Ninepoint Global Infrastructure Fund

November 2020 Commentary

Investment Team

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Year-to-date to November 30, the Ninepoint Global Infrastructure Fund generated a total return of 5.88% compared to the MSCI World Core Infrastructure Index, which generated a total return of -1.38%. For the month, the Fund generated a total return of 3.83% while the Index generated a total return of 5.55%.

Since our last commentary, additional clarity has emerged surrounding two highly scrutinized events. First, we have greater confidence in the outcome of the 46th US presidential election after most of the battleground states have certified the results and the General Services Administration has ascertained the results, declaring Joe Biden President-elect. Second, positive Covid-19 vaccine data from Pfizer-BioNTech (with an efficacy of 95%) was followed by positive vaccine data from Moderna (with an efficacy of 94%). Concerns regarding the distribution of the vaccine aside, Pfizer expects to produce up to 1.3 billion doses and Moderna expects to produce between 500 million and 1.0 billion doses in 2021. Obviously, these catalysts have removed a tremendous amount of uncertainty for investors and the markets have gone into full risk-on mode.

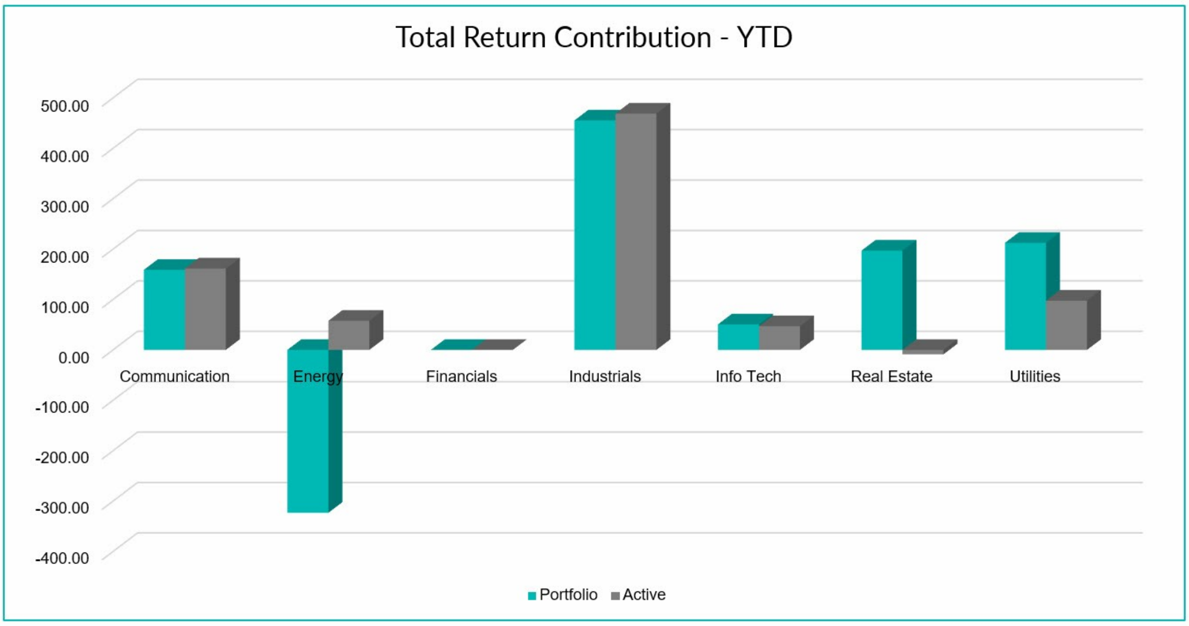
The ferocious rotation continued through the month, with the pandemic-epicenter plays and several deep value sectors exploding higher at the expense of secular growth stocks. The reopening rally was led by the Energy sector (+26.6%), the Financials sector (+16.8%) and the Industrials sector (15.6%). Within the Industrials sector, areas of notable strength understandably included the airlines and cruise lines. Within the Infrastructure sector, pipelines, toll roads and airports led the relief rally while in the Real Estate sector, retail REITs, health care REITs, office REITs and multi-family residential REITs outperformed. Although we have broadened our equity exposure by adding some cyclicality over the past few months, we wish to refrain from chasing the pandemic-epicenter trades given the magnitude of the move over the span of just a few weeks. At this point, our investment process suggests that a diversified barbell-strategy (created by blending both growth and value securities but avoiding the extreme tail ends of the investment spectrum) offers the greatest potential for risk-adjusted returns into 2021.

The rationale for not chasing the rally can be further justified by an air pocket developing in the nascent economic recovery. As new Covid-19 cases accelerate in North American (after the Thanksgiving and possibly Christmas holidays), the pace of the reopening is slowing and may even retrace some of the progress made thus far as mobility restrictions return. We expect a rising number of new cases through the winter, so it is important to avoid complacency while waiting for the vaccine rollout and eventually herd immunity. Also, it is disappointing that we still do not have a Phase IV fiscal stimulus package agreement, despite approximately 10 million job losses since the start of the pandemic. Finally, the composition of the US Senate remains unresolved and a runoff election in Georgia on January 5th will determine whether we get a “Blue Wave” or divided government. A Democratic sweep might result in a larger stimulus package but would likely be funded with higher taxes in the future. Conversely, a divided government would create gridlock, typically a goldilocks scenario for the equity markets, but the fiscal stimulus package would likely be smaller and possibly insufficient to maintain the pace of the economic recovery.

