Ninepoint Global Infrastructure Fund

March 2020 Commentary

Investment Team

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Year-to-date to March 31, the Ninepoint Global Infrastructure Fund generated a total return of -7.35% compared to the MSCI World Core Infrastructure Index, which generated a total return of -11.04%. For the month, the Fund generated a total return of -9.63% while the Index generated a total return of -8.87%.

The COVID-19 outbreak has now become a global pandemic. Much of the developed world is on lockdown with millions and millions of people coping with social distancing recommendations or shelter-in-place orders. The United States is now the epicenter of the outbreak with, sadly, the greatest number of cases. The human cost is rising rapidly but medical providers around the world are working tirelessly to care for individuals with moderate to severe symptoms. Further, the scientific research community is working furiously to improve detection and treatment techniques with the eventual goal of creating an effective vaccine.

It is almost impossible to quantify the ultimate economic impact of the outbreak with any degree of accuracy at this point. But, broadly speaking, the dynamics of the pending recession seem to be more like a natural disaster-induced full-stop than a monetary policy-induced slowdown, which would have been more typically seen at the end of such a long expansionary period. Therefore, from an economic perspective, some of the key questions we need to answer will be the magnitude and duration of the downturn and the degree of success with the restart (without risking a second or third wave of infection).

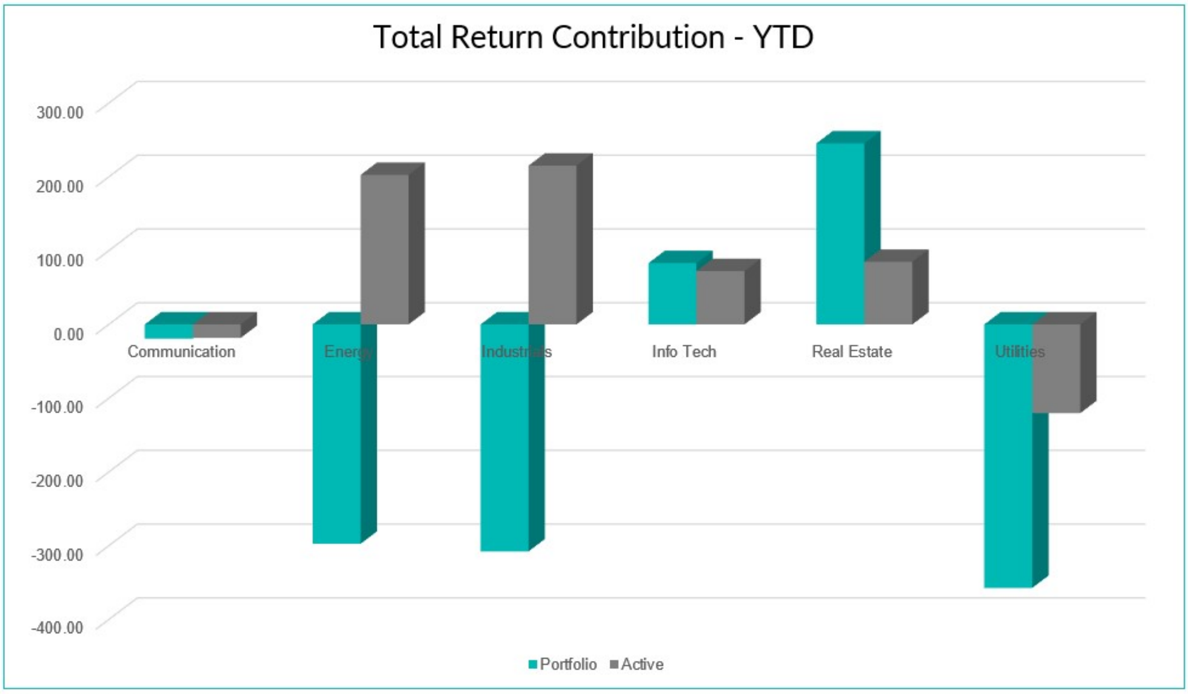
Because various regions around the world are slightly out-of-phase (China is already restarting, the Eurozone is closer to the depths and North America is really just entering the downturn) we are following the data closely to try to figure out the path forward. China's Caixin Composite PMI rebounded in March to 46.7 from a low of 27.5 in February but in the Eurozone, the Markit Composite PMI reading came in at 29.7 for March, its biggest monthly fall ever. Extrapolating from these data points, the US data is clearly going to deteriorate dramatically although some recently reported data points were still relatively benign (the ISM manufacturing index came in at 49.1 and the ISM non-manufacturing index fell to 52.5 in March). Unsurprisingly, shorter cycle data from the US labour market has been abysmal with approximately 10 million Americans filing initial jobless claims over the past two weeks, unemployment rising to 4.4% and non-farm payrolls indicating a loss of 701,000 jobs in March. Unfortunately, things are likely to get even more difficult for some in the weeks ahead.

