



Ninepoint Energy Fund Market View

June 26 2018

Iran export reductions to be **TRIPLE** consensus?

Today's indication from the US State Department that no waivers will be granted for Iranian oil imports and that it is their desire that Iran exports "go to zero" **is a very, very important development for the oil market.**

Informed forecasts are now pointing to a reduction in Iran oil exports of 1.5-1.6MM Bbl/d by the end of this year. **This is TRIPLE THE MARKET CONSENSUS** and is a much more hawkish stance than what the prior administrations had taken (100% immediate reduction vs. 20% reduction per quarter).

What does this mean? We believe that OPEC+Russia only have 1.7MM Bbl/d of spare capacity. Accounting for the ~0.9MM Bbl/d of incremental production announced over the weekend (OPEC 0.7 + Russia 0.2) we believe this takes global spare capacity below 1MM Bbl/d. This is really, really important. The last time spare capacity got to such a low level (below 1.5% of total production) oil spiked to \$147/bbl. 1% spare capacity leaves the world without any emergency buffer in the event of a political disruption (say like in Libya overnight where General Haftar handed over control of the country's largest export port to a non-UN recognized government and could mean the continuing loss of ~0.4MM Bbl/d of exports!).

Before today we had accounted for no Iran exports + Venezuela declines in 2018 and 0.8MM Bbl/d of collective declines in 2019. Of this Venezuela was 0.3MM Bbl/d (likely to be much higher) and Iran was 0.5MM Bbl/d. Today's announcement triples our Iran disruption. We already had OECD inventories hitting the lowest level in history by May 2020 and today's statement accelerates the timeline on that possible event.

In short, a plausible reduction in Iranian exports by the end of 2019 could consume all of the spare capacity within OPEC and Russia. We are on a path towards uncharted territory. This event reinforces our view that oil is heading into triple digit territory in 2020 (today just made it a possible 2019 event). With oil only up 3.5% and some oil stocks only up 2% I do not think people are appreciating the significance of today.

We are in a multi-year bull market for oil.

Eric Nuttall

Senior Portfolio Manager

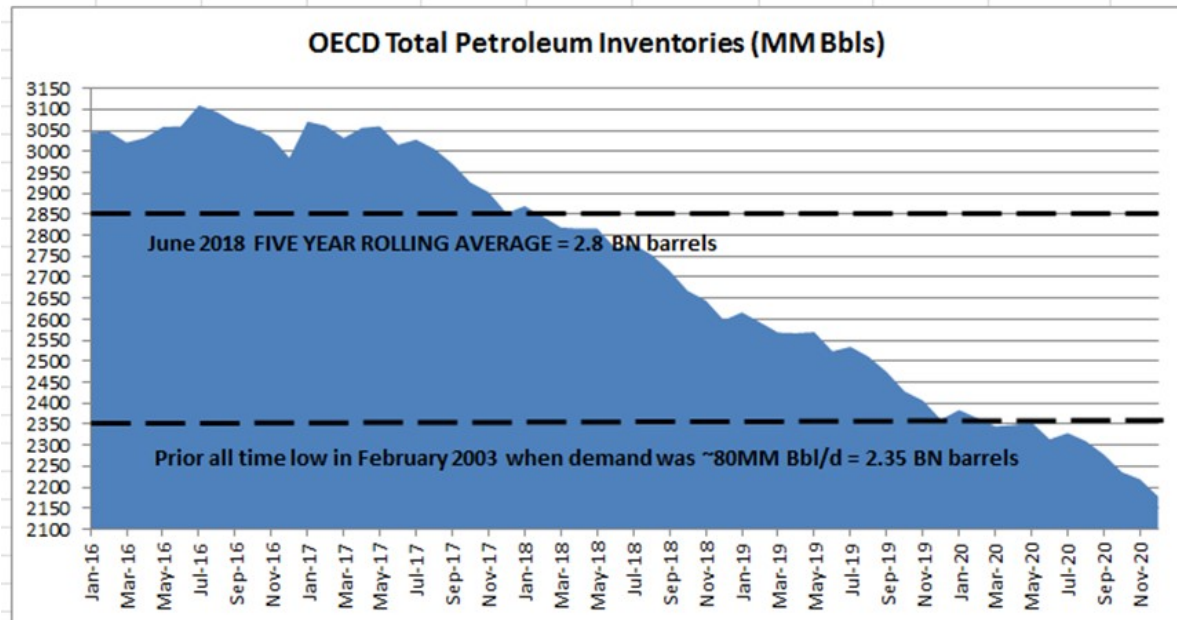
Ninepoint Energy Fund / Ninepoint Energy Opportunities Trust

