



Ninepoint Fixed Income Strategy

October 2019 Commentary

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

Macro

October was yet another month where trade headlines dominated the market narrative. Sifting through the headlines, it is still unclear whether there will be a trade deal, but for now markets assume there will be, and thus have taken equities to new highs. Concurrently, economic data has stopped deteriorating (although it is not getting better), leading market participants to believe a mid-cycle rebound in economic activity is upon us. We do not yet share in this unbridled enthusiasm. If history is any guide, the movement in interest rates tend to lag a rebound in economic activity by about 6-months (Figure 1). As seen in this chart, global growth is still oscillating around the year's lows. Accordingly, we think that it is best to wait for more concrete information before altering our duration stance, or in Fed Speak, be "data dependent".

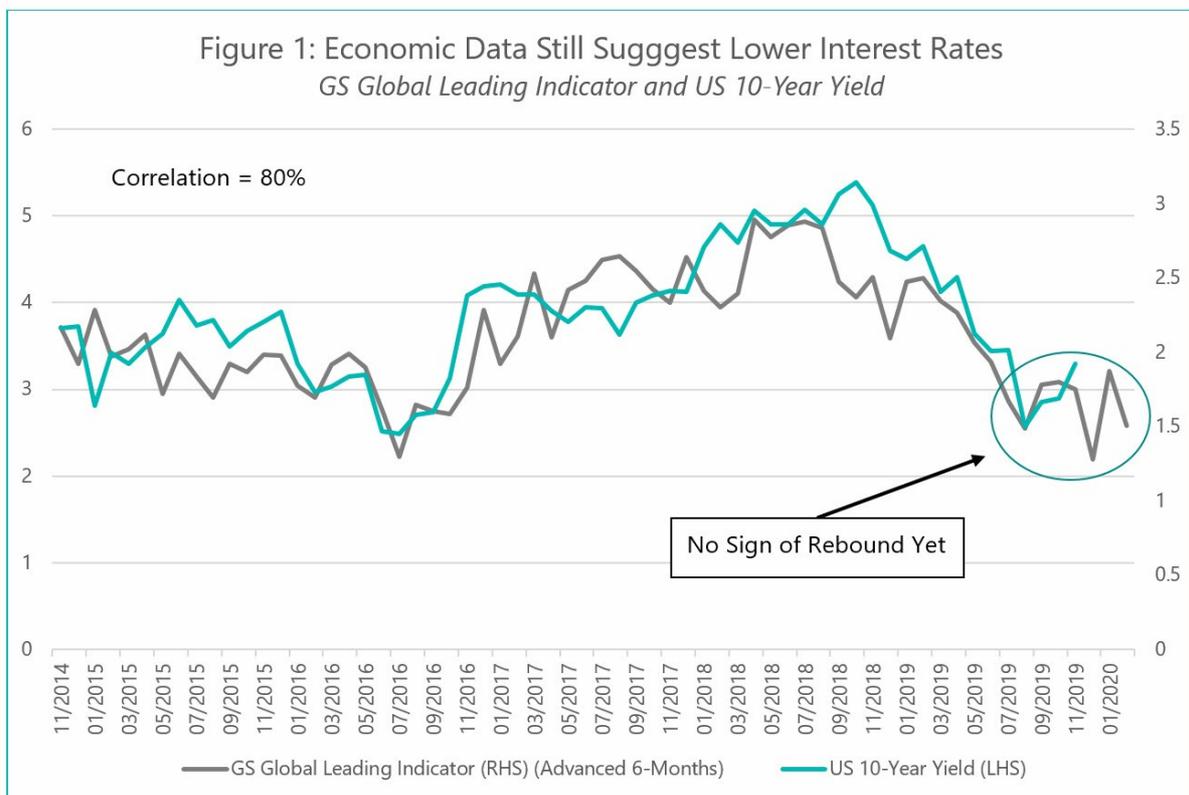
Investment Team



Mark Wisniewski,
Partner, Senior Portfolio
Manager

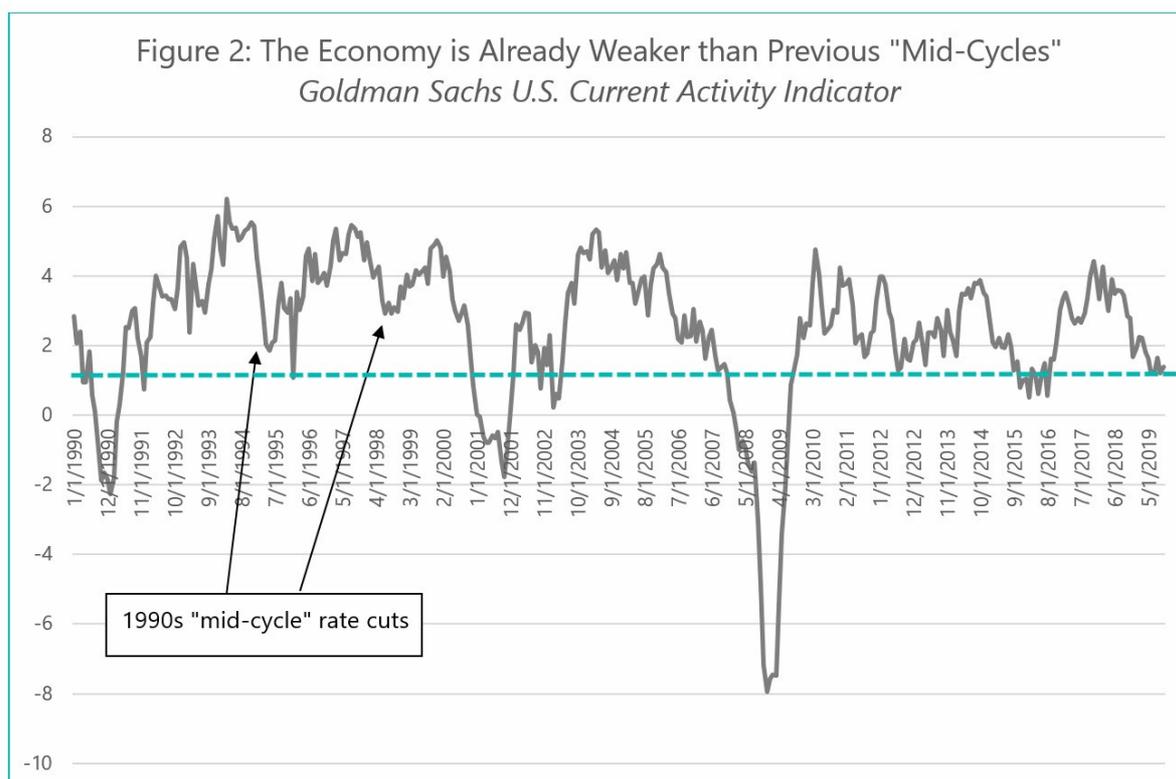


Etienne Bordeleau-Labrecque, MBA, CFA
Vice President, Portfolio
Manager



Source: Bloomberg

As expected, the Fed cut interest rates for the third time this year. They have now completed what they believe will be a “mid-cycle adjustment”, akin to the mid-1990s where they cut rates a few times and successfully sustained the economic expansion. However, as we discussed several times in prior commentaries, the problem with the current economic situation is not tight financial conditions (something rate cuts can help with), but the uncertainty and impact of the trade war with several of America’s trading partners. As well, U.S. economic activity is already weaker than those previous slowdown episodes that were successfully rescued by the Fed (Figure 2), so it remains to be seen if the analogy with the 1990s rebound will be repeated.



Source: Bloomberg

From our perspective, it is still too early to make the recession call either way. One thing we do know is that the recession signal from the yield curve inversion we witnessed this summer is a very strong one. While chatter of it in the financial press has subsided, the risk of it has by no means disappeared. In all previous instances the yield curve inverted then subsequently re-steepened before the start of the recession. All this to say, that the fact that the slope of the yield curve is back in positive territory doesn’t mean we are out of the woods yet.

Credit

