



Ninepoint Global Infrastructure Fund

October 2019 Commentary

Year-to-date to October 31, the Ninepoint Global Infrastructure Fund generated a total return of 23.24% compared to the MSCI World Core Infrastructure Index, which generated a total return of 18.24%. For the month, the Fund generated a total return of -0.33% while the Index generated a total return of -0.18%.

Investment Team



Jeff Sayer, CFA
Vice President, Portfolio
Manager

The investment themes prevalent in September carried on through October, driven by the same factors that we have discussed in our prior monthly commentary. Consensus longs linked to momentum factors underperformed consensus shorts linked to value factors by a wide margin. Using the respective S&P Indexes as proxies, the S&P Momentum Index generated a total return of -0.12% while the S&P 500 Value Index generated a total return of 2.65% in October. The disparity is even more dramatic over the past three months, as the S&P Momentum Index generated a total return of -0.22% while the S&P 500 Value Index generated a total return of 3.73%. Despite the challenging environment, our investment process is now clearly picking up individual investment candidates that are diversified between growth or momentum factors and value or cyclical factors, so we have actively rebalanced our portfolios.

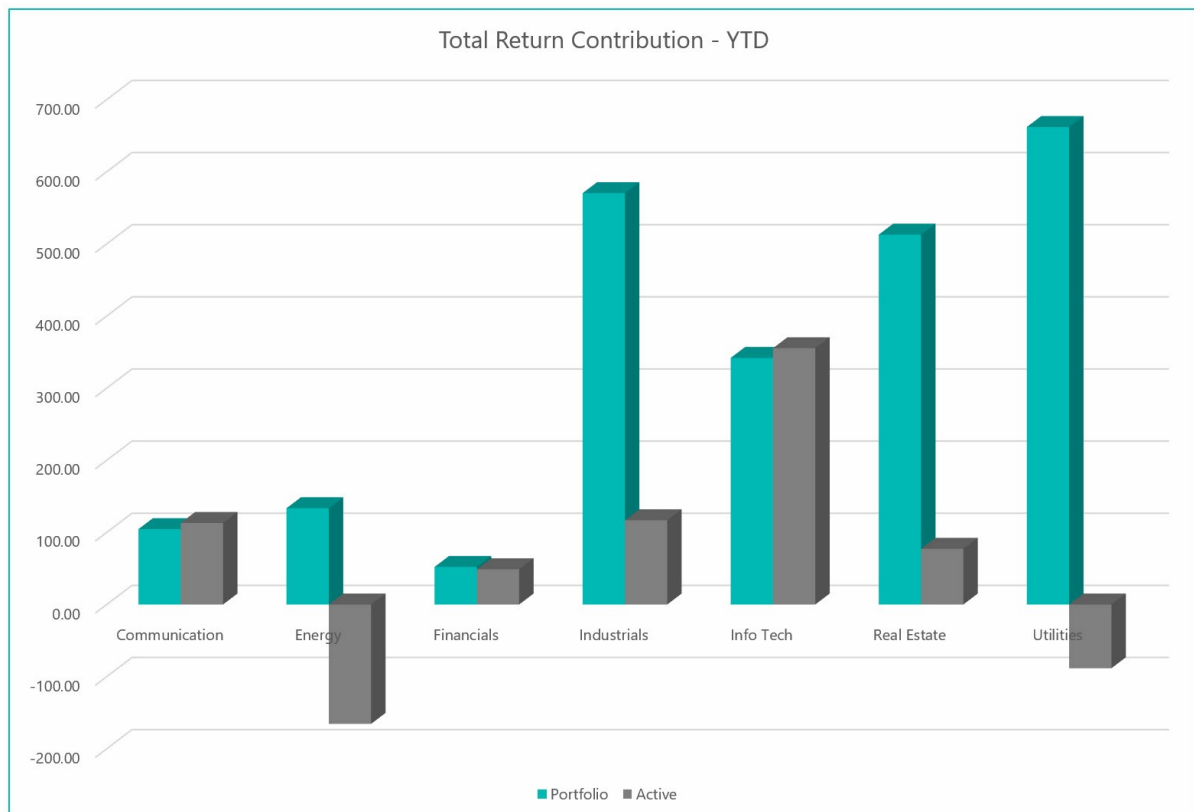
The regime change, whether or not it persists into 2020, was driven by two key factors. First, continued progress toward de-escalating the US-China trade war has gone a long way in terms of improving investor confidence. Markets celebrated the announcement, on October 11, of preliminary details of a "phase one" trade deal, that included a delay in the proposed tariff increases in exchange for certain intellectual-property rights, access to financial services and agricultural purchases. Second, central banks around the world continued to ease monetary conditions. In a widely anticipated move, on October 30, the US Fed cut interest rates by 25 bps for the third time this year, reducing the overnight rate by a total of 75 bps since this mini-easing cycle began.

