Ninepoint Global Infrastructure Fund

May 2021 Commentary

Investment Team

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Vice President, Portfolio Manager

Year-to-date to May 31, the Ninepoint Global Infrastructure Fund generated a total return of 2.12% compared to the MSCI World Core Infrastructure Index, which generated a total return of 4.23%. For the month, the Fund generated a total return of -0.34% while the Index generated a total return of -0.92%.

The Covid-19 vaccine rollout is accelerating globally and regions with elevated vaccination rates are quickly returning to normal. In the United States, approximately 64% of the population has received at least one dose and approximately 53% of the population has been fully vaccinated. After a slow start in Canada, approximately 68% of the population has now received at least one dose but only approximately 7% of the population has been fully vaccinated. Hopefully, these trends continue to improve since health experts believe that a vaccination rate of about 50% to 60% is needed to dramatically lower the number of new cases and bring transmission of the virus under control. Given the recent progress, it is reasonable to assume that a return to normal is finally in sight.

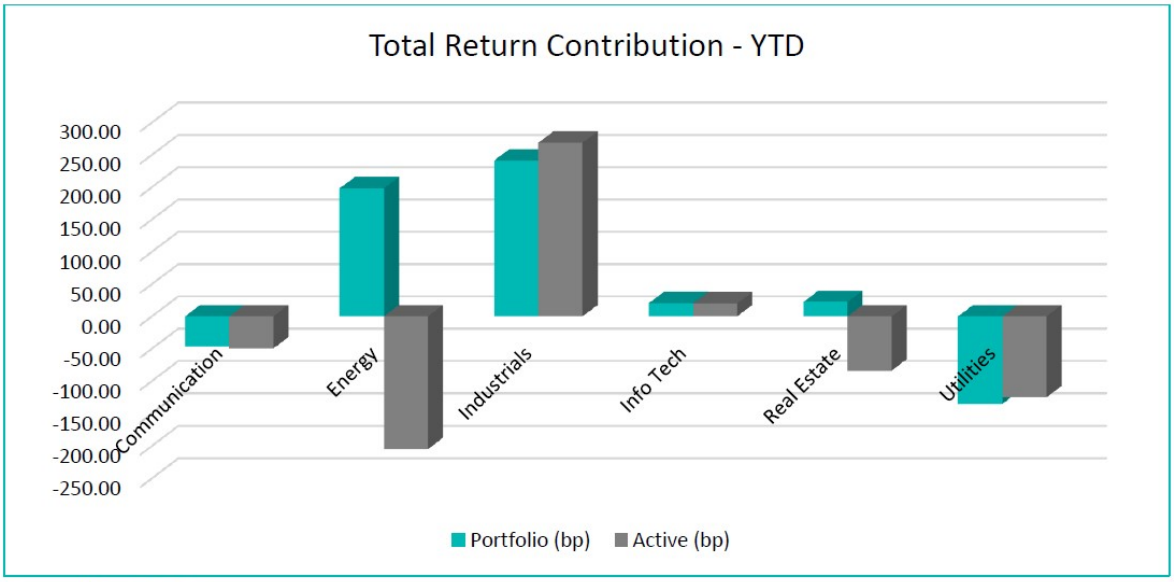
As we lap the depths of the Covid-19 lockdowns on a year-over-year basis, investors are trying to interpret incoming economic data during what has historically been a tricky month for the markets. Recent data points have been choppy, which has likely contributed to short, sharp rotations from value/cyclicals toward growth/momentum and back again. Most notably, US non-farm payrolls were vastly below expectations for April (released May 7th), coming in at 266,000 jobs with an unemployment rate of 6.1% compared to 1,000,000 jobs and an unemployment rate of 5.8% expected. Our interpretation of the employment situation is not of a stalling economic recovery but rather a timing mismatch between job seekers and employers, particularly in the leisure and hospitality sectors. Conversely, the April Consumer Price Index (released May 12th) was vastly above expectations, coming in at 0.9% for the month or 3.0% over the last twelve months, excluding food and energy, compared to estimates of 0.3% and 2.3% respectively. Because the biggest contributors to the jump were tied to pent up demand for reopening-related goods and services, we believe that the transitory inflation argument still holds.

Over the next few months, determining whether the effects are transitory or more permanent will shape the path of tapering and, eventually, interest rate hikes. For now, we will continue to rely on guidance from the US Federal Reserve and trust that they will provide easy monetary conditions for the foreseeable future thus prolonging the equity cycle through at least 2023. Bond investors seem to generally agree with this outlook, with long-term interest rates still well below 2.0% (the US 10-year Treasury bond yield is currently pinned around 1.60%), which is supportive of elevated equity multiples. Expected earnings growth is also supportive of near-term multiples, with S&P 500 earnings growth to reach almost 35% in calendar 2021 and approximately 10% in calendar 2022, according to FactSet.

