



Ninepoint Focused Global Dividend Fund

July 2023 Commentary

Summary

- The Ninepoint Focused Global Dividend Fund generated a total return of 8.30% compared to the S&P Global 1200 Index, which generated a total return of 15.40%.
- The AI-related investment theme has driven strong year-to-date results, primarily fueled by multiple-expansion.
- Q2 earnings season shows better-than-expected results (5.2% decline vs. projected 8-9% decline).
- Positive EPS surprises and better-than-expected earnings decline contribute to a potential catch-up scenario for stocks, even if headline indexes remain stable or decline.
- Sectors like Consumer Staples, Energy, Financials, Health Care, Real Estate, and Utilities are being monitored for potential outperformance.
- The Fed's 525 basis point rate hikes likely mark the end of the tightening cycle; inflation peaked at 9.1% in June 2022 and was at 3.0% June 2023 in a year-over-year basis.
- The fund was concentrated in 30 positions. Over the prior fiscal year, 23 out of our 30 holdings have announced a dividend increase, with an average hike of 12.2% (median hike of 8.6%).



Jeff Sayer, CFA
Vice President, Portfolio Manager

Monthly Update

Year-to-date to July 31, the Ninepoint Focused Global Dividend Fund generated a total return of 8.30% compared to the S&P Global 1200 Index, which generated a total return of 15.40%. For the month, the Fund generated a total return of 1.65% while the Index generated a total return of 2.68%.

Ninepoint Focused Global Dividend Fund - Compounded Returns¹ As of July 31, 2023 (Series F NPP964) | Inception Date: November 25, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	Inception
Fund	1.7%	8.3%	1.6%	7.2%	11.3%	7.0%	6.3%	7.1%
S&P Global 1200 TR (CAD)	2.7%	15.4%	5.2%	9.3%	17.1%	11.5%	9.9%	10.4%

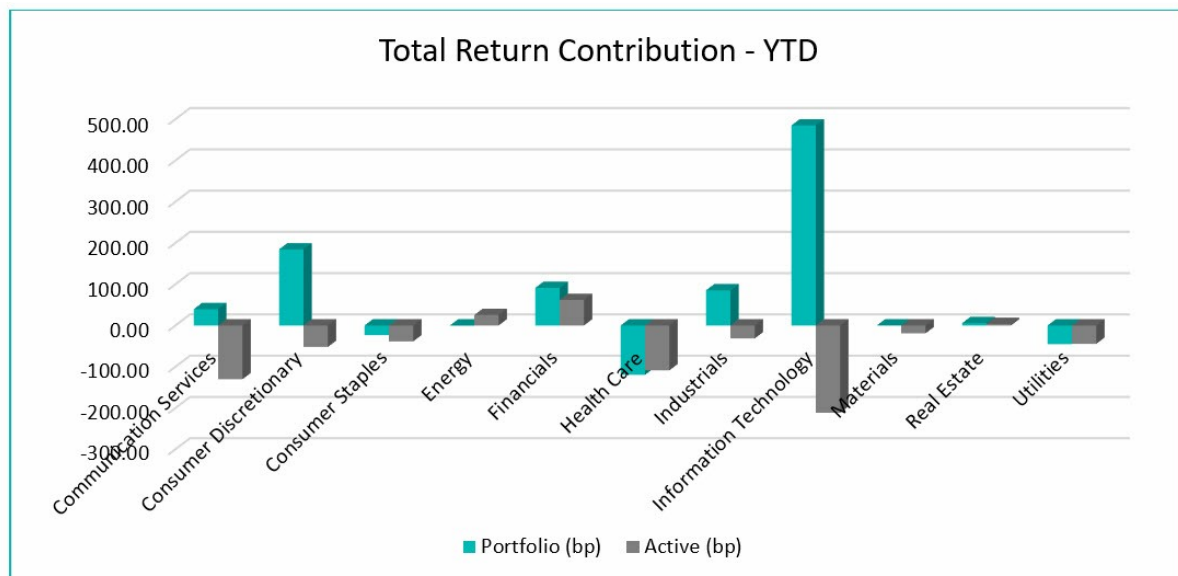
Stocks can move higher for many reasons, but, fundamentally, multiple-expansion or earnings growth (or a virtuous cycle of both occurring simultaneously), are required for capital appreciation. Investors in the AI-related investment theme have been rewarded with solid results year-to-date (powered by multiple-expansion) while most other investment opportunities have lagged. As the Q2 earnings season winds down, with 84% of the S&P 500 having reported actual results, 79% of companies have posted a positive EPS surprise. According to FactSet, the blended year-over-year earnings decline is 5.2%, admittedly down, but much better than initial expectations for a decline of somewhere between 8% to 9%. If the Q2 proves to be the earnings trough (consistent with current consensus estimates), we could see more stocks play “catch-up” even if the headline indexes move sideways or drift lower as earnings growth reaccelerates. In this environment, our job will be to find the companies that are posting solid earnings growth at acceptable valuations to generate long-term gains. Steady dividend payers and real asset strategies look poised to benefit from any rotation out of the high-multiple, technology winners of 2023.