The effects of these two factors, in addition to simply the passing of time as investors work through what still appears to be a mid-cycle correction, can be seen in the rebound of the US 10-year bond yield (from a low of 1.43% in early September to just over 1.90% recently), the steepening of the 2-year/10-year yield curve (from -4 bps in late-August to 16.5 bps by the end of October) and the stabilization of certain economic data points. In fact, some early economic releases for October have indicated positive trends, with the US flash manufacturing PMI improving (to 51.5 from 51.1 in September), the Eurozone flash manufacturing PMI stabilizing (flat at 45.7 relative to September) and the China Caixin manufacturing PMI improving (to 51.7 from 51.4 in September).

Despite the volatility caused by the uncertain macroeconomic environment, we will continue to follow our investment process (both on the buy side and the sell side of trades), construct a concentrated but diversified portfolio and watch the incoming data extremely closely for any signs of weakness. However, we believe that postponing the previously announced tariff increases should be enough to avoid the worst-case scenario, an economic downturn culminating in a recession. Further,

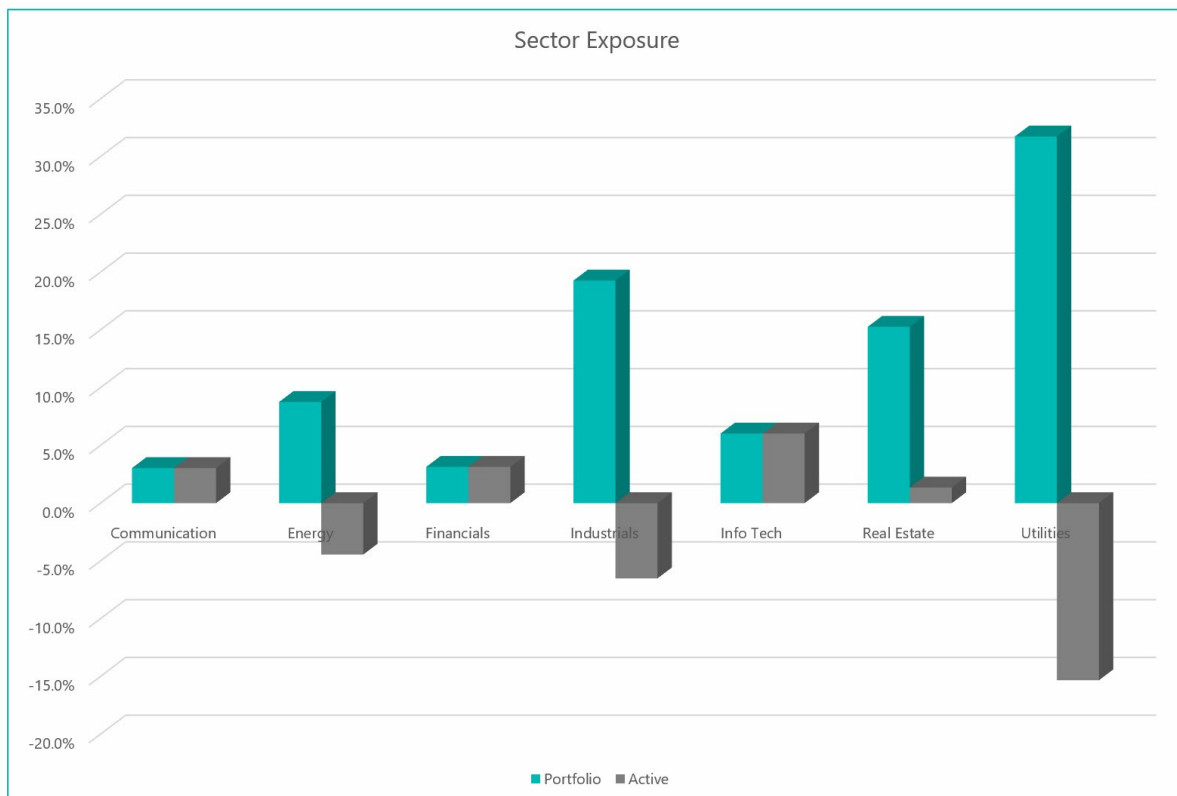
for Trump to win re-election next November, he must ensure a reasonably firm domestic economy driven by strong consumer confidence, solid employment figures and a recovery in the manufacturing sector. If this scenario continues to play out, the broad markets should be able to gain ground through the balance of the year.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Utilities (+662 bps), Industrials (+570 bps) and Real Estate (+513 bps) while no sector had a negative contribution on an absolute basis. On a relative basis, positive return contributions from the Information Technology, Industrials, Communication, Real Estate and Financials sectors more than offset negative contributions from the Energy and Utilities sectors.



