



# Ninepoint Energy Fund Marketview

July 6, 2022

## Thoughts on the Pullback

It feels like we have time warped back to March 2020. Panic and fear is palpable, headlines about recessions abound, and oil stocks have violently sold off, losing the most since the dark days of COVID's emergence. **Are we seeing any fundamental evidence to support the selloff in oil? No.**

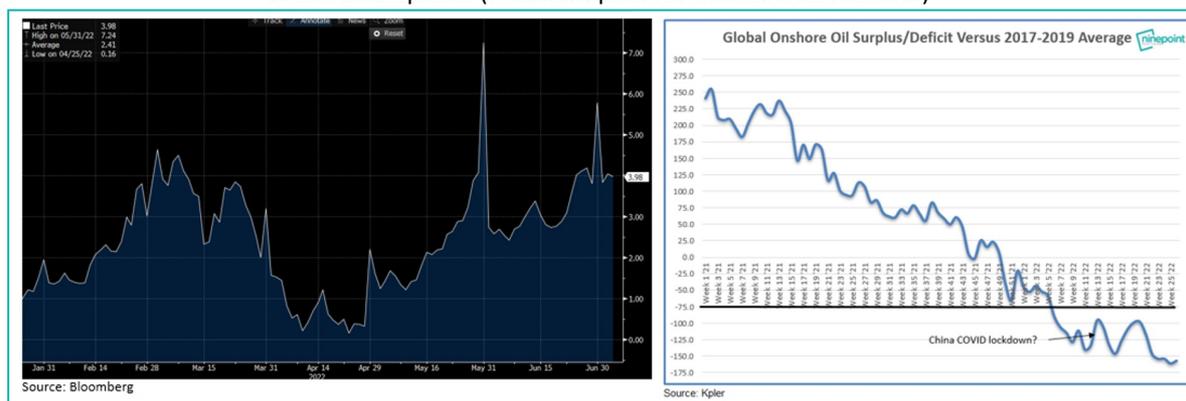
## Investment Team



**Eric Nuttall, CIM**  
Partner, Senior Portfolio Manager

*We can measure this in two ways: the structure of the oil curve and inventories. Neither are showing signs of weakness:*

Brent time spread (Premium paid for month 1 vs. month2)



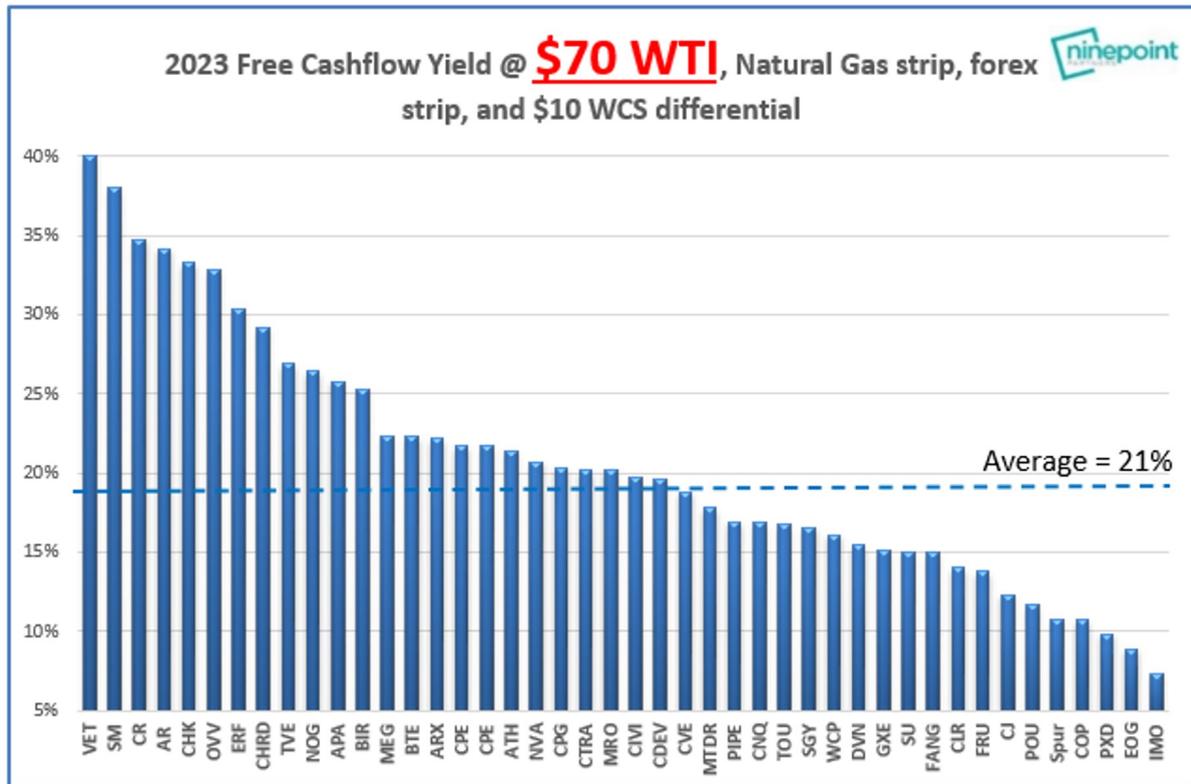
So why the sell off? In speaking with the top trading desks, the vast, vast majority of selling has been algorithmic/CTA selling driven by inflationary expectations. Moving averages are being broken, technical signals flashing negative, and selling is begetting more selling.