Investment Team



Eric Nuttall, CIM
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<u>Global Oil Balances</u>			
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning of year undersupply	0.7	0.5	0.4
Add: Demand Growth	1.8	1.4	1.2
Total amount of required supply growth to reach balance	2.5	1.9	1.6
US Supply Growth	1.2	1.2	1.4
OPEC+Russia Supply Growth	0.6	1.2	0.3
Political Disruptions (Iran, Venezuela)	0	-0.8	0
Non-OPEC/US Supply Growth	0.2	-0.1	-0.2
Total estimated supply growth	2.0	1.5	1.5
End of year market balance	-0.5	-0.4	-0.1
Units: MM Bbl/d; Source: Ninepoint Partners			



Source: Ninepoint Partners

OPEC Monthly Production (MBpd)																		
	Algeria	Angola	Ecuador	Iran	Iraq	Kuwait	Qatar	Saudi Arabia	U.A.E	Venezuela	Gabon	Equatorial Guinea	OPEC Production ex. Libya and Nigeria	MOM Difference	Libya	Nigeria	Total OPEC	Russia
May-18	1,020	1,530	520	3,810	4,480	2,710	600	10,010	2,870	1,440	180	120	29,290	160	990	1,620	31,900	10,997
Apr-18	990	1,500	520	3,750	4,430	2,700	610	9,960	2,860	1,550	190	130	29,130	-63	990	1,810	31,930	10,975
Mar-18	1,000	1,570	513	3,810	4,430	2,700	610	9,870	2,860	1,510	190	130	29,193	-160	990	1,850	32,033	11,023
Feb-18	1,040	1,600	513	3,830	4,430	2,700	620	9,880	2,800	1,610	200	130	29,353	-220	1,050	1,800	32,203	11,005
Jan-18	1,020	1,620	513	3,830	4,430	2,710	600	9,960	2,850	1,710	200	130	29,573	-107	980	1,800	32,353	11,011
Dec-17	1,030	1,640	520	3,800	4,420	2,690	610	9,950	2,880	1,810	200	130	29,680	-40	970	1,820	32,470	10,965
Nov-17	1,010	1,610	520	3,820	4,390	2,700	600	9,970	2,910	1,860	200	130	29,720	-100	1,000	1,750	32,470	11,005
Oct-17	1,020	1,710	530	3,810	4,350	2,750	570	10,010	2,910	1,860	190	110	29,820	-260	980	1,750	32,550	10,997
Sep-17	1,040	1,640	540	3,830	4,470	2,720	610	10,000	2,930	1,970	210	120	30,080	10	920	1,770	32,770	10,970
Aug-17	1,060	1,660	530	3,790	4,490	2,710	610	10,000	2,920	1,970	200	130	30,070	-60	890	1,750	32,710	11,124
Jul-17	1,060	1,680	530	3,790	4,500	2,700	610	10,030	2,910	1,970	200	150	30,130	60	1,010	1,710	32,850	11,003
Jun-17	1,060	1,670	530	3,760	4,480	2,710	620	10,020	2,900	1,970	200	150	30,070	240	840	1,750	32,660	11,012
May-17	1,040	1,630	530	3,760	4,420	2,710	620	9,930	2,860	1,980	200	150	29,830	-65	760	1,700	32,290	11,019
Apr-17	1,040	1,660	530	3,760	4,410	2,700	615	9,950	2,900	1,980	200	150	29,895	(20)	550	1,600	32,045	11,061
Mar-17	1,040	1,630	530	3,765	4,430	2,705	610	9,940	2,915	2,000	180	150	29,915	(150)	620	1,550	32,085	11,135
Feb-17	1,040	1,690	535	3,780	4,440	2,710	620	9,940	2,950	2,030	180	150	30,065	15	700	1,600	32,445	11,195
Jan-17	1,040	1,670	530	3,800	4,490	2,710	615	9,870	2,950	2,030	195	150	30,050	(1,110)	690	1,640	32,380	11,186
Dec-16	1,110	1,670	550	3,730	4,630	2,860	620	10,480	3,070	2,080	210	150	31,160	(170)	630	1,500	33,290	11,223
Nov-16	1,120	1,690	550	3,750	4,620	2,910	620	10,530	3,060	2,120	210	150	31,330	70	580	1,650	33,560	11,294
