# Ninepoint Concentrated Canadian Equity Fund

## March 2019 Commentary

The S&P/TSX added 1.0% as Information Technology (+6%), Utilities (+5%) and Real Estate (+4%) led the market while Financials (-1%), Consumer Discretionary (-1%) and Energy (-0.3%) were in negative territory.

Our portfolio underperformed, as the portfolio's gains in security selection in Financials were insufficient to overcome the losses from security selection in Energy, Materials and Industrials.

### Investment Team

**Robert Dionne, CFA, CPA, CMA, DMS, FCSI**
Vice President & Portfolio Manager, Scheer Rowlett & Associates - Sub-Advisor

In Financials, Element Fleet Management (+13%) and Power Corp. (+12%) both contributed. Element Fleet Management reported in line with consensus and guidance, due to better service revenue, earning assets, and net interest margins which were offset by higher operating expenditures (in part attributable to seasonality of accruals of benefit/bonus payments). As Element Fleet continues with its transformation under its strategic plan, it appears to be on schedule as they have initiated $58 million of run-rate profit improvements (+$18 million more than the initial target). Power Corp is benefiting from a share buyback within the group - Great West Life announced a $2bln share buyback. Power Financial will tender their proportionate shares to the buyback and then will do their own buyback, which Power Corp. will then take to do their own buyback for 10% of their shares (for ~$1.3bln), affirming our view of the value inherent in the company.

In Energy, Trican Well Service (-12%) detracted value. Trican continues to experience a difficult operating environment (lower than expected utilization and competitive, low pricing), as customers decrease activity to reflect lower cash flows. Trican has low debt and trades at a substantial discount to book and replacement value, which we expect to be realized (from a low level) with higher commodity prices and more reasonable Canadian differentials.

In Materials, Sherritt International (-10%), Lundin Mining (-7%) and Detour Gold (-6%) all lost value. Sherritt and Lundin, which had benefited earlier in the year (through February) on improved nickel and copper prices, pulled back as commodity prices were weaker in the month (both copper and nickel declined 2%). We continue to believe that Sherritt has strong longer term upside potential on improvements in Class 1 nickel supply environment (LME inventory levels are down 44% over the last year). As for Lundin, the company is well positioned with quality assets, an excellent balance sheet and an attractive valuation. Detour Gold weakened with the 2% decline in gold prices along with reporting a slight miss in their Q4 results.

In Industrials, WestJet (-6%) underperformed the sector by 10% (while Air Canada (-2%) underperformed by -6%) on the back of the grounding of their Boeing 737 MAX jets. WestJet has 13 of these planes, representing 7% of their fleet (vs. Air Canada's 24, representing 10% of their fleet) and the rescheduling of flights has caused some uncertainty for the industry. While there is some precedent that Boeing may cover some of the business interruption (as done in 2013 when the 787

Dreamliner's battery issues grounded planes), there is uncertainty about WestJet's busy summer period. With fare increases implemented capacity reductions and ratified union agreements, the company's fundamentals have improved – we continue to believe the stock (~9X forward earnings and ~1X price to book value per share) has good upside potential from current levels.

With Regards,

**Robert Dionne**

Vice President & Portfolio Manager
Scheer, Rowlett & Associates Invesment Management Ltd

issuers mentioned in this report.

Ninepoint Partners LP: Toll Free: 1.866.299.9906. DEALER SERVICES: RBC Investor & Treasury Services: Tel: 416.955.5885; Toll Free: 1.877.874.0899