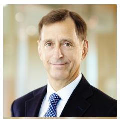
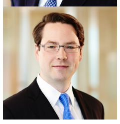
Fixed Income Market View

March 9, 2020

Investment Team



Mark Wisniewski,
Partner, Senior Portfolio Manager



Etienne Bordeleau-Labrecque, MBA, CFA
Vice President, Portfolio Manager

Chris Cockeram, MBA, CFA
Vice President, Associate Portfolio Manager

Given all that's going on, we thought we'd provide a few thoughts on the macro environment and then on fund positioning (Diversified Bond Fund & Credit Income Opportunities Fund).

Prior to Friday, this market sell off was primarily driven by Coronavirus fears (supply and demand shock, leading to an economic slowdown, risks of global pandemic, recession, etc). We have shared our thoughts with sales last Saturday on this topic.

This is by no means gone, and we still think that things will get worse before they get better. The market has been slow to internalize the effects of the virus and we thought there was another leg down/shoe to drop when the infection rate was going to increase in the US. This was happening late last week, and is behind the very large drop in interest rates and widening of credit spreads we have seen. Until now, credit was behaving very well (vs equities).

As if that wasn't enough, the Russians and Saudis have decided to start an oil price war. Eric has sent you plenty of material on that topic during the weekend, so I won't discuss the specifics of that in more details.

The repercussions of this huge decline in oil prices, compounded with the already weakening macro backdrop have the potential to inflict a lot of damage to credit markets, with feedback to the real economy.

Lower oil prices impact the economy and credit markets in a few ways:

1. Lower prices at the pump (this positive impact doesn't matter much right now because people are not travelling)
2. Energy companies and investment: big part of US and Canadian CAPEX is from oil and gas. This is certain to decline even further now.
3. We will likely see bankruptcies in the oil patch à banks will tighten credit, similar to the 2015/2016 episode.
4. There's a lot of large bond issuers that are rated BBB or BBB-, and those have they potential to get downgraded to junk, putting further stress on HY indices.
5. Mechanically, lower energy prices mean lower expected inflation, and thus lower bond yields.

-interbank Funding spreads show signs of stress (3m LIBOR – OIS)

Source: Bloomberg

Investment Grade Credit spreads are jumping higher. The pace of this move is unprecedented. We are close to 2015/2016 highs, in the space of a week.

Source: Bloomberg

This puts further pressure on central banks to prop up the economy and make sure credit and money markets stay well oiled. (pun intended).

This morning, the NY Fed announced a new round of term funding.

They will probably need to do more.

At the time of writing, the futures market is pricing in 3 cuts by the Fed next week. That would effectively take us back within 1 rate cut of the zero lower bound.

It is then no wonder that government bond yields keep plunging; we have the Fed expected to take rates to zero, inflation expectations collapse because of the decline in oil prices and a strong bid for safe heavens.

I think it is fair to say that global recession risk is high and rising.It will take time for the effects of the coronavirus to pass. We will eventually find a vaccine, and the most vulnerable will probably get a flu shot and a covid-19 shot in the fall. But for now we have to deal with the human and economic fallout from it.

What does that all mean for the funds?

In the Diversified bond fund, we had been cautious coming into the year. Our credit exposure was low and higher in quality, and we had some government bonds to offer ballast. We bought more government bonds (US 30y) on Friday afternoon, as we feared things might get worse over the weekend.

In the credit opps, we had also derisked the portfolio; leverage is low, we are short HYG about 8% of the portfolio, which offers ballast.

Credit is getting cheaper and at some point there will be bargains worth buying. We have lots of liquidity. We are building a shopping list as we speak. Not ready to pull the trigger yet, but we have to be ready to buy good credits for cheap when the time comes.

Bottom line: we are well positioned for this and stand ready to act from a position of strength.

