Ninepoint Global Infrastructure Fund

November 2019 Commentary

Year-to-date to November 30, the **Ninepoint Global Infrastructure Fund** generated a total return of **24.25%** compared to the MSCI World Core Infrastructure Index, which generated a total return of **18.46%**. For the month, the Fund generated a total return of **0.83%** while the Index generated a total return of **0.18%**.

Investment Team

Jeff Sayer, CFA
Vice President, Portfolio Manager

Since last August, the broad equity markets have whipsawed between dramatic outperformance of consensus over-weights linked to momentum factors and dramatic outperformance of consensus under-weights linked to value factors. However, the disparity between sector returns narrowed in November and we were able to outperform our benchmark after having rebalanced our portfolios over the past few months. Essentially, our investment process finally began to pick up investment candidates that were more diversified between growth (or momentum) factors and value (or cyclical) factors and our investment discipline led us to make the appropriate changes.

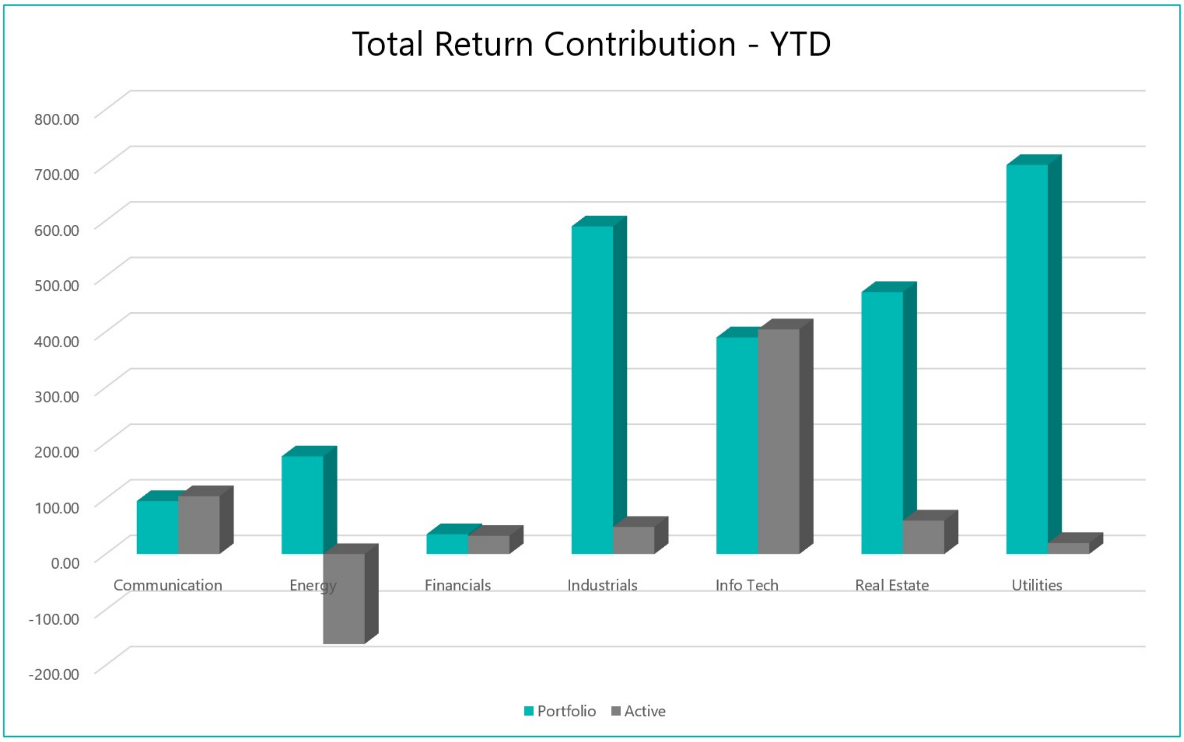
Performance over the balance of the year, and whether the investment regime change persists into 2020, will be highly dependent on continued de-escalation of the US-China trade war. At the minimum, the tranche of tariffs scheduled to be implemented on December 15 (predominantly targeting consumer goods) needs to be postponed or cancelled. If Trump believes that enough progress has been made toward a "phase one" trade deal, perhaps we could even see a rollback of previously implemented tariffs, which should drive continued market gains. However, if the two sides cannot come to some form of initial agreement and approximately $160 billion worth of Chinese-made consumer goods are hit with a 15% tariff, investors should expect markets to quickly reverse course, if only temporarily.

