Ninepoint Global Infrastructure Fund

June 2020 Commentary

Year-to-date to June 30, the Ninepoint Global Infrastructure Fund generated a total return of -2.65% compared to the MSCI World Core Infrastructure Index, which generated a total return of -4.99%. For the month, the Fund generated a total return of -0.98% while the Index generated a total return of -2.98%.

Investment Team

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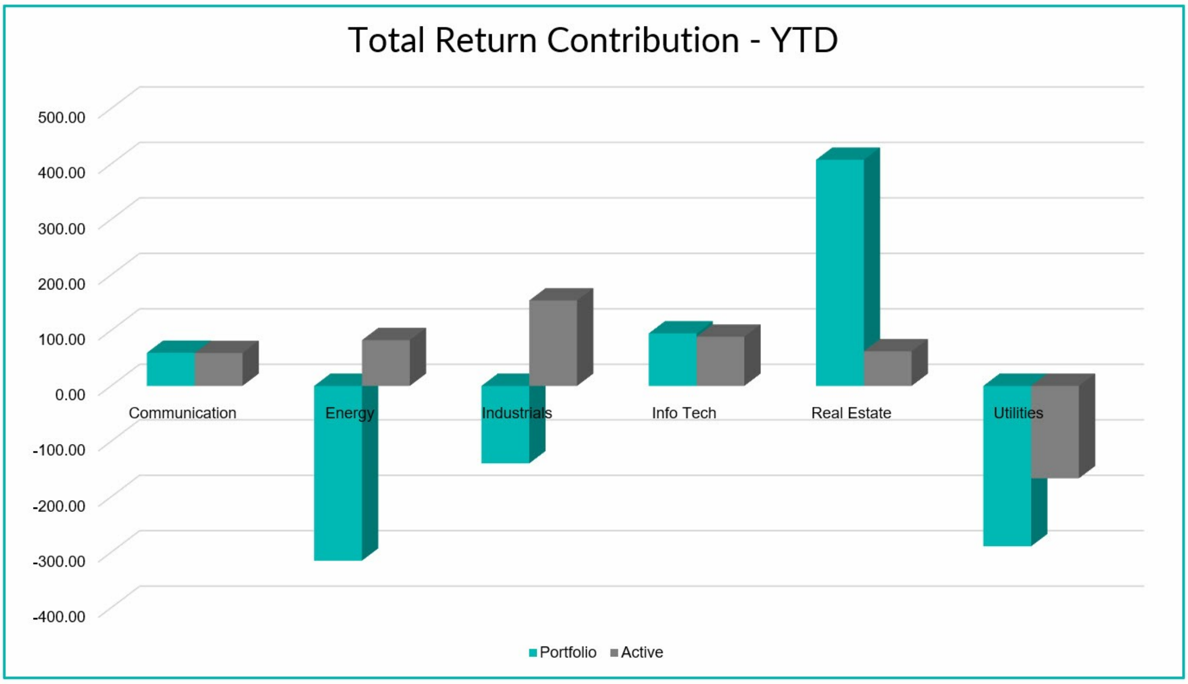
Although the COVID-19 outbreak triggered the deepest global recession since WWII, the world is now beginning to reopen, albeit in fits and starts. As expected, the number of new cases is rising as we increase our mobility and interact with more people outside of our quarantine bubbles. However, the phased reopening seems to be going reasonably well in locations where compliance with social distancing norms (including the use of facemasks when indoors) remains high. Unfortunately, the United States is still struggling with the first wave of the outbreak (notably in Arizona, California, Florida and Texas) where civil liberties have taken precedence over the common good. Thankfully, we have yet to see dramatic spikes in either hospitalizations or deaths (possibly because the average age of new cases has dropped by approximately fifteen years thus improving the odds of survival for those infected) but clearly the most vulnerable need to be protected until we have an effective vaccine.

From an investment perspective, the equity markets have recovered from the panic lows of March 23rd in what most closely resembles a “V-shaped” rebound. In fact, the 20% return posted by the S&P 500 in Q2 2020 is the best quarterly return since Q4 1998 and the Index has now bounced 41% from its lows. Importantly, the rally has been supported by improving economic data, with the JPMorgan Global Composite PMI at 47.7 in June, up from 36.3 in May and 26.2 in April, the US Composite PMI at 47.9 in June, up from 37.0 in May and 27.0 in April and the Eurozone Composite PMI at 48.5 in June, up from 31.9 in May and 13.6 in April. Although still in contraction territory, the directional improvement in both the manufacturing and services components of the US economy has translated into job gains and the Bureau of Labor Statistics recently reported that total nonfarm payroll employment rose by 4.8 million in June after a 2.5 million gain in May.

The question now becomes whether the economic recovery is self-sustaining and continues higher or levels off below the prior peak, which will determine the pace and magnitude of the earnings recovery. On a positive note, fiscal and monetary stimulus have reached epic proportions (the US has already provided $3 trillion in fiscal support with another $1 to $1.5 trillion possible by the late-July to early-August time frame). However, bond investors don’t yet believe the recovery story (or at least any sort of inflationary economic growth) with the US 10-year Treasury yield stuck in a range between 0.6% and 0.8% despite the rebound in the equity market. So, the question remains unresolved for now, but a positive vaccine announcement would be an immediate game-changer. From my perspective, a quick analysis of the S&P 500 dividend yield to the US 10-year Treasury yield suggests that dividend paying securities haven’t been this attractive relative to bonds in over twenty years. Calendar 2020 year is far from over, but a portfolio of dividend paying stocks, balanced between growth/momentum and value/cyclical factors should continue to perform well through the cycle. Having said that, we do need to keep an eye on the potential short-term risks, including disappointment related to a Phase IV stimulus package, concerns regarding the rising number of new COVID-19 cases and uncertainly surrounding the upcoming US Presidential election.

