Ninepoint Global Infrastructure Fund

October 2021 Commentary

Ninepoint Partners,

Year-to-date to October 31, the Ninepoint Global Infrastructure Fund generated a total return of 10.41% compared to the MSCI World Core Infrastructure Index, which generated a total return of 10.30%. For the month, the Fund generated a total return of 4.86% while the Index generated a total return of 3.16%.

After a relatively benign correction in September, a historically challenging month for investors, the broad equity markets rebounded nicely in October, avoiding a Halloween scare. Looking back at our September commentary, we had rationalized the selloff by categorizing the issues into three main buckets: concern regarding the Fed tapering bond purchases or raising interest rates, anxiety regarding supply chain issues (and the ensuing inflationary pressures) and worries regarding political gridlock in Washington. These issues, after being ignored for some time, suddenly moved to the forefront in September but, just as quickly, seemed to fade into the background in October thus allowing a powerful relief rally to unfold.

Although monetary policy has powered equity market returns since the Global Financial Crisis, it was perhaps the least impactful driver of the recent correction and subsequent relief rally. Notably, October was bracketed by FOMC meetings on September 22nd and on November 3rd, so investors had no official statement during the month to scrutinize. However, the September 22nd FOMC meeting probably helped to calm the nerves of investors, with the official statement suggesting that the economy was making progress and "if progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted". Chairman Powell also took the time to articulate that a reduction in asset purchases is not intended to signal impending rate hikes, essentially confirming the Fed's stance that tapering is not tightening. As fears of a policy mistake by the Fed dissipated, the equity markets started to find support by the end of September.

With the markets primed for a relief rally by the beginning of October, the second issue that had pressured markets during September thankfully showed some signs that the worst had passed. Essentially, the supply chain issues that had been impacting global manufacturing (creating availability problems and price dislocations) seemed to turn the corner during the month. We can come up with several examples of the headline news simply becoming less bad. For example, President Biden announced expanded operating hours at the Port of Long Beach and the Port of Los Angeles, which should eventually allow the backlog of materials, components and finished goods to shrink. October light vehicle sales improved sequentially to 13.1 million units up from 12.3 million units in September and new car inventories grew 4.6% sequentially as production rebounded after being severely impacted by the semiconductor shortage. Vietnam (an important region for apparel and footwear production) and Malaysia (an important region for semiconductor testing and packaging), began to reopen production facilities after strict lockdowns due to Delta variant concerns. As fears of runaway inflation began to recede, commodity prices moderated, shipping rates retreated, and investors breathed a sigh of relief.

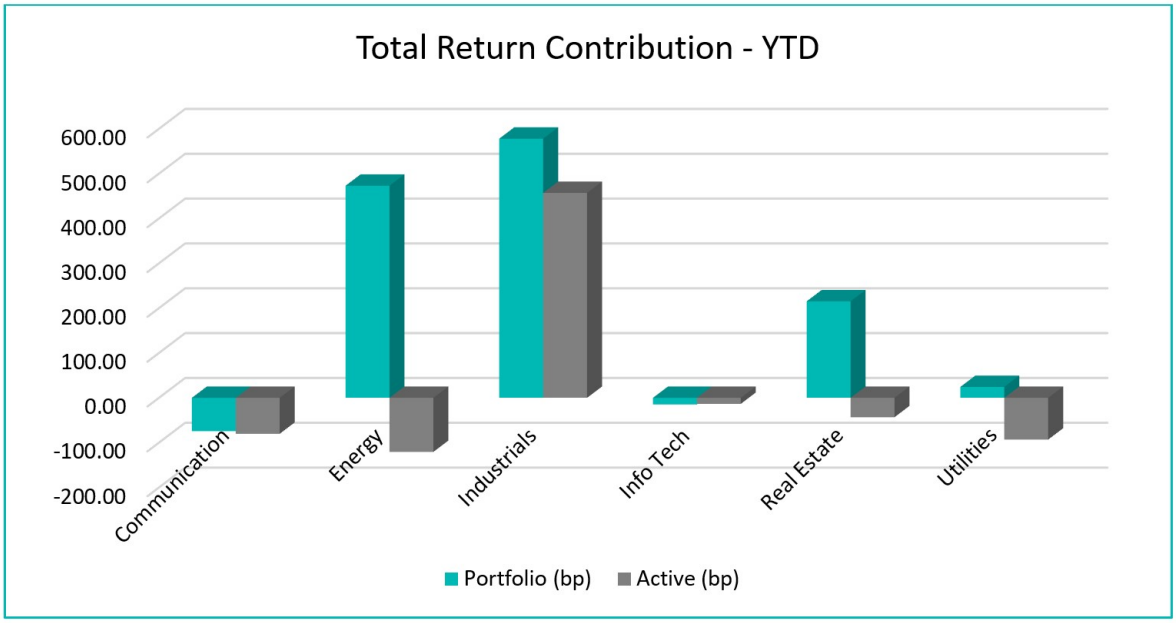
The third issue facing investors in September, gridlock in Washington due to political infighting and partisan politics, also began to clear in October. Congress had managed to pass a continuing resolution to avoid a government shutdown in September and finally passed a bill to raise the debt ceiling limit by $480 billion in October. This amount was large enough to allow the US Government to continue funding its obligations through December 3, thus avoiding an incredibly costly and embarrassing default. Further, Congress has just successfully passed the Bipartisan Infrastructure Bill and the legislation is now heading to President Biden to be signed into law. This fiscal package should be considered a political win for both parties given the essential nature of the proposed spending and its importance to the near-term economic growth and long-term competitiveness of the United States. Finally, although details of the proposed social infrastructure spending package (the Build Back Better Plan) have yet to be agreed upon, signs of compromise have emerged, and we expect a vote on the bill by mid-November. As we've said before, uncertainty is never good for the equity markets but if investors can just see

some progress towards a positive outcome, the markets generally can head higher.