Barring a trade war, we continue to believe that the global economy can continue to work through this mid-cycle correction. Central banks around the world have done their part by easing monetary conditions (the US Fed has now cut interest rates by 25 bps three times this year, reducing the overnight rate by a total of 75 bps) and some economic data points have shown early signs of stabilization and even recovery. Importantly, the Markit US Manufacturing PMI has improved (to 52.6 from 51.3 in October), the Markit Eurozone Manufacturing PMI has improved (to 46.9 from 45.9 in October) and the China Caixin Manufacturing PMI has improved (to 51.8 from 51.7 in October). When aggregated, the JPMorgan Global Manufacturing PMI has moved back into expansionary territory for the first time since April, posting a seven-month high of 50.3 in November. Interest rates appear to confirm the nascent recovery, with the rebound of the US 10-year bond yield (from a low of 1.43% in early September to just over 1.80% recently) and the steepening of the 2-year/10-year yield curve (from -4 bps in late-August to 17.4 bps by the end of November).

It is always difficult making solid, long-term investment decisions when approaching important binary events, such as the December 15th deadline for the next round of tariffs. However, we continue to believe that if Trump's goal is to be re-elected next November, he will likely seek some form of compromise on trade in order to protect the domestic economy, create jobs and bolster consumer confidence. If this scenario plays out, we would expect markets to grind higher at least into the first quarter of 2020 before turning attention to the upcoming Presidential election.

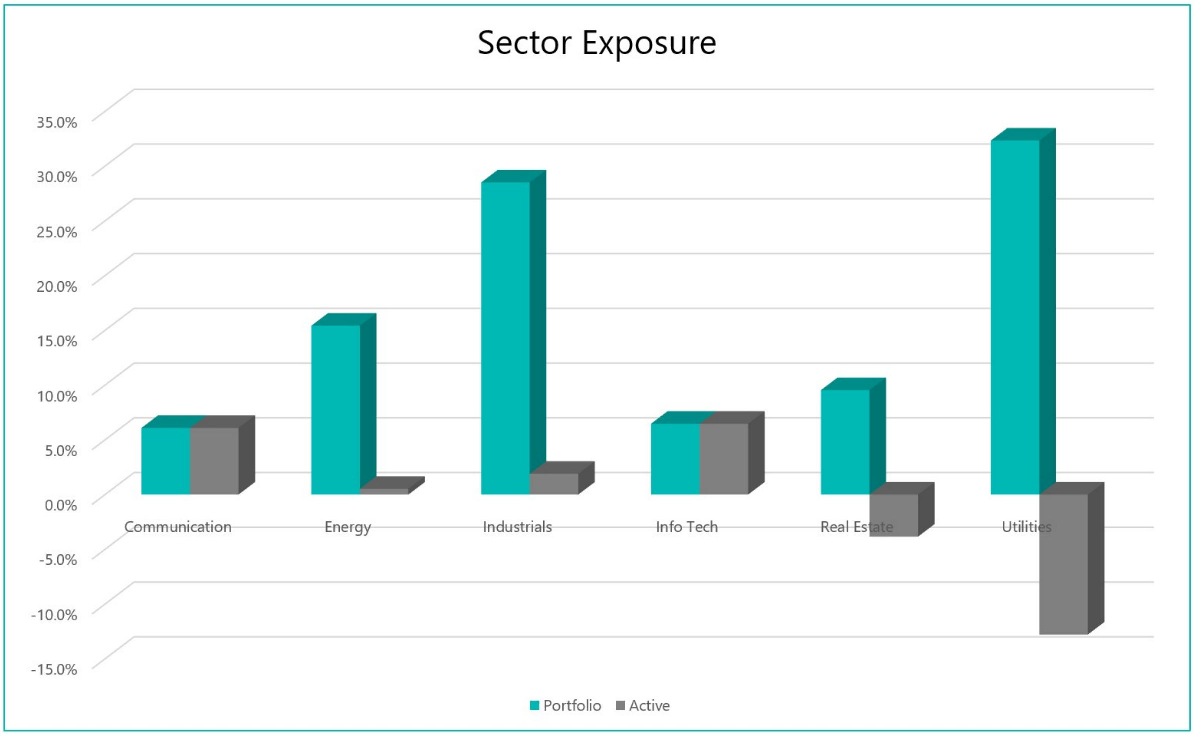
Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Utilities (+700 bps), Industrials (+590 bps) and Real Estate (+471 bps) while no sector had a negative contribution on an absolute basis.