Essentially, we are trying to carefully thread the needle, weighing short-term risks against the longer-term positives of incremental fiscal and monetary stimulus coupled with the distribution of Covid-19 vaccines into 2021. Earnings growth could be well above 20% in the coming year and, if interest rates remain low therefore allowing multiples to remain elevated, we expect a decent year in terms of total return for the broad equity markets.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Real Estate Industrials (+455 bps), Utilities (+212 bps) and Real Estate (+197 bps) while only the Energy sector (-323 bps) detracted from performance on an absolute basis.

On a relative basis, positive return contributions from the Industrials, Communication and Utilities sectors were offset by a negative contribution from only the Real Estate sector.

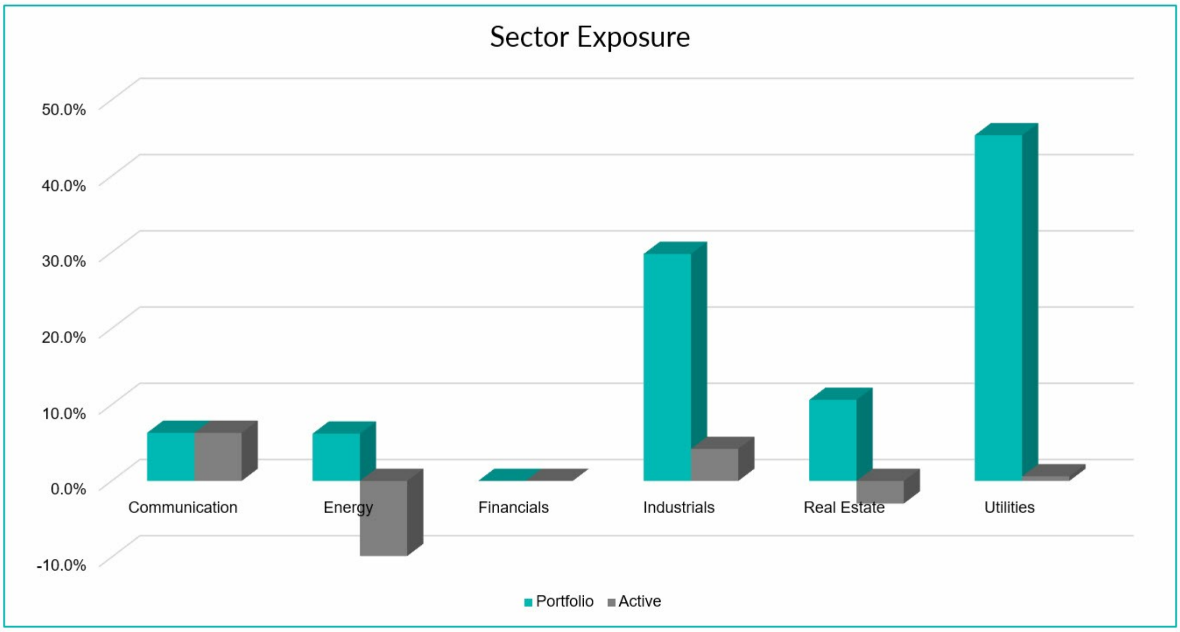


Source: Ninepoint Partners

We are currently overweight the Communication and Industrials sectors, while underweight the Energy and Real Estate sectors. Given our expectations for the rally to broaden through 2021 as the world reopens, we have reduced some of our outsized (either overweight or underweight) sector allocations.

However, allocations though 2021 will be dependent on the official results of the US presidential and Senate runoff elections (settling the “Blue Wave” or divided government debate) and the successful distribution of Covid-19 vaccines. We have argued before that a Biden “Blue Wave” would be tremendously positive for renewable energy and clean energy technology plays but we expect to be able to identify stock specific opportunities even under a divided government.

If the next round of fiscal stimulus is sufficiently large enough to prevent long-term economic damage and economies around the world can reopen smoothly, we may finally see both growth/momentum stocks and value/cyclical stocks rallying together. Again, we have positioned our holdings using a barbell-strategy in anticipation of global economic normalization.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Boralex (+199 bps), Quanta Services (+181 bps) and Orsted (+179 bps). Top detractors year-to-date included NextEra Energy Partners (-112 bps), ENGIE (-103 bps) and TC Energy (-101 bps).

In November, our top performing investments included Ferrovial (+74 bps), Brookfield Infrastructure Partners (+53 bps) and T Mobile (+52 bps) while Digital Realty (-24 bps), Exelon (-24 bps) and Equinix (-21 bps) underperformed.

The Ninepoint Global Infrastructure Fund was concentrated in 30 positions as at November 30, 2020 with the top 10 holdings accounting for approximately 37.6% of the fund. Over the prior fiscal year, 21 out of our 30 holdings have announced a dividend increase, with an average hike of 5.8% (median hike of 7.5%). 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
Ninepoint Partners

NINEPOINT GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS[1]
AS OF NOVEMBER 30, 2020 (SERIES F NPP356)

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	3.8%	5.9%	4.9%	7.7%	5.9%	6.2%	8.5%	7.5%
Index	5.6%	-1.4%	3.9%	0.7%	0.1%	6.6%	8.8%	12.4%

[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, 2020; 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.

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