Given the unprecedented impact from the COVID-19 outbreak, the response has quickly moved to a "whatever-it-takes" mentality focused on three main pillars. The first priority has been health care, with unwavering support for frontline providers and a push for faster detection, more effective treatment and accelerated production of medical and personal protection equipment (primarily N95 facemasks and ventilators). Second, monetary policy has quickly shifted to emergency conditions, with aggressive interest rate cuts and effectively unlimited quantitative easing, as Central banks become the buyer of last resort for any distressed sellers in the credit markets. Finally, the fiscal response has been designed to protect employees and support businesses to the greatest extent possible, with over $2 trillion worth of funding promised to buffer the economy thus far and potentially another round of spending currently under debate.

From a stock market perspective, the major indices have plunged approximately 35% peak to trough (consistent with expectations for a sharp but short recession) and daily volatility has exploded. The real problem facing investors is our inability to accurately estimate forward earnings today, evidenced by the extremely wide dispersion between rapidly changing estimates. Essentially, we are grappling with the concept of a V-shaped, U-shaped or L-shaped recovery but, in reality, some businesses will continue to benefit from the outbreak, some will rapidly recover in the coming months, some will take longer to bounce back and others may never return to prior peak levels. The paths taken will most likely be determined by the degree of successful containment of the COVID-19 virus. Once the rate of growth in new cases in the US begins to clearly slow, we will become more confident in a sustained economic recovery and, potentially, the start of a new bull market.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Real Estate (+245 bps) and Information Technology (+83 bps) while top detractors by sector included Utilities (-357 bps), Industrials (-308 bps) and Energy (-297 bps) on an absolute basis.

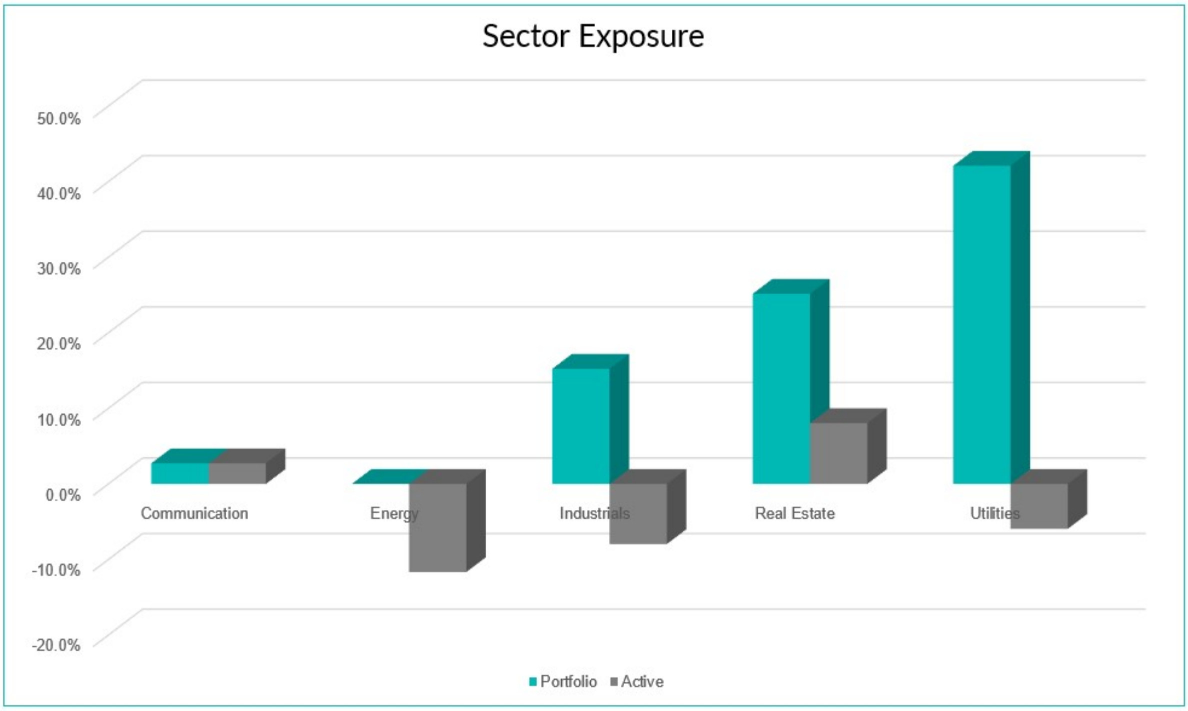
On a relative basis, positive return contributions from the Industrials, Energy and Real Estate sectors were offset by negative contributions from the Utilities and Communication sectors. Note that the Utilities sector has been surprisingly weak despite its typically defensive characteristics, which we attribute to lower expected power demand and generally higher-than-average balance sheet leverage. Renewable energy plays have also been surprisingly weak during the month, likely due to greater exposure to future development projects that require significant capital. However, we expect the Utilities sector to quickly regain its safe-haven status since dividends should continue to be paid consistently through the cycle under most realistic economic scenarios.



