



# Ninepoint Fixed Income Strategy

November 2019 Commentary

Monthly commentary discusses recent developments across both the **Diversified Bond** and **Credit Income Opportunities Funds**.

## Macro & Credit

November saw a continuation of the trade related volatility, with several headlines and official comments sending very different signals. While the macroeconomic data has failed to find a direction one way or another (Figure 1), sentiment has turned very bullish in equities and credit on the expectation that a trade deal with China is all but certain (investor surveys point to about 75% odds of a deal).

## Investment Team



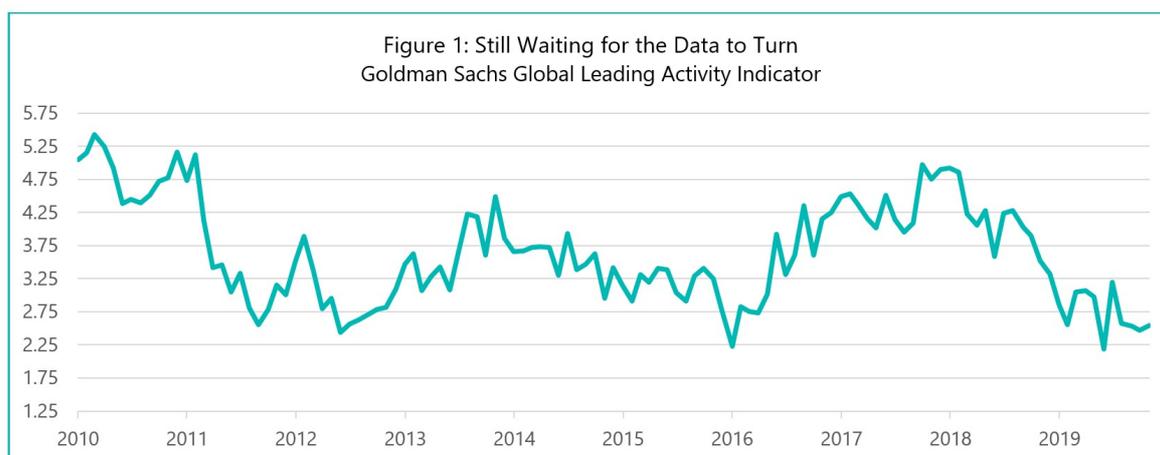
**Mark Wisniewski,**  
Partner, Senior Portfolio Manager



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

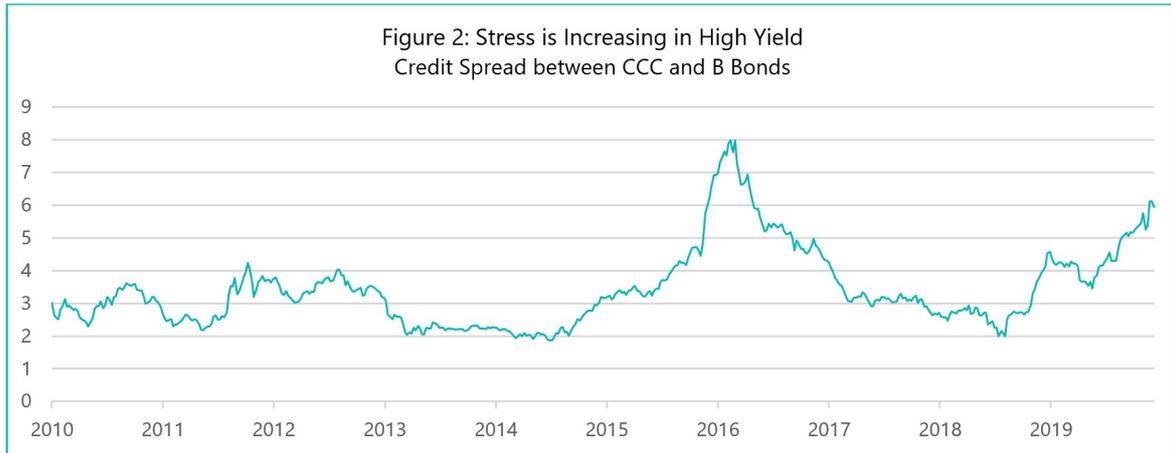


**Chris Cockeram, MBA, CFA**  
Vice President, Associate Portfolio Manager



Source: Bloomberg

Credit spreads are back at cycle lows and U.S. equity price-to-earnings multiples are flirting with their pre-tax reform highs. However, below the surface, earnings growth expectations for 2020 are weak (0% to be precise) and several lower quality credits are trading at distressed levels. Indeed, the excess spread required by investors in the riskiest category of high yield bonds (Rated CCC or lower) is back to levels not seen since 2016 (Figure 2).



Source: Bloomberg

Therefore, with the tariff deadline of December 15th approaching fast, inconclusive macro data and valuations high everywhere bar the riskiest corner of the credit markets, we maintain our overall cautious stance and prefer to wait for more information.

### Diversified Bond Fund (DBF)

The fund returned 11bps in the month, driven by strong credit performance and our U.S. treasury positions. Detracting from performance was our European sovereign bonds (France and Germany), where yields were modestly higher on the back of better than feared data. There were no major changes in the portfolio in November.

