



Ninepoint Focused Global Dividend Class

May 2018 Commentary

Year-to-date to May 31, the Ninepoint Focused Global Dividend Class generated a total return of 4.22% compared to the S&P Global 1200 Index, which generated a total return of 3.72%.

Returns in the month of May were good both on an absolute and relative basis, with the Fund generating a total return of 1.59% while the benchmark generated a total return of 1.38%. Information technology, industrials and energy led the advance over the course of the month and we have maintained an overweight positioning to all three of these sectors.

Our modelling indicates that the Canadian dollar should continue to weaken in 2018. Because a resolution to the ongoing NAFTA negotiations is looking less likely in the near term, we have reduced some of our currency hedging, returning to a more neutral positioning relative to our benchmark.

Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Class included Mastercard (+118 bps), Microsoft (+83 bps) and Visa (+75 bps). Top detractors year-to-date included Brookfield Asset Management (-45 bps), MGM Resorts (-35 bps) and Affiliated Managers Group (-29 bps). Note that we have sold our position in MGM Resorts after the Company lowered Q2 RevPar guidance and looked to be facing labour unrest at its casino properties.

Microsoft Corporation (MSFT US) has undergone one of the most impressive transformations for a mega cap technology company in recent memory. Under the leadership of Satya Nadella, Microsoft has successfully diversified away from PC desktops and has truly become a leading software-as-a-service provider to the enterprise, education and consumer markets. The Company is a massive cash machine and is expected to generate \$34 billion of free cash flow in fiscal 2018, building upon the \$132 billion of cash on the balance sheet as of March 31, 2018. Thankfully, shareholders directly benefit from this cash hoard, as Microsoft currently has a \$40 billion share buyback program in place (with approximately \$30 billion remaining) and returns approximately \$3.2 billion each quarter through dividends.

Three key segments have each posted impressive revenue growth in the most recent quarter and look to have plenty of room for future growth. The Productivity & Business Processes segment includes Office 365 (with commercial revenue up 42%), LinkedIn (with revenue up 37%) and Dynamics 365 (Microsoft's ERP and CRM offering, with revenue up 65%). The Intelligent Cloud segment includes server products and cloud services (with Azure revenue up 93%). Finally, the More Personal Computing segment includes Windows (with OEM revenue up 4%) but also gaming (led by Xbox software and services, with revenue up 24%) and search advertising (with revenue excluding TAC up 16%).

The Ninepoint Focused Global Dividend Class was concentrated in 27 positions as at May 31, 2018

Investment Team



Jeff Sayer, CFA
Vice President, Portfolio
Manager

with the top 10 holdings accounting for approximately 45.9% of the fund. Over the past year, 22 out of our 27 holdings have announced a dividend increase, with an average hike of 18.8%. 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

COMPOUNDED RETURNS¹

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	2.2%	3.5%	-5.2%	-0.7%	2.4%	6.4%	6.3%
Index	2.5%	5.1%	-3.5%	1.0%	3.7%	9.4%	9.3%

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 May 31, 2018; 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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