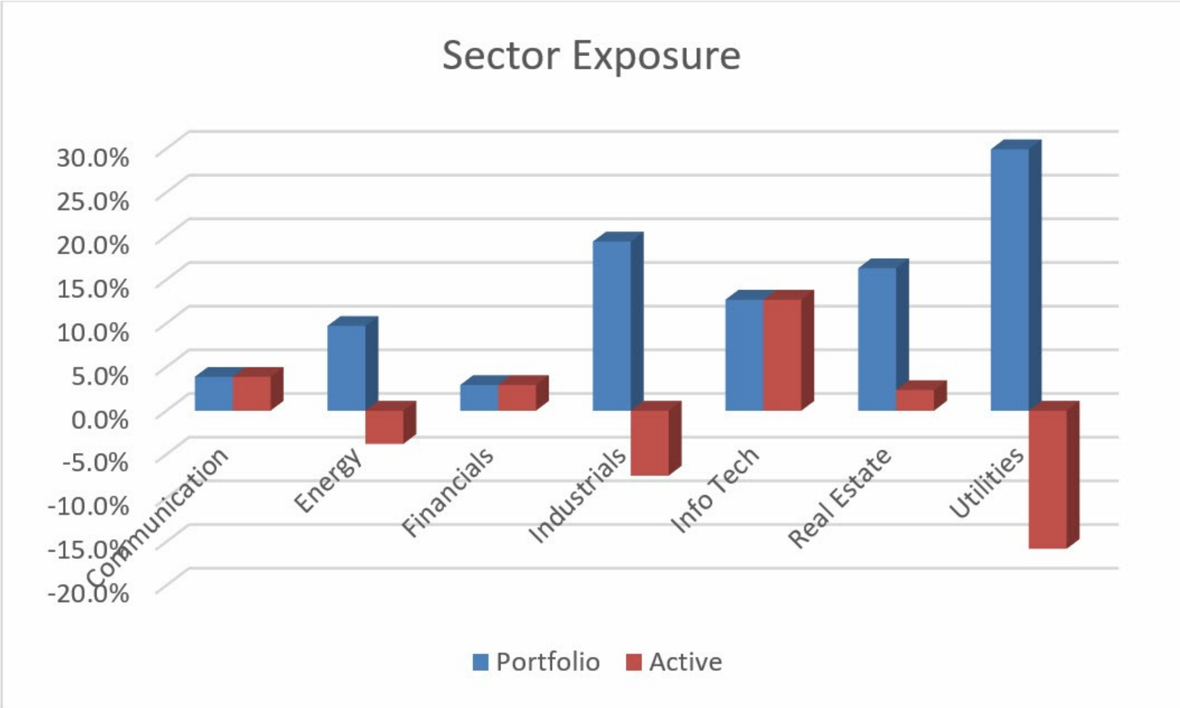
We continue to believe that the current environment will prove to be a mid-cycle slowdown and we will avoid a global recession. If we follow the roadmap of past cycles, interest rates should decline, global PMIs should bottom and earnings expectations for 2020 should inflect higher in turn. Forward earnings growth coupled with multiple expansion should allow the broad equity markets to rally until monetary conditions need to be tightened to offset inflationary pressure. We believe that the cycle could have many years left to run given the subdued nature of the recovery.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+478 bps), Utilities (+455 bps) and Real Estate (+293 bps) while no sector had a negative contribution on an absolute basis. On a relative basis, positive return contributions from the Information Technology, Communication, Utilities, Financials and Industrials sectors more than offset negative contributions from the Real Estate and Energy sectors.



Source: Ninepoint Partners

We are currently underweight the Utilities, Industrials and Energy sectors and have allocated capital to the Information Technology, Communication, Financials and Real Estate sectors in line with our "total-infrastructure" approach. Although we avoided chasing the sectors and stocks most sensitive to a positive resolution to the US-China trade war given the more deeply cyclical nature of these businesses (such as certain names within the Energy and Industrials sectors), we are well positioned should trade concerns or fears of an economic slowdown return.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Equinix (+117 bps), American Tower (+109 bps) and ONEOK (+104 bps). Top detractors year-to-date included CyrusOne (-43 bps), Raytheon (-13 bps) and Plains GP Holdings (-12 bps).

In July, our top performing investments included Enterprise Products Partners (+20 bps), Veolia (+15 bps) and American Tower (+14 bps) while Williams (-12 bps), Public Service Enterprise (-7 bps) and Pembina Pipeline (-4 bps) underperformed.

Enterprise Products Partners (EPD) was the top contributor to the performance of the Ninepoint Global Infrastructure Fund in July. For those unfamiliar with the name, EPD is a $60 billion market cap, midstream energy services with over 49,000 miles of natural gas, NGL, crude oil, refined products and petrochemical pipelines, 260 million barrels of storage capacity, 26 natural gas processing plants, 23 NGL and propylene fractionators and import/export terminals across the United States. Units of EPD (note that the security is technically classified as a master limited partnership), rallied through the month after reporting additional expansion projects at the Company's Houston Ship Channel terminal, announcing long-term agreements with Chevron to support an offshore crude oil port and in anticipation of the Company's Q2 2019 operating and financial results.

The results did not disappoint on July 31, when EPD reported record volumes driven by contributions from various new projects placed onstream over the past year, adjusted EBITDA growth of 18% (to $2.1 billion), distributable cash flow growth of 21% (to $1.7 billion) and free cash flow growth of 38% (to $947 million) for the second quarter of 2019. However, the units just can't seem to gain any sustained traction given concerns regarding global growth and petrochemical demand, evidenced by oil's inability to break out of its $50 to $60 per barrel trading range. As the broader equity markets weakened in early August, our investment discipline forced us to sell our entire position in EPD and potentially protect against a more serious cyclical downturn.

The Ninepoint Global Infrastructure Fund was concentrated in 29 positions as at July 31, 2019 with the top 10 holdings accounting for approximately 35.8% of the fund. Over the prior fiscal year, 26 out of our 29 holdings have announced a dividend increase, with an average hike of 9.5%. 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 GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS[1]

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	6.6%	6.6%	7.5%	12.0%	25.7%	12.4%	6.1%	8.4%

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

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: capital depletion risk; concentration risk; credit risk; currency risk; cybersecurity risk; derivatives risk; exchange traded funds risk; foreign investment risk; income trust risk; inflation risk; interest rate risk; liquidity risk; market risk; regulatory risk; series risk; short selling risk; small company risk; specific issuer risk; tax risk.