We continue to believe that nothing has changed with our thesis, that oil is in a multi-year bull market, and that this pullback, while gut wrenching and premature age inducing, will pass. We remain extremely confident in what we own: a basket of nearly debt-free companies, trading at 1.5X enterprise value to cashflow and 44% free cashflow yields, and set to increasingly return that free cashflow back to us in the form of dividends and buybacks.

Given the extent of the market undersupply, measured yesterday by Goldman Sachs (who is still sticking with their \$140/bbl forecast) at 1MM Bbl/d, we believe that any demand destruction (something that we have been saying is NECESSARY to balance the market), will be more than offset with supply growth challenges going forward.

Energy stocks, or at least the ones we own, are discounting about \$50WTI (or lower), and even if oil

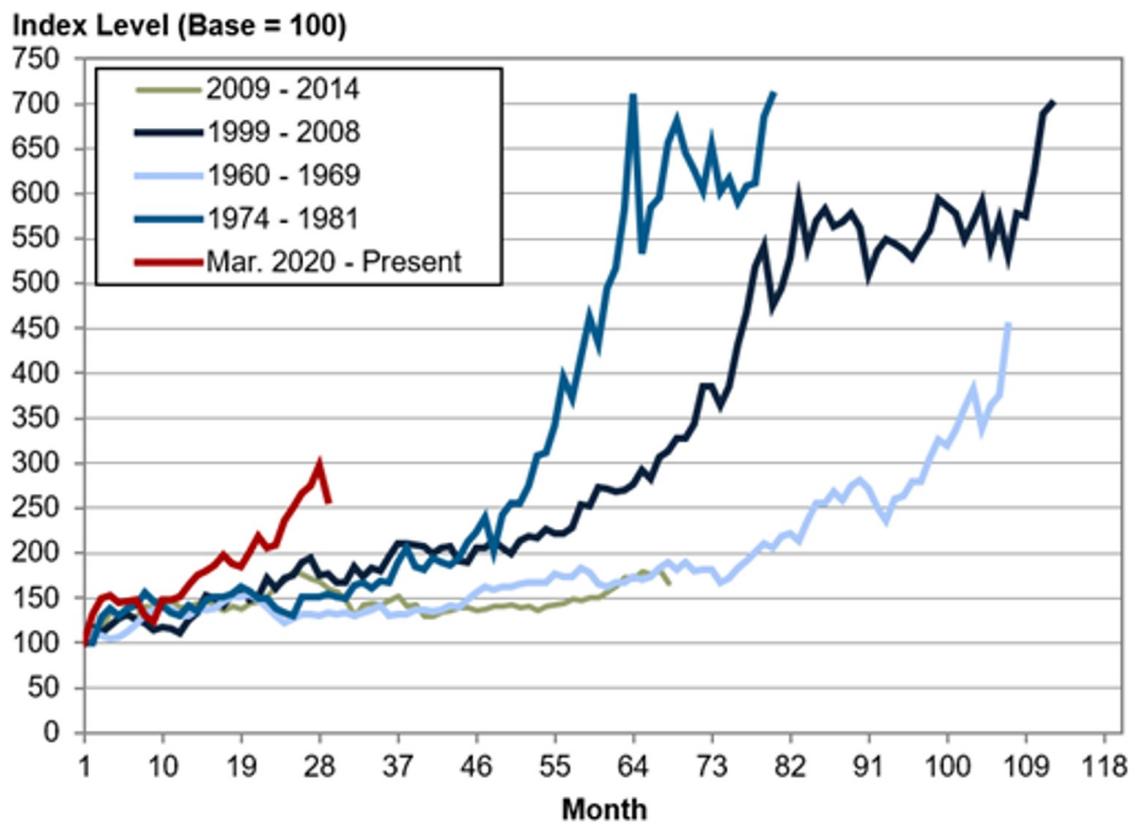
were to sell off as Citi was forecasting yesterday in the event of a recession, are still trading at highly compelling levels.



