Ninepoint Global Infrastructure Fund

September 2019 Commentary

Investment Team

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Vice President, Portfolio Manager

Year-to-date to September 30, the Ninepoint Global Infrastructure Fund generated a total return of 23.65% compared to the MSCI World Core Infrastructure Index, which generated a total return of 18.46%. For the month, the Fund generated a total return of 0.67% while the Index generated a total return of 0.88%.

Unfortunately, some of the drivers behind our significant outperformance last month reversed in September, with bond yields spiking and secular growth-based strategies underperforming relative to cyclical value-based strategies. Despite the whipsaw, we have been able to protect much of our year-to-date gains relative to the benchmark by simply following our disciplined investment process.

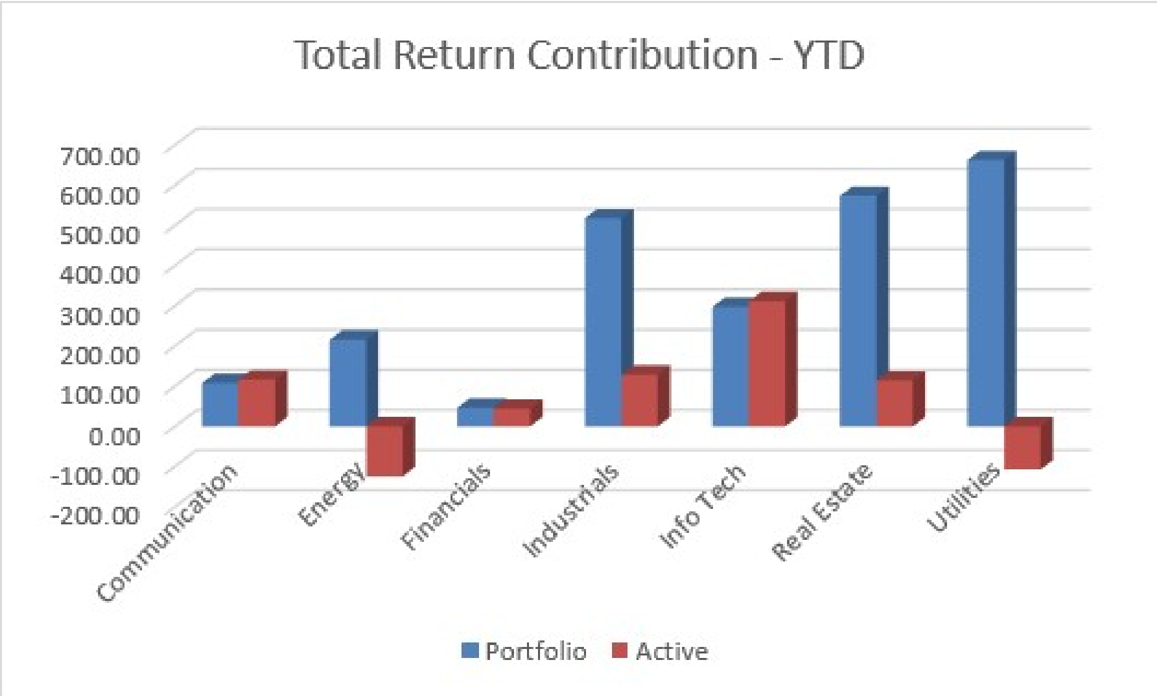
Although we always strive to adhere to our process irrespective of the noise, investing in today's environment feels particularly challenging. Investor crowding (overweight secular growth and underweight cyclical value), unusual fundamentals (historically wide valuation ranges in certain sectors) and deteriorating economic data (US manufacturing ISM at 47.8%, the lowest reading since June 2009) have led to outsized market moves. On top of these issues, protests in Hong Kong, the threat of impeachment proceedings against President Trump and Elizabeth Warren's recent rise in the polls have created even more uncertainty.

However, global monetary easing (the ECB cut rates on the deposit facility by 10 bps to -0.5% and restarted asset purchases at a rate of €20 billion per month while the US Fed cut interest rates by 25 bps to 2.00%) and the potential for a truce in the US-China trade war (high-level meetings will take place in Washington on October 10 and 11) provided reasons to believe in the "mid-cycle correction" argument.

So it's no wonder that the broad markets have been whipping around as investors flip-flop between positioning for an outright recession (believing that global central banks will be unable to prevent negative GDP growth resulting from the