### Diversified Bond Fund Portfolio Characteristics

	Limits	Dec 2017	Mar 2018	Jun 2018	Sept 2018	Dec 2018	Mar 2019	June 2019	Sept 2019	Nov 2019	Outlook
Government Bonds	100%	-2%	0%	-4%	2%	1%	7%	22%	28%	27%	↔
Investment Grade	80%	37%	56%	66%	73%	76%	72%	58%	61%	59%	↔
High Yield	40%	32%	24%	17%	16%	13%	14%	9%	7%	7%	↔
Emerging Market Governments	10%	0%	0%	0%	0%	0%	0%	0%	0%	0%	↔
Preferred Equities	10%	6%	6%	6%	6%	2.5%	0.7%	0%	0%	0%	↔
Common Equities & ETFs	10%	0%	0%	0%	1.5%	1.5%	4.3%	2.4%	-1.3%	0%	↔
Derivatives	+/- 2.5%	-0.1%	+0.5%	-0.1%	-0.05%	0.0%	0.0%	-0.2%	0.0%	0.1%	N/A
Cash and Equivalents		28%	14%	15%	1.5%	6%	2%	9%	6%	7%	↔
<b>Total</b>		100%	100%	100%	100%	100%	100%	100%	100%	100%	
Duration	1 to 8 years	2.4	2.1	2.3	1.0	2.4	3.4	5.4	6.5	6.5	↔
Geographic (% North America)	>75%	89%	90%	89%	93%	91%	87%	85%	86%	86%	↔
Unhedged FX Exposure	20%	0%	0%	0%	0%	0%	0%	6%	5%	4%	↔

Source: Ninepoint Partners

### Credit Income Opportunities Fund (Credit Opps)

The Credit Opps was up 26bps in November, driven by continued strength in credit and a modest contribution from duration (U.S. 10-year treasuries). There were no major changes in the fund in November, we are comfortable with the current fund positioning and prefer to wait for better opportunities to emerge before making meaningful portfolio construction changes.

### Credit Income Opportunities Portfolio Characteristics

	Limits	Oct 2018	Dec 2018	Mar 2019	June 2019	Sept 2019	Nov 2019	Outlook
Government Bonds	100%	0%	0%	6%	0%	18%	18%	↔
Investment Grade	100%	58%	55%	58%	53%	68%	61%	↔
High Yield	40%	29%	24%	19%	16%	10%	8%	↔
Private Loans	10%	3%	3%	2%	3%	2%	2%	↔
Preferred Equities	10%	4%	4%	0.5%	0%	0%	0%	↔
Common Equities & ETFs	10%	0%	0%	0%	0%	-7%	-7%	↔
Derivatives	+/- 2.5%	0%	0%	0%	-0.4%	0%	0%	N/A
Cash and Equivalents		6%	14%	15%	28%	8%	7%	↔
<b>Total</b>		100%	100%	100%	100%	100%	100%	
Duration	0 to 5 years	2.5	2.1	2.9	2.2	2.9	3.0	↔
Leverage	0-4x	0.7x	0.7x	1.0x	1.0x	0.77x	0.88x	↔
Unhedged FX Exposure	>25%	0%	0%	0%	2.7%	5.1%	5.1%	↔

Source: Ninepoint Partners

### Conclusion

We'd like to take this opportunity to thank our investors for their continued support and wish you and your family Happy Holidays and a prosperous 2020.

Until next year,

The Bond Team: Mark, Etienne and Chris

**Ninepoint Partners**

NINEPOINT DIVERSIFIED BOND CLASS - COMPOUNDED RETURNS<sup>1</sup>  
AS OF APRIL 30, 2020 (SERIES F NPP221)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	1.4%	1.6%	0.3%	1.0%	3.5%	2.5%	3.2%	4.5%

NINEPOINT DIVERSIFIED BOND FUND - COMPOUNDED RETURNS<sup>1</sup>  
AS OF APRIL 30, 2020 (SERIES F NPP118)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	1.4%	1.7%	0.4%	1.1%	3.6%	2.7%	3.4%	4.4%

NINEPOINT CREDIT INCOME OPPORTUNITIES FUND - COMPOUNDED RETURNS<sup>1</sup>  
AS OF APRIL 30, 2020 (SERIES F NPP507)

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	2.8%	-3.2%	-3.7%	-2.6%	-1.0%	1.4%	3.0%

<sup>1</sup> 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 November 30, 2019 <sup>1</sup> 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 November 30, 2019.

The Ninepoint Diversified Bond Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: Capital depletion risk (Series T, Series FT, Series PT, Series PFT, Series QT, and Series QFT shares only); Capital gains risk; Class risk; Concentration risk; Credit risk; Currency risk; Cybersecurity risk; Derivatives risk; Exchange traded funds risk; Foreign investment risk; Inflation risk; Interest rate risk; Liquidity risk; Regulatory risk; Securities lending, repurchase and reverse repurchase transactions risk; Series risk; Short selling risk; Specific issuer risk; Tax risk; Tracking risk.

The Ninepoint Credit Income Opportunities Fund is generally exposed to the following risks. See the offering memorandum of the Fund for a description of these risks: General Economic and Market Conditions; Assessment of the Market; Not a Public Mutual Fund; Limited Operating History for the Fund; Class Risk; Charges to the Fund; Changes in Investment Objective, Strategies and Restrictions; Unitholders not Entitled to Participate in Management; Dependence of the Manager on Key Personnel; Reliance on the Manager; Resale Restrictions; Illiquidity; Possible Effect of Redemptions; Liability of Unitholders; Potential Indemnification Obligations; Lack of Independent Experts Representing Unitholders; No Involvement of Unaffiliated Selling Agent; Valuation of the Fund's Investments; Concentration; Foreign Investment Risk; Illiquidity of Underlying Investments; Tax; Litigation; Fixed Income Securities; Equity Securities; Idle Cash; Currency Risk; Suspension of Trading.

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.

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