Source: Ninepoint Partners  
For illustrative purposes only

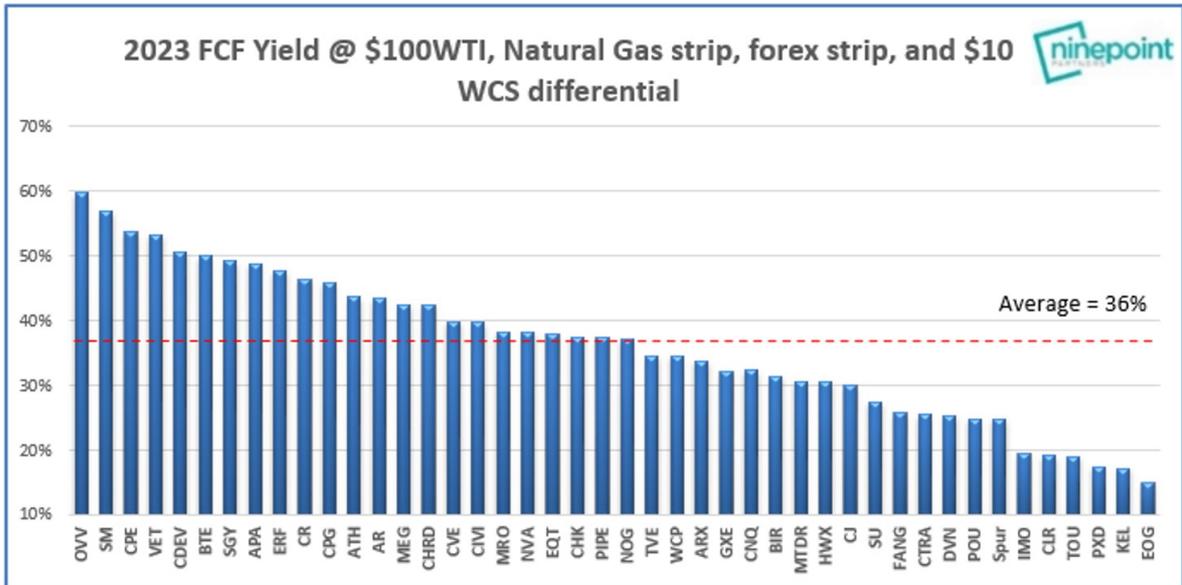
Undoubtedly, the past few days have been terrible to have to go through, but unfortunately are not uncommon in bull markets (see below). Positioning/CTA selling/panic are dominating the tape and we did not anticipate a drawdown of this magnitude. What gives us comfort is the strength of balance sheets, the commitment to increase dividends and buybacks (\$8BN in share buybacks were enacted in Q2 alone), and the consensus of opinions of those whom we respect (Energy Aspects, RBC, Cornerstone Analytics) that nothing fundamentally has changed. The short-term can be driven by fear, but it is fundamentals and free cashflow that will rule in the end.