Oct-16	1,130	1,520	560	3,680	4,590	2,960	620	10,580	3,130	2,140	200	150	31,260	(160)	520	1,600	33,380	11,298
Sep-16	1,110	1,730	560	3,630	4,540	2,940	640	10,600	3,110	2,200	210	150	31,420	80	340	1,500	33,260	11,174
Aug-16	1,110	1,770	550	3,620	4,480	2,930	660	10,640	3,030	2,190	210	150	31,340	230	260	1,390	32,990	10,794
Jul-16	1,080	1,760	550	3,560	4,410	2,860	660	10,660	3,000	2,200	220	150	31,110	280	300	1,570	32,980	10,964
Jun-16	1,080	1,750	550	3,530	4,350	2,900	660	10,470	2,920	2,250	220	150	30,830	400	320	1,590	32,740	10,939
May-16	1,090	1,740	550	3,500	4,370	2,830	650	10,260	2,860	2,210	220	150	30,430	(10)	280	1,440	32,150	10,922
Apr-16	1,100	1,800	560	3,500	4,420	2,770	670	10,200	2,800	2,250	220	150	30,440	509	310	1,610	32,360	10,908
Mar-16	1,100	1,780	551	3,200	4,150	2,860	650	10,190	2,760	2,320	220	150	29,931	(52)	330	1,720	31,981	10,989
Feb-16	1,110	1,801	551	3,100	4,200	2,850	650	10,200	2,620	2,331	220	150	29,983	(128)	370	1,889	32,242	10,990
Jan-16	1,100	1,751	534	2,860	4,510	2,860	650	10,200	2,930	2,346	220	150	30,111		370	2,028	32,509	10,922
Avg. of first 6 months of 2016	1,097	1,770	549	3,282	4,333	2,845	655	10,253	2,848	2,285	220	150	30,288		330	1,713		10,945
First 6 month avg vs. peak month	13	(40)	11	348	(207)	95	(15)	(347)	(262)	(85)	(10)	0	1,133					
Diff. now vs. peak month	(90)	(200)	(40)	180	(60)	(230)	(40)	(590)	(240)	(760)	(30)	(30)	(2,130)		650	120		301
OPEC QUOTA + / - vs. quota	1,039	1,673	522	3,797	4,351	2,707	618	10,058	2,874	1,972	193	121	29,925		826	1,572	32,323	
Compliance	102%	109%	100%	100%	97%	100%	103%	100%	100%	137%	107%	101%	102%		83%	97%	101%	
Current Oil Production	1,020	1,530	520	3,810	4,480	2,710	600	10,010	2,870	1,440	180	120	29,290		990	1,620	31,900	10,997
Highest Production Level in the past 2.5 years	1,130	1,800	560	3,830	4,630	2,940	670	10,660	3,130	2,346	220	150	32,066		1,050	2,028	35,144	11,298
Difference	110	270	40	29	150	230	70	650	260	906	40	30	2,776		99	408	3,244	301

Source: Bloomberg - manual entry; Russian data is Energy Intelligence from Bloomberg

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Source: Bloomberg, Energy Intelligence

OPEC Production at Peak Level	35,144
Current Level	31,900
Difference	3,244
Less: Red Countries	1,814
Implied Max Theoretical Latent OPEC Productive Capacity	1,430
Add: Russia	301
Total Theoretical OPEC +Russia Latent Productive Capacity	1,731
Less: Announced "real" production increase June 22, 2018	700
Implied Spare Capacity	1,031

Source: Bloomberg

NINEPOINT ENERGY FUND - COMPOUNDED RETURNS¹

1M	YTD	3M	6M	1YR	3YR	5YR	10YR	15YR	INCEPTION
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Fund	-20.6%	-20.6%	6.5%	-1.5%	-11.6%	-25.1%	-14.1%	-5.9%	-3.6%	-0.5%
Index	-11.1%	-11.1%	6.2%	-1.2%	-9.7%	-11.2%	-7.1%	-4.6%	-0.4%	1.0%

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 May 31, 2018; e) 2004 annual returns are from 04/15/04 to 12/31/04. 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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