The Bond Team: Mark, Etienne and Chris

Ninepoint Partners

NINEPOINT DIVERSIFIED BOND CLASS - COMPOUNDED RETURNS[1]
AS OF FEBRUARY 29, 2020 (SERIES F NPP221)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	1.0%	2.3%	1.6%	0.7%	5.2%	3.4%	3.3%	4.7%

NINEPOINT DIVERSIFIED BOND FUND - COMPOUNDED RETURNS[1]
AS OF FEBRUARY 29, 2020 (SERIES F NPP118)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	1.0%	2.3%	1.6%	0.7%	5.3%	3.6%	3.5%	4.6%

NINEPOINT CREDIT INCOME OPPORTUNITIES FUND - COMPOUNDED RETURNS[1]
AS OF FEBRUARY 29, 2020 (SERIES A NPP506)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	0.5%	1.0%	1.3%	1.4%	4.5%	3.0%	4.0%	4.8%

[1] All Ninepoint Diversified Bond Fund 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 February 28, 2020 [1] All Ninepoint Credit Income Opportunities Fund returns and fund details are a) based on Class A units (closed to subscriptions); b) net of fees; c) annualized if period is greater than one year; d) as at February 28, 2020.

The Risks associated worth investing in a Fund depend on the securities and assets in which the Funds invests, based upon the Fund's particular objectives. There is no assurance that any Fund will achieve its investment objective, and its net asset value, yield and investment return will fluctuate from time to time

with market conditions. There is no guarantee that the full amount of your original investment in a Fund will be returned to you. The Funds are not insured by the Canada Deposit Insurance Corporation or any other government deposit insurer. Please read a Fund's prospectus or offering memorandum before investing.

Ninepoint Credit Income Opportunities Fund is offered on a private placement basis pursuant to an offering memorandum and are only available to investors who meet certain eligibility or minimum purchase amount requirements under applicable securities legislation. The offering memorandum contains important information about the Funds, including their investment objective and strategies, purchase options, applicable management fees, performance fees, other charges and expenses, and should be read carefully before investing in the Funds. Performance data represents past performance of the Fund and is not indicative of future performance. Data based on performance history of less than five years may not give prospective investors enough information to base investment decisions on. Please contact your own personal advisor on your particular circumstance. This communication does not constitute an offer to sell or solicitation to purchase securities of the Fund.

Ninepoint Partners LP is the investment manager to the Ninepoint Funds (collectively, the “Funds”). Commissions, trailing commissions, management fees, performance fees (if any), other charges and expenses all may be associated with mutual fund investments. Please read the prospectus carefully before investing. The indicated rate of return for series F units of the Fund for the period ended February 28, 2020 is based on the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Fund may be lawfully sold in their jurisdiction.

The opinions, estimates and projections (“information”) contained within this report are solely those of Ninepoint Partners LP and are subject to change without notice. Ninepoint Partners makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, Ninepoint Partners assumes no responsibility for any losses or damages, whether direct or indirect, which arise out of the use of this information. Ninepoint Partners is not under any obligation to update or keep current the information contained herein. The information should not be regarded by recipients as a substitute for the exercise of their own judgment. Please contact your own personal advisor on your particular circumstances. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any investment funds managed by Ninepoint Partners LP. Any reference to a particular company is for illustrative purposes only and should not to be considered as investment advice or a recommendation to buy or sell nor should it be considered as an indication of how the portfolio of any investment fund managed by Ninepoint Partners LP is or will be invested. Ninepoint Partners LP and/or its affiliates may collectively beneficially own/control 1% or more of any class of the equity securities of the issuers mentioned in this report. Ninepoint Partners LP and/or its affiliates may hold short position in any class of the equity securities of the issuers mentioned in this report. During the preceding 12 months, Ninepoint Partners LP and/or its affiliates may have received remuneration other than normal course investment advisory or trade execution services from the issuers mentioned in this report.

Ninepoint Partners LP: Toll Free: 1.866.299.9906. DEALER SERVICES: CIBC Mellon GSSC Record Keeping Services: Toll Free: 1.877.358.0540