## S&P TSX Energy Index Bull Markets

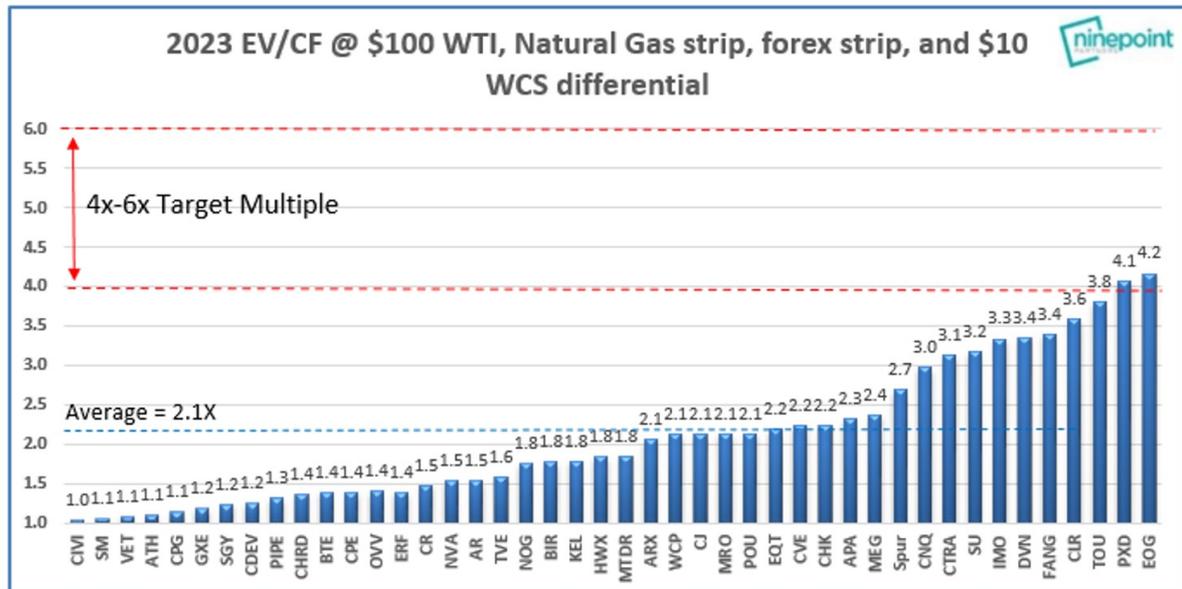


Source: Bloomberg, Peters & Co. Limited.

We remain bullish.



Source: Ninepoint Partners  
For illustrative purposes only



Source: Bloomberg, Ninepoint Partners  
For illustrative purposes only  
EV calculation uses year-end '23 value to account for multiple compression from free cashflow generation

**Eric Nuttall**

Senior Portfolio Manager

Ninepoint Partners

NINEPOINT ENERGY FUND - COMPOUNDED RETURNS<sup>1</sup> AS OF JUNE 30, 2022 (SERIES F NPP008) | INCEPTION DATE: APRIL 15, 2004

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	15YR
Fund	-15.7%	37.8%	-0.6%	37.8%	79.9%	55.2%	18.9%	8.4%	2.1%
S&P/TSX Capped Energy TR	-14.4%	42.1%	3.6%	42.1%	68.7%	22.4%	9.5%	2.9%	0.1%

<sup>1</sup> 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 June 30, 2022. The index is 100% S&P/TSX Capped Energy TRI and is computed by Ninepoint Partners LP based on publicly available index information.

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