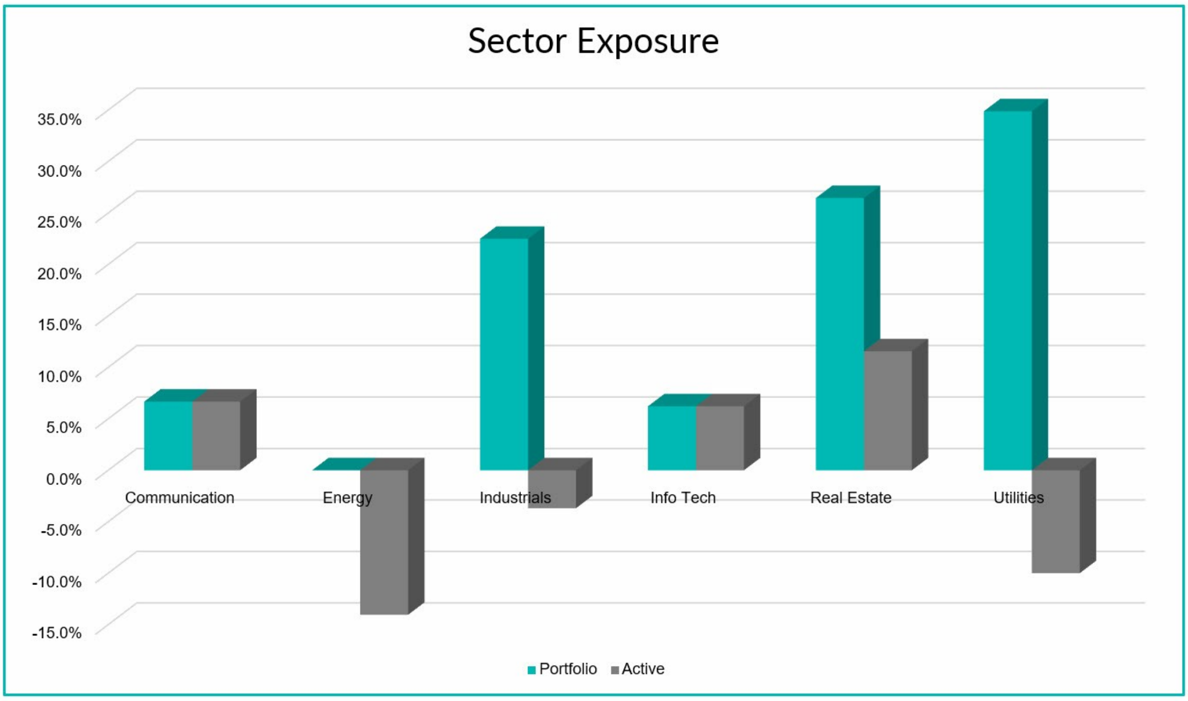
Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Real Estate (+408 bps), Information Technology (+95 bps) and Communication (+60 bps) while top detractors by sector included Energy (-315 bps), Utilities (-289 bps) and Industrials (-140 bps) on an absolute basis.

On a relative basis, positive return contributions from the Industrials, Information Technology, Energy, Real Estate and Communication sectors were only offset by a negative contribution from the Utilities sector. The typically defensive Utilities sector has been surprisingly weak year-to-date, which we attribute to relatively higher-than average valuation levels prior to the selloff, higher-than-average balance sheet leverage and lower power demand. However, the Utilities sector's performance has begun to improve over the past few weeks as the global economy showed signs of stabilization and balance sheet concerns dissipated.



Source: Ninepoint Partners

We are currently overweight the Real Estate, Communication and Information Technology sectors, while underweight the Energy, Utilities and Industrials sectors. We have reinvested the bulk of our cash position, in line with our "total-infrastructure" approach as the digitalization of the economy accelerates.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Equinix (+90 bps), Boralex (+87 bps) and Crown Castle (+87 bps). Top detractors year-to-date included NextEra Energy Partners (-125 bps), Engie (-114 bps) and Eiffage (-94 bps).

In June, our top performing investments included Enel (+34 bps), Marathon Petroleum (+24 bps) and Boralex (+23 bps) while Williams (-36 bps), SBA Communications (-27 bps) and QTS Realty (-24 bps) underperformed.

The Ninepoint Global Infrastructure Fund was concentrated in 29 positions as at June 30, 2020 with the top 10 holdings accounting for approximately 38.1% of the fund. Over the prior fiscal year, 19 out of our 29 holdings have announced a dividend increase, with an average hike of 6.0% (median hike of 7.0%). 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 Partners

NINEPOINT GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS[1]

AS OF JUNE 30, 2020 (SERIES F NPP356)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-1.0%	-2.6%	5.1%	-2.6%	3.9%	5.3%	5.1%	6.9%
Index	-3.0%	-5.0%	6.8%	-5.0%	-0.3%	7.3%	8.7%	12.5%

[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 June 30, 2020; 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.

mentioned in this report.

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