Ninepoint Focused Global Dividend Class

April 2019 Commentary

Investment Team

Jeff Sayer, CFA
Vice President, Portfolio Manager

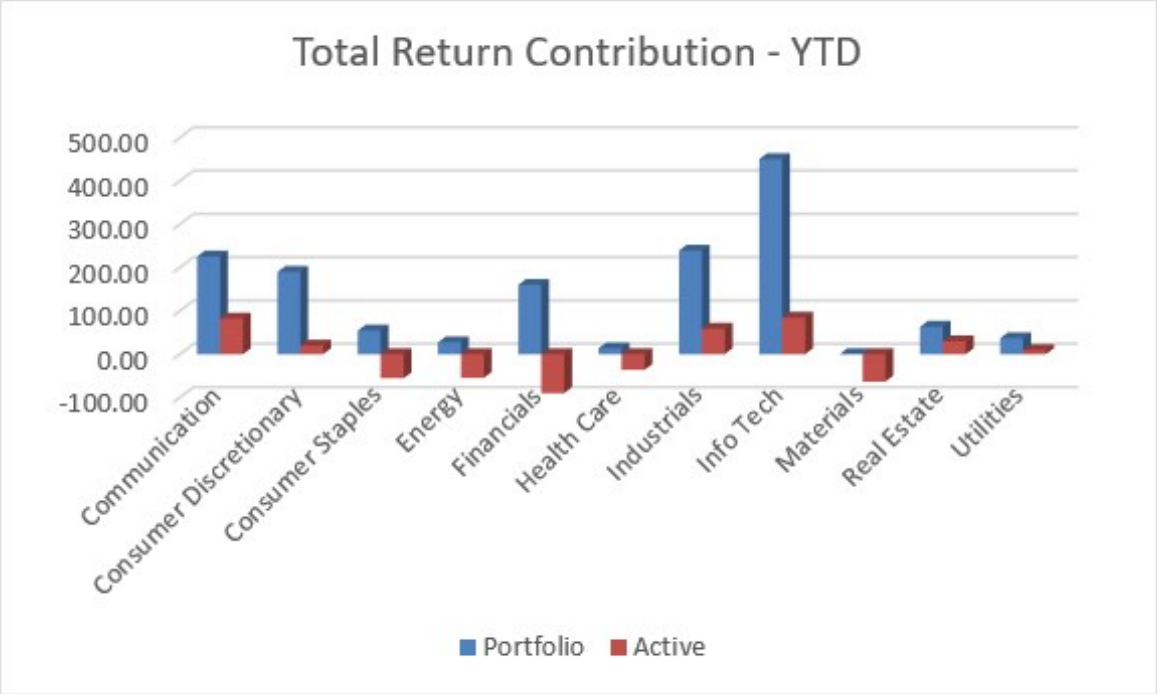
Year-to-date to April 30, the Ninepoint Focused Global Dividend Class generated a total return of 14.29% compared to the S&P Global 1200 Index, which generated a total return of 14.63%. For the month, the Fund generated a total return of 3.94% while the Index generated a total return of 4.38%. After an extremely disappointing Q4 2018, the broad markets continued to make a V-shaped recovery in 2019, approaching prior all-time highs.

As we've discussed previously, the 2019 rally has been driven by multiple expansion, which has been validated by a Q1 2019 earnings season that has played out better than originally feared. With approximately 80% of the S&P 500's constituents having reported results, the blended revenue growth rate (includes both actual and estimated results) has reached 5.2% and the blended earnings growth rate has improved to a decline of only 0.8% on a year over year basis, according to FactSet. Forecasters who had been calling for a decline of mid-single digits and potentially an earnings recession seem to have been proven to be overly pessimistic.

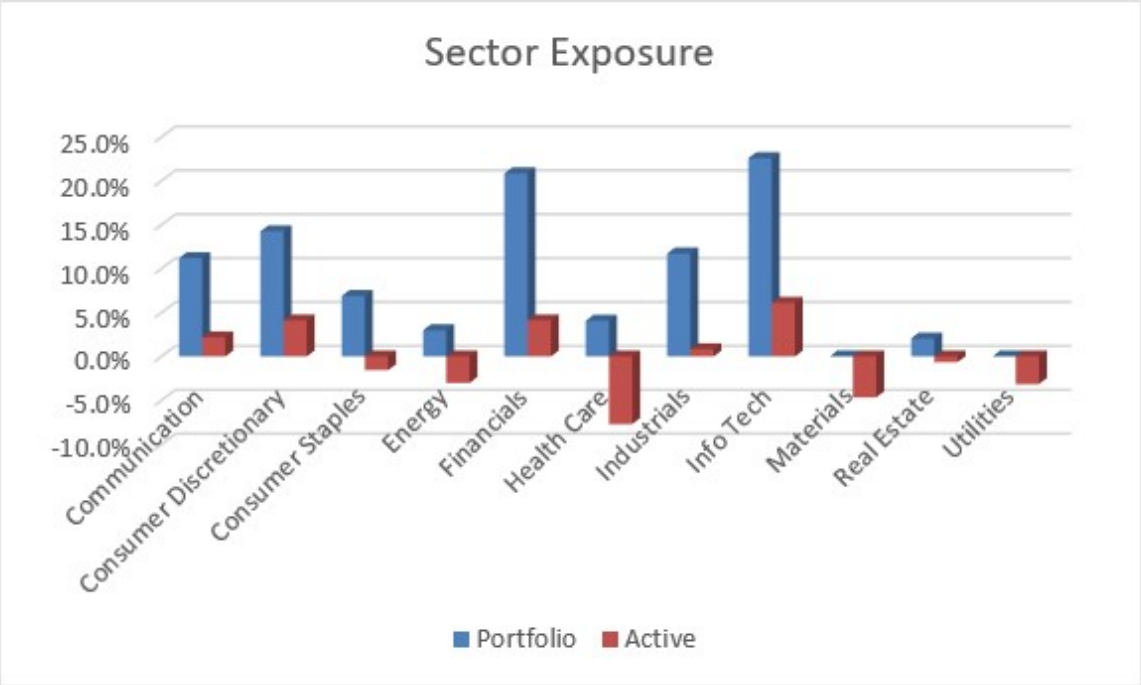
Further, global economic data has continued to stabilize, with the IHS Markit US Composite PMI at 53.0 in April, the IHS Markit Eurozone Composite PMI at 51.3 in April and the Caixin China Composite PMI at 52.7 in April, all above the key 50.0 expansionary level. Although the United States and China have yet to officially announce some form of a trade deal, we believe that an agreement is more likely than not, given President Trump's bid for a second term, which should bolster global growth expectations going forward.