Source: Ninepoint Partners

We are currently overweight the Real Estate (primarily data centers and cellular towers in order to take advantage of the demand for content and communication) and Communication (including the largest European cellular tower operator) sectors, while underweight the Energy, Industrials and Utilities sectors.

We are also holding a much larger than normal cash position (approximately 15%) given the difficulty in quantifying the impact of the COVID-19 outbreak on the economy.



Source: Ninepoint Partners

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

Trust (+71 bps), Equinix (+66 bps) and Microsoft (+49 bps). Top detractors year-to-date included NextEra Energy Partners (-125 bps), Pembina Pipeline (-102 bps) and Engie (-96 bps).

In March, our top performing investments included Digital Realty Trust (+70 bps), Equinix (+55 bps) and Crown Castle (+23 bps) while NextEra Energy Partners (-121 bps), Engie (-112 bps) and TC Energy (-90 bps) underperformed.

Once we had realized that the COVID-19 outbreak would create a global demand shock, we took several steps to mitigate the impact to our portfolios. Starting late-February and continuing through March, the first step we took was to raise cash by trimming outsized positions. Next, we eliminated any holdings that would have been most directly impacted by the global shutdown or had relatively weaker balance sheets. We are now executing the third step in our plan, which involves the rotation into names that are net beneficiaries from work-at-home or consume-at-home themes and high-quality secular growth stories that have de-rated relative to historic trading levels. Finally, once we have more confidence that the outbreak has peaked, the last step will be to deploy capital into more cyclical names that should benefit from an economic recovery. As always, we will continue to rely on our investment process and fundamental analysis to identify opportunities as they arise.

The Ninepoint Global Infrastructure Fund was concentrated in 25 positions as at March 31, 2020 with the top 10 holdings accounting for approximately 40.5% of the fund. Over the prior fiscal year, 19 out of our 25 holdings have announced a dividend increase, with an average hike of 5.4%. 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

Ninepoint Partners

NINEPOINT GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS[1]
AS OF MARCH 31, 2020 (SERIES F NPP356)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-9.6%	-7.3%	-7.3%	-6.9%	1.9%	4.9%	3.0%	6.5%
Index	-8.9%	-11.0%	-11.0%	-9.7%	-5.4%	5.9%	6.3%	12.0%

[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) 2011 annual returns are from 09/01/11 to 12/31/11.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: capital depletion risk; concentration risk; credit risk; currency risk; cybersecurity risk; derivatives risk; exchange traded funds risk; foreign investment risk; income trust risk; inflation risk; interest rate risk; liquidity risk; market risk; regulatory risk; series risk; short selling risk; small company risk; specific issuer risk; tax risk.

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