Importantly, after 525 basis points of Fed interest rate hikes since March 2022, we believe that we are now at the very end of the tightening cycle. Inflation peaked in June 2022 at 9.1% and has steadily trended lower, to 3.0% in June (on a year-over-year basis). Although this most recent data point is above the Fed's official target of 2.0% inflation, Chairman Powell acknowledged that tightening until an actual 2.0% CPI reading would be inappropriate due to the lagged effect of higher rates. In the near term, while Fed FOMC members may continue to talk tough about inflation (and rightly so, to prevent rampant speculation fueled by incremental leverage), we think the pause becomes permanent. We still don't expect a pivot to easier monetary policy in 2023, however, we do believe that the end of the tightening cycle would allow some of the lagging sectors to lead over the balance of the year. We are particularly watching select names in the Consumer Staples, Energy, Financials, Health Care, Real Estate, and Utilities sectors, specifically those with solid dividend payouts, that have mostly underperformed year-to-date.

In an environment of moderating inflation but slowing growth through 2023, the most important drivers of investment performance will likely be valuation, balance sheet strength and the ability to consistently generate cash flow and earnings. Should the year-to-date rally broaden beyond everything related to the AI trade, a rotation into high quality, dividend payers would result in better relative performance from our strategies going forward. In keeping with our mandates, we are concentrating our efforts on free cash flow positive, high quality, dividend growth companies and real asset investments given our positive assessment of the risk/reward outlook over the next two to three years.

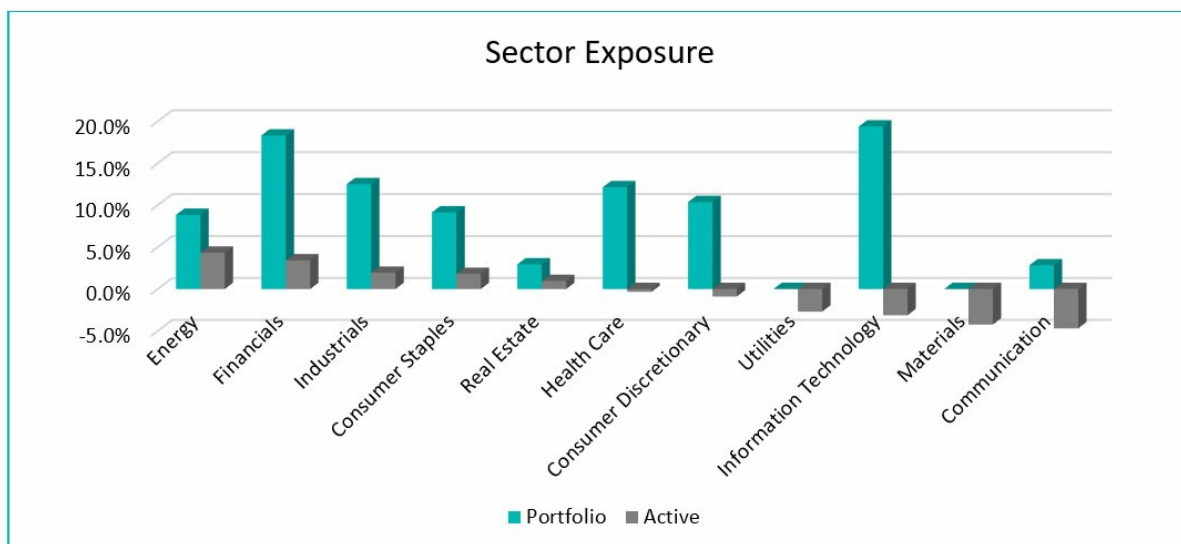
Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Fund by sector included Information Technology (+482 bps), Consumer Discretionary (+165 bps) and Financials (+148 bps) while top detractors by sector included Health Care (-116 bps) and Utilities (-45 bps) on an absolute basis.

On a relative basis, positive return contributions from the Energy (+80 bps), Financials (+49 bps) and Real Estate (+4 bps) sectors were offset by negative contributions from the Information Technology (-263 bps), Communication (-150 bps) and Health Care (-118 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Energy, Consumer Staples, and Consumer Discretionary sectors, while underweight the Materials, Communication and Utilities sectors. We continue to believe that we are at the end of the tightening cycle as inflation continues to trend lower and the unemployment rate begins to move higher. So, while we work through the late stages of one of the most highly anticipated downturns ever, we remain focused on high quality, dividend payers that have demonstrated the ability to consistently generate revenue and earnings growth through the cycle.



Source: Ninepoint Partners

The Ninepoint Focused Global Dividend Fund was concentrated in 30 positions as at July 31, 2023 with the top 10 holdings accounting for approximately 38.3% of the fund. Over the prior fiscal year, 23 out of our 30 holdings have announced a dividend increase, with an average hike of 12.2% (median hike of 8.6%). We will continue to apply a disciplined investment process, balancing various quality and valuation metrics, in an effort to generate solid risk-adjusted returns.

Jeffery Sayer, CFA

Ninepoint Partners

¹ All returns and fund details are a) based on Series F shares; b) net of fees; c) annualized if period is greater than one year; d) as at July 31, 2023; e) 2015 annual returns are from 11/25/15 to 12/31/15. The index is S&P GLOBAL 1200 TR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information.

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