Finally, the earnings multiple expansion that we've seen in 2019 can be justified by the FED's dovish messaging through the first four months of the year. We are quite aware that the 3-month to 10-year yield curve inverted (although the more widely-watched 2-year to 10-year yield curve remained positively sloped) but this will likely prove to be a false signal in terms of predicting a recession within the next 12 to 18 months given how quickly the curve normalized. Instead, we are diligently watching consumer confidence (which rebounded in April to 129.2 compared to 124.1 in March), jobless claims (which remained near 50-year lows in April) and the unemployment rate (which fell to 3.6% in April, the lowest rate since December 1969) for any signs of an impending economic downturn. For now, monetary policy remains supportive of continued economic expansion.

Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Class by sector included Information Technology (+450 bps), Industrials (+239 bps) and Communication (+225 bps) while no sector had a negative contribution on an absolute basis. Because we have been underweight Financials year-to-date, we have lagged the sector on a relative basis but have recently increased our exposure.



We are overweight the Information Technology, Financials and Consumer Discretionary sectors while underweight the Health Care, Materials and Utilities sectors. We believe that one of the most important investment decisions that will have to be made in 2019 will be whether to pivot to "value" from "growth". A weakening USD, a rising WTI crude oil price, a rising 10-year US bond yield and a steepening yield curve will likely be required before value outperforms growth for any sustainable length of time. However, if we do see all those conditions met in 2019, we expect to boost our exposure to the Energy, Industrials and Materials sectors. If not, we expect to maintain our current positioning.



At the stock specific level, top contributors to the year-to-date performance included Microsoft

(+161 bps), Mastercard (+157 bps) and Comcast (+111 bps). Top detractors year-to-date included Boston Scientific (-44 bps), Anthem (-37 bps) and Total (-17 bps).

In April, our top performing investments included Walt Disney (+74 bps), Microsoft (+71 bps) and Mastercard (+46 bps) while Anthem (-56 bps), Boston Scientific (-20 bps) and Chevron (-13 bps) underperformed.
The Walt Disney Company, our top contributor in April, rebounded dramatically after an impressive investor day on April 11, 2019. Leading up to the meeting, shares of Disney had basically flat-lined as investors waited to hear more details of management's strategic vision. Thankfully, the investor day exceeded expectations on almost all measures and acted as a clear catalyst, with the shares up 11.5% the next day.

This year's investor day was eagerly anticipated since it was well-known that Disney would finally disclose greater information regarding its direct-to-consumer offering, called "Disney+". Details did not disappoint, with management targeting a November 12th launch date in the US market at a price point of $6.99 per month (approximately half the price of a comparable Netflix monthly subscription). They also revealed that the service will offer new original programming in addition to the Company's deep catalogue of movies and TV shows from Disney, Pixar, Star Wars, Marvel Studios and National Geographic, as well as The Simpsons and other 20th Century Fox Titles.

Disney even provided specific guidance of between 60 to 90 million subscribers by fiscal 2024 (1/3 domestic and 2/3 international) and forecasted profitability within a five-year time frame. For comparison purposes, Netflix has approximately 150 million streaming paid memberships today and a current market cap of $166 billion. If we value Disney based on a sum-of-the-parts analysis, incorporating Disney's core earnings (including the Media Networks segment, the Parks, Experiences & Consumer Products segment and the Studio Entertainment segment) and the direct-to-consumer offering (including Disney+, ESPN+ and Hulu), we can arrive at a valuation significantly above Disney's current total market cap of $243 billion. Building a successful direct-to-consumer service will admittedly take significant amounts of time and capital (and will likely not be a linear journey) but the value-creation opportunity is undeniable.

The Ninepoint Focused Global Dividend Class was concentrated in 27 positions as at April 30, 2019 with the top 10 holdings accounting for approximately 43.6% of the fund. Over the prior fiscal year, 23 out of our 27 holdings have announced a dividend increase, with an average hike of 16.6%. We will continue to apply a disciplined investment process, balancing various quality and valuation metrics, in an effort to generate solid risk-adjusted returns.

Jeffrey Sayer, CFA

NINEPOINT FOCUSED GLOBAL DIVIDEND CLASS - COMPOUNDED RETURNS[1]

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	3.9%	14.3%	9.8%	8.9%	7.5%	10.6%	7.5%
Index	4.4%	14.6%	10.7%	12.0%	12.0%	15.0%	10.9%

[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 March 31, 2019; 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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