On a relative basis, positive return contributions from the Information Technology, Communication, Real Estate, Industrials, Financials and Utilities sectors more than offset a negative contribution from the Energy sector.



Source: Ninepoint Partners

We are currently underweight the Utilities and Real Estate sectors and have allocated capital to the Information Technology, Communication, Industrials and Energy sectors in line with our "total-infrastructure" approach.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Equinix (+181 bps), Ferrovial (+145 bps) and Microsoft (+144 bps). Top detractors year-to-date included Marathon Petroleum (-32 bps), Enterprise Products Partners (-29 bps), and Superior Plus (-22 bps).

In November, our top performing investments included Boralex (+44 bps), Kansas City Southern (+33 bps) and Microsoft (+22 bps) while CyrusOne (-28 bps), SBA Communications (-15 bps) and Engie (-15 bps) underperformed.

After a huge run to start the year, CyrusOne (CONE) has lagged the market over the past two months and we recently unloaded our entire position. Recall that CyrusOne (the owner, operator and developer of carrier-neutral, multi-tenant data centers around the world) had been the subject of very specific takeover rumours last August and had rallied to become the largest position in both the Ninepoint Global Infrastructure Fund and the Ninepoint Global Real Estate Fund by the end of September.

In our August monthly commentary, we wrote that we believed the report to be credible and that a transaction would make good financial sense since CONE was trading at only 16x forward FFO compared to Equinix (EQIX) trading at 22x forward FFO, prior to the news release. But because CONE was more highly exposed to cyclical hyperscale cloud providers versus steadier enterprise customers, we suggested that a slightly discounted multiple of perhaps around 20x would be warranted, implying a deal price in the mid to high-$70 per share range.

The shares promptly rallied almost 40% to reach a 52-week high of $79.73 on September 19, approaching the upper end of the range of realistic takeover prices. But with no incremental takeover news and very little room for a premium bid to materialize, we made the decision to cut our position roughly in half. Thankfully, this turned out to be the correct decision after listening to the Company's third quarter earnings conference call. Regarding the well-known speculation, management only offered the statement that, "we are not currently pursuing a sale of the Company

". When pressed on the issue during Q&A, they declined to provide any additional clarity and the shares plunged approximately 8.5% before the call was even completed. As the stock continued to decline and eventually broke below key support levels, we sold the balance of our position and locked in our remaining gains.

Despite the relatively disappointing outcome, we still like CyrusOne as a business and as an investment candidate. In fact, we are even more intrigued with the story after the recent takeover of Interxion (another global data center owner and operator that we also held in both the Ninepoint Global Infrastructure Fund and the Ninepoint Global Real Estate Fund). We would seriously consider rebuilding a position should CONE again meet all the criteria as defined by our investment process.

The Ninepoint Global Infrastructure Fund was concentrated in 32 positions as at November 30, 2019 with the top 10 holdings accounting for approximately 33.8% of the fund. Over the prior fiscal year, 29 out of our 32 holdings have announced a dividend increase, with an average hike of 11.5%. 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

Vice President, Portfolio Manager
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 November 30, 2019; 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.

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