



Ninepoint Concentrated Canadian Equity Fund

October 2020 Commentary

The S&P/TSX decreased 3.1% with Health Care (+7%) as the only sector in the “black”, while Information Technology (-9%), Consumer Staples (-7%) and Energy (-5%) led the market lower.

Investment Team

Our portfolio outperformed the benchmark as security selection in Materials, Consumer Discretionary, Real Estate, and Communication Services added value, along with no positions in the Information Technology sector. Offsetting these gains were security selection losses in Industrials.

In Materials, Methanex (+22%) reported stronger Q3 results (versus Q2) as methanol prices improved, as did their balance sheet. Despite the price rise, we continue to see decent upside potential.

In Consumer Discretionary, Linamar (+10%) added value as did no position in Restaurants Brands Int'l (-9%). Linamar did well as auto sales improved based on strong demand along with low inventory levels. A Restaurant Brands reported weak Q3 same store sales for both Tim Hortons & Burger King.

In Real Estate, both Brookfield Property Partners (+15%) and H&R REIT (+6%) increased as some of the pessimism around retail and office properties started to ebb as the economy continues to re-open. Both of our real estate names own diversified portfolios, and we believe the market is overly discounting their asset values due to retail and office exposure. Brookfield Property's Class A focused retail portfolio positions it well to benefit from consolidation in the mall space and its office portfolio is best-in-class. H&R's solid rent collections in the quarter benefitted from its industrial and residential portfolios, and we view its retail portfolio as well-positioned to outperform in Canada. Despite the share price increases in the stocks, we continue to believe that they both represent decent upside potential from current levels.

In Communication Services, Rogers Communications (+2%) outperformed as they surpassed revenue and earnings expectations with good cost control and no additional provisions for bad debts.

In Information Technology, our sector underweight (driven by no position in Shopify, down 10%), added value.

In the Industrials sector, Westshore Terminals (-12%) and NFI Group (-9%) both detracted value, continuing their underperformance from September. As stated last month, we continue to believe that both names have very attractive valuations and represent excellent upside potential.

GDP results for Q3 demonstrated that despite the rise in COVID-19 cases, that the blunt use of lockdowns is unlikely to cause a sustained economic slowdown, as was feared earlier in the year. In China, growth is expected to be +2% for the year, as their swift regional containment actions did not have lasting effects on their economic export engine. In the U.S., although the election uncertainty is a concern, politics is unlikely to “trump” the economic outlook, as the economy grinds forward. As a bottom-up equity value manager who doesn't believe in trying to time markets, we focus on our fundamental analysis of earnings, cash flow and book value, to find companies that will enhance shareholder and other stakeholder value over time. As such, our portfolio consists of companies that trade at a discount to their long-term intrinsic value, and we are patient holding the names knowing that market fundamentals will

likely reassert themselves in the fullness of time.

Ratul Kapur, CFA

Scheer Rowlett & Associates - Sub-Advisor

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, 2020; e) since inception (March 29, 2018). The index is 100% S&P/TSX composite Index and is computed by Ninepoint Partners LP based on publicly available index information.

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