Ninepoint Global Infrastructure Fund

March 2018 Commentary

Investment Team

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Vice President, Portfolio Manager

Year-to-date to March 31, the Ninepoint Global Infrastructure Fund generated a total return of -2.37% compared to the S&P Global Infrastructure Index, which generated a total return of -3.21%.

Returns in the month of March were disappointing on a relative and absolute basis, with the Fund generating a total return of -0.18% while the benchmark generated a total return of 0.57%. After a fantastic start to the year and a correction in February, March was another difficult month for the broad equity markets. Utilities rallied strongly in March, but we remain underweight given our outlook for rising rates over a medium to long-term time horizon. A weakening Canadian dollar provided a tailwind to the Fund in the month.

Our modelling indicates that the Canadian dollar should continue to weaken in 2018. Although the Canadian dollar strengthened throughout January on accelerating global growth expectations, the currency began to decline in February and the trend persisted through the middle of March. With a resolution to the ongoing NAFTA negotiations expected shortly, we have hedged approximately half of our USD exposure in order to reduce currency-related volatility in the Fund.

Following months of investigation and threats, the Trump administration recently announced its intention to place tariffs on approximately $50 billion worth of Chinese goods, heightening the risk of a global trade war. Despite the concerning headlines, we believe that negotiations will prevail before any significant damage can be done to the outlook for global growth and corporate profits. From our perspective, the correction has provided an opportunity to high-grade our portfolios and add exposure to infrastructure-related sectors and stocks that benefit most in a mid to late-cycle environment.

Top contributors to the year-to-date performance of the Sprott Global Infrastructure Fund included Raytheon (+67 bps), Mastercard (+56 bps) and Marathon Petroleum (+35 bps). Top detractors year-to-date included Westshore Terminals (-61 bps), Williams Companies (-50 bps) and Pembina Pipeline (-39 bps). Note that we have sold our position in Westshore Terminals given the rising risk of Teck Cominco moving a portion of its export coal volumes, currently handled by Westshore, to its Neptune Terminal.

One of our top performing holdings in March was Marathon Petroleum (MPC US), the US-based crude oil refiner and marketer. In addition to its seven refineries in the US Gulf Coast and Midwest, the Company owns over 8,400 miles of pipeline and is one of the largest asphalt and light oil product terminal operators in the US. Backing out MPC's Speedway segment, its gas station and convenience store network, we believe that a sum of the parts analysis indicates that the shares remain undervalued.

The Ninepoint Global Infrastructure Fund was concentrated in 29 positions as at March 31, 2018 with the top 10 holdings accounting for approximately 38.9% of the fund. Over the past year, 26 out of our 29 holdings have announced a dividend increase, with an average hike of 16.6%. 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

[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 March 30, 2018; e) 2011 annual returns are from 09/01/11 to 12/31/11.

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