Ninepoint Concentrated Canadian Equity Fund

March 2020 Commentary

Investment Team

The ongoing spread of the COVID-19 virus around the world, along with the implications of shutting down entire economies, terrified equity markets in the month. Against a backdrop of lower energy demand, the OPEC+ (including Russia) countries could not agree to production cuts in early March, causing Saudi Arabia to discount oil to its customers. All governments and central banks have begun to throw everything they can at this problem (monetary and fiscal stimulus) to confront the challenges as economic uncertainty rises. On the OPEC news, oil prices tumbled with Brent -57% to US$21.70/bbl, WTI -54% to US$20.48/bbl and WCS -87% to US$3.90/bbl. U.S. natural gas prices fell 5% to US$1.71/MMBtu while Canadian AECO added 8% to US$1.75/gigajoule. Base metal prices fell 7%-15%, while gold and silver fell 0.6% and 16%, respectively, to US$1577/oz and US$13.97/oz. The Canadian dollar fell 4.6% to US$0.7111.

With fear and uncertainty gripping the markets, the S&P/TSX fell 17.4% with all sectors in the "red". Energy (-31%), Real Estate (-29%) and Consumer Discretionary (-26%) led the decline while Communication Services (-4%), Consumer Staples (-8%) and Information Technology (-10%) fell less than the market.

Our portfolio underperformed as investors scrambled for liquidity selling somewhat indiscriminately. In this sell off, security selection in Energy, Materials, Consumer Discretionary and Industrials detracted value. In addition, our sector underweights in the traditionally "safe sectors" (to which investors looked for cover) hurt performance as Consumer Staples, Utilities and IT outperformed the market by 7-10%.

In Energy, Ovintiv Inc. (-74%), Crescent Point Energy (-70%) and Cenovus Energy (-71%) all fell with oil prices. Despite Ovintiv announcing results with better post-acquisition cost savings and higher free cash flow, there are concerns about their debt and maturity schedule. We do not believe the global oil market to be viable at current prices such that at some point, oil prices will need to move higher. That said, the market's reaction was to sell off sharply those companies with higher relative levels of operating and financial leverage, including the above names.

In Materials, Methanex (-54%), Teck Resources (-21%) and Hudbay Minerals (-18%) underperformed as commodity prices declined. We believe that both Methanex and Teck are very attractive as each company operates at the bottom half of their respective industry cost curves, each has a decent balance sheet and an attractive valuation. While Hudbay Minerals is very cheap, we are concerned about their lack of diversity in operations (two mining areas and their biggest/most valuable asset, Constancia, is shutdown). To address this concern, we have moved our weight out of Hudbay into Teck (which gives us more diversity, better balance sheet and similar upside today) as well as Methanex.

In the Industrials sector, our position in NFI Group (-48%) detracted value. Despite reporting strong Q4 results (EBITDA was 4.2% above the average analyst estimate), the stock declined as the company

was forced to shutter its manufacturing plants as they were deemed “non-essential”. The company has ample liquidity to cope during this time and we believe will survive as they continue to build transportation vehicles for many municipalities throughout North America. The U.S. Coronavirus Aid, Relief and Economic Security (CARES) Act includes a $25 billion funding support for municipal transit authorities which collectively as a group is NFI’s most important customer.

In the Consumer Discretionary sector, no position in Dollarama (-1%) and overweights in Sleep Country (-45%) and UniSelect (-52%) hurt performance. We have not owned Dollarama as the stock is expensive and we believe that their strategy to continue to grow their store count across Canada will be a challenge as they start saturating their markets. Year-end numbers show that while store count increased 5% (yr/yr), absolute sales grew less than 1%. Ironically, both Sleep Country and UniSelect reported decent results for Q4 2019, with UniSelect making positive changes in their management team. However, these changes were effectively ignored by the market on concerns about them shutting their retail outlets.

With Regards,

Ratul Kapur

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

[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 31, 2020; e) since inception (March 29,2018). The index is 100% S&P/TSX composite Index and is computed by Ninepoint Partners LP based on publicly available index information.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: ADR risk; Concentration risk; Credit risk; Currency risk; Cybersecurity risk; Foreign investment risk; Inflation risk; Liquidity risk; Market risk; Regulatory risk; Securities lending, repurchase and reverse repurchase transactions risk; Series risk; Small company risk; Specific issuer risk; Sub-adviser risk; Tax risk.

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 March 31, 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