



Ninepoint Concentrated Canadian Equity Fund

July 2020 Commentary

The S&P/TSX added 4.5% with Materials (+13%, led by Gold & Precious Metals +15%), Consumer Staples (+6%) and Utilities (+6%) leading the rise while Financials (+0.8%), Energy (+1.1%) and Health Care (+1.2%) lagged.

Our portfolio underperformed in the month as security selection in Materials and Industrials detracted value while security selection in Consumer Discretionary added value.

In Consumer Discretionary, our positions in Sleep Country (+20%), Gildan Activewear (+13%) and Linamar (+9%) all added value. Sleep Country benefited from improved sentiment in the home improvement-shopping category. As people spend more time at home and on household improvements, mattresses and bedding accessories have been a beneficiary. Gildan missed expectations for both revenue and earnings in Q2 and took a US\$224mIn charge with 65% related to COVID-19 and 35% taken to simplify their offering and reduce ongoing operating costs. While the market was at first disappointed, the outlook for the company has been improving as economies slowly start to reopen. Linamar increased as the company updated its second-quarter forecast for industrial activity, revising expectations higher for light vehicle demand and guiding to a lower loss in the period.

In the Industrials sector, NFI Group (-10%) and ATS Automation (-9%) were both weak. NFI Group lagged the sector in anticipation of weak Q2 results, which will be announced in August. Despite the weakness, we continue to find NFI attractive with decent upside potential. ATS Automation held in well coming out of the market meltdown in March. Growth has temporarily been on pause as travel restrictions and work from home order stayed in place for most of the company's markets. Nonetheless, we are confident in ATS Automation's capital light model, clean balance sheet and seasoned management to weather the pandemic, and still believe they will benefit from the longer-term trend toward industrial automation.

In Materials, Teck Resources (-5%) and Methanex (+1%) underperformed the sector which increased by 13%. Teck reported Q2 results, which generally exceeded market expectations, however, COVID-19 has had a negative effect on company projects, as well as prices and demand for the commodities that they produce. We continue to view Teck as extremely attractive given its strong balance sheet (net debt to total capital of 15%), discount to book value (trades at 0.34X book value), long life assets and leverage to key commodities. Methanex was weak despite energy prices staying flat - the market continues to be concerned about methanol demand, which has declined post the global slowdown in industrial activity. We continue to view Methanex as an attractive investment, trading at just over 1X book value and a meaningful discount to replacement cost.

With Q2 global GDP results reported, the magnitude of the economic slowdown has been stark with U.S. GDP -32.9%, France -44.8%, Mexico -53.2%. At the same time, we are seeing the total market capitalization of the FANG stocks + Apple + Microsoft represent more market capitalization than the total value of 6 developed markets (Canada, France, Germany, Italy, Spain and the UK combined)! In addition, we have seen Shopify become the largest market capitalization company on the S&P/TSX. Does this dichotomy in the market make sense? As a bottom-up equity value manager, we do not think so, but at

Investment Team



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the same time, we are optimistic that some of the 20 separate global efforts to find a vaccine are likely to succeed next year. Despite all of this, we do not try to time markets and instead focus on our fundamental bottom-up analysis of earnings, cash flow and book value, investing in a portfolio of companies that trade at a discount to their intrinsic worth (knowing that market fundamentals will likely reassert themselves in the fullness of time).

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NINEPOINT CONCENTRATED CANADIAN EQUITY FUND - COMPOUNDED RETURNS¹
AS OF JULY 31, 2020 (SERIES F NPP152)

	1M	YTD	3M	6M	1YR	INCEPTION
Fund	1.7%	-22.5%	9.8%	-19.2%	-12.9%	-8.3%
Index	4.5%	-3.3%	10.3%	-5.0%	1.9%	5.8%

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, 2020; 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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