Source: Ninepoint Partners

We are currently underweight the Utilities, Industrials and Energy sectors and have allocated capital to the Information Technology, Financials, Communication and Real Estate 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 (+176 bps), Ferrovial (+132 bps) and NextEra (+118 bps). Top detractors year-to-date included Enterprise Products Partners (-29 bps), Marathon Petroleum (-26 bps) and Superior Plus (-22 bps). In October, our top performing investments included Raytheon (+24 bps), Interxion (+22 bps) and Kansas City Southern (+17 bps) while CyrusOne (-33 bps), Marathon Petroleum (-21 bps) and ONEOK (-19 bps) underperformed.

It feels like it has been a while, but one of our holdings (held in both the Ninepoint Global Infrastructure Fund and the Ninepoint Global Real Estate Fund) finally received a takeover offer after rumours of a potential deal in the sector had been swirling for months. On October 29, Interxion (the US-listed but European-based data center operator) announced that they had entered into a definitive agreement to combine with Digital Realty in an all-stock transaction worth approximately \$8.4 billion on an enterprise value basis.

Under the terms of the agreement, Interxion shareholders will receive 0.7067 shares of DLR, which implied a price of \$93.48 per share of INXN, based on the prior closing price of Digital Realty. With INXN closing at a price of \$89.42 per share, it may have looked like a relatively skinny premium but news that INXN had hired bankers to evaluate offers was originally reported back on October 10, so shareholders looked to realize almost a 20% return since that date.

We like the deal and understand the strategic rationale, which includes expanding Digital Realty's global footprint, enhancing the Company's ability to serve multinational customers and creating substantial cost synergies and financial benefits. However, in the case of an all-stock transaction, the ultimate price depends on the acquirer's share price and unfortunately shares of DLR declined on news of the deal. Given that the REIT space had been under some pressure as the US 10-year bond yield rebounded from its lows, we decided to sell our shares of INXN in the open market, locking in our gains. Once shares of DLR stabilize, before or after the anticipated deal closing in early 2020, we

may consider rebuilding a position if the combined company meets the criteria defined by our investment process.

The Ninepoint Global Infrastructure Fund was concentrated in 29 positions as at October 31, 2019 with the top 10 holdings accounting for approximately 33.2% of the fund. Over the prior fiscal year, 25 out of our 29 holdings have announced a dividend increase, with an average hike of 10.2%. 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 GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS¹ AS OF JUNE 30, 2023 (SERIES F NPP356) | INCEPTION DATE: SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	3.0%	-0.3%	0.1%	-0.3%	3.2%	7.5%	6.6%	6.8%	7.0%
MSCI World Core Infrastructure NR (CAD)	0.9%	-2.2%	-2.6%	-2.2%	0.3%	4.8%	5.7%	9.7%	10.5%

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 October 31, 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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