Over the balance of the year, we remain optimistic regarding the investment outlook. With long-term interest rates still well below 2.0% (the US 10-year Treasury bond yield is currently trading around 1.50% despite experiencing some volatility during September and October) and consensus earnings growth of 9% in 2022 (according to FactSet), forward earnings multiples seem reasonable. So, despite the correction and relief rally in September and October respectively, investors should remain focused on the facts that vaccination rates are up, Covid-19 hospitalizations and deaths are down, and the global economy is slowly reopening. With corporate confidence improving and balance sheets in good shape, we believe that share buybacks are set to ramp up and dividend growth is set to accelerate over the next few years. Essentially, this environment bodes well for the relative performance of our dividend and real asset strategies over the medium term.

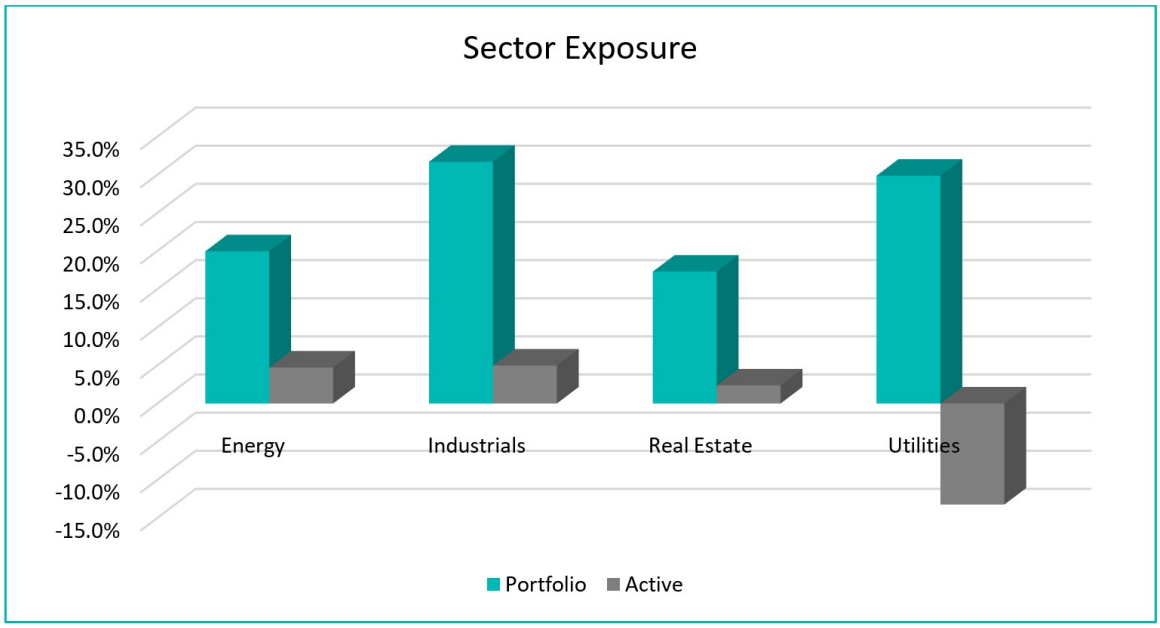
Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+578 bps), Energy (+473 bps) and Real Estate (+215 bps) while top detractors by sector included Communication (-74 bps) and Information Technology (-15 bps) on an absolute basis.

On a relative basis, a positive return contribution from the Industrials (+462 bps) sector was offset by negative contributions from the Energy (-95 bps), Utilities (-62 bps) and Communication (-80 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Industrials, Energy and Real Estate sectors, while underweight the Utilities sector. Consistent with prior commentaries, we have positioned for the middle phase of the investment cycle. With the Bipartisan Infrastructure Bill passed and soon to be signed into law, we are positioned to benefit from the increment $550 billion to be spent on traditional transportation infrastructure, broadband & 5G infrastructure and electrical power infrastructure.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 30 positions as at October 31, 2021 with the top 10 holdings accounting for approximately 38.9% of the fund. Over the prior fiscal year, 22 out of our 30 holdings have announced a dividend increase, with an average hike of 7.3% (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 JANUARY 31, 2024 (SERIES F NPP356) | INCEPTION DATE: SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	-1.5%	-1.5%	4.1%	1.5%	1.0%	5.0%	7.9%	5.9%	6.9%
MSCI World Core Infrastructure NR (CAD)	-1.8%	-1.8%	6.1%	0.7%	-2.7%	4.8%	5.0%	8.2%	10.1%

[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, 2021; 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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