Credit continues to perform well, in line with last month’s commentary. The new issue market has been very active, and deals tend to perform quite well. There is no change to our market positioning; we continue to prefer short duration, higher quality investment grade bonds that look more attractive relative to longer dated credit.

Diversified Bond Fund (DBF)

The increase in interest rates were the main driver behind the -0.27% loss in October. As discussed earlier, credit continues to perform well, and our positions are no exception. There were no major

changes in the portfolio in October.

Diversified Bond Fund Portfolio Characteristics:

	Limits	Dec 2017	Mar 2018	Jun 2018	Sept 2018	Dec 2018	Mar 2019	June 2019	Sept 2019	Oct 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%	62%	↔
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%	0.0%	N/A
Cash and Equivalents		28%	14%	15%	1.5%	6%	2%	9%	6%	4%	↔
Total		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	6.4	↔
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 down 6bps in October, largely due to weakness in our US 10-year treasury notes, offset by strength in our credit positions. There were no major changes in the fund in October, 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 Core Portfolio Characteristics

	Limits	Oct 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	June 2019	Sept 2019	Oct 2019	Outlook
Government Bonds	100%	0%	0%	0%	0%	6%	0%	18%	18%	↔
Investment Grade	100%	58%	55%	59%	53%	58%	53%	68%	66%	↔
High Yield	40%	29%	24%	23%	23%	19%	16%	10%	8%	↔
Private Loans	10%	3%	3%	3%	2%	2%	3%	2%	2%	↔
Preferred Equities	10%	4%	4%	4%	2%	0.5%	0%	0%	0%	↔
Common Equities & ETFs	10%	0%	0%	0%	0%	0%	0%	-7%	-7%	↔
Derivatives	+/- 2.5%	0%	0%	0%	0.1%	0%	-0.4%	0%	0%	N/A
Cash and Equivalents		6%	14%	11%	20%	15%	28%	8%	7%	↔
Total		100%	100%	100%	100%	100%	100%	100%	100%	
Duration	0 to 5 years	2.5	2.1	2.3	1.4	2.9	2.2	2.9	2.7	↔
Leverage	0-4x	0.7x	0.7x	0.8x	0.7x	1.0x	1.0x	0.77x	0.87x	↔
Unhedged FX Exposure	>25%	0%	0%	0%	0%	0%	2.7%	5.1%	5.1%	↔

Source: Ninepoint Partners

Conclusion

The more things change, the more they stay the same.

Until next month,

The Bond Team: Mark, Etienne and Chris

NINEPOINT DIVERSIFIED BOND FUND - COMPOUNDED RETURNS¹ AS OF SEPTEMBER 30, 2023 (SERIES F NPP118) | INCEPTION DATE: AUGUST 5, 2010

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	-1.7%	0.0%	-1.8%	-1.8%	-0.3%	-3.2%	-0.1%	2.2%	2.8%

NINEPOINT CREDIT INCOME OPPORTUNITIES FUND - COMPOUNDED RETURNS¹ AS OF SEPTEMBER 30, 2023 (SERIES F NPP507) | INCEPTION DATE: JULY 1, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-0.7%	3.5%	0.3%	1.6%	3.8%	2.5%	3.8%	4.1%

¹ 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 October 31, 2019 ¹ 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 October 31, 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

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