But valuations are certainly elevated relative to historical levels, with the S&P 500 currently trading at approximately 21x twelve month forward earnings compared to the 5-year average multiple of approximately 18x and the 10-year average multiple of approximately 16x. We would therefore characterize the current environment as mid-cycle, where positive returns depend on identifying companies with accelerating earnings, cash flow and dividend growth that can offset earnings or cash flow-multiple contraction. We think this environment bodes well for the relative performance of our dividend and real asset strategies over the medium term.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+241 bps), Energy (+198 bps) and Real Estate (+22 bps) while top detractors by sector included Utilities (-135 bps) and Communication (-47 bps) on an absolute basis.

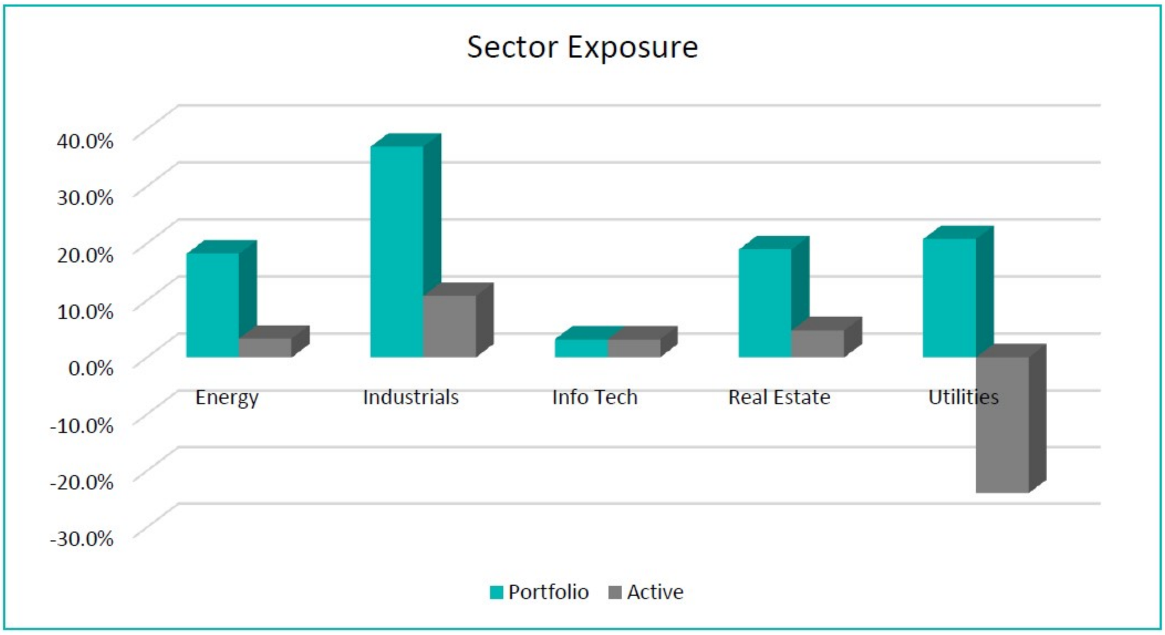
On a relative basis, positive return contributions from the Industrials (+269 bps) and Information Technology (+20 bps) sectors were offset by negative contributions from the Energy (-205 bps), Utilities (-125 bps) and Real Estate sectors (-84 bps).



Source: Ninepoint Partners

We are currently overweight the Industrials, Real Estate and Energy sectors, while underweight the Utilities sector. As the world begins to reopen and the markets anticipate a return to normal, quick rotations are occurring underneath the surface of the broad indices. We are now looking to position for the middle phase of the investment cycle, where above-average earnings or cash flow growth is required to compensate for some degree of multiple-compression.

Although we are still waiting for an agreement on the infrastructure spending package, we believe that the Democrats are now willing to move forward with or without bipartisan support. The importance of infrastructure revitalization to the economic recovery and future productivity of the United States should not be underestimated. Therefore, we continue to expect a focus on renewable energy development, electrical grid modernization, 5G & broadband coverage and traditional infrastructure improvements. Finally, we believe that sub-sectors that are tied to mobility, such as road & rail, ports & airports and even oil & gas storage & transportation should do well through the balance of the cycle.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 30 positions as at May 31, 2021 with the top 10 holdings accounting for approximately 38.3% of the fund. Over the prior fiscal year, 23 out of our 30 holdings have announced a dividend increase, with an average hike of 8.9% (median hike of 7.8%). 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 JUNE 30, 2022 (SERIES F NPP356) | INCEPTION DATE: SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	I
Fund	-4.5%	-3.1%	-5.2%	-3.1%	3.0%	6.6%	7.0%	7.7%	
MSCI World Core Infrastructure NR (CAD)	-4.5%	-3.7%	-5.2%	-3.7%	5.7%	4.6%	7.3%	11.3%	

[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 May 31, 2021; e) 2011 annual returns are from 09/01/11 to 12/31/11. The index is 100% MSCI World Core Infrastructure NR (CAD) 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: 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.

remuneration other than normal course investment advisory or trade execution services from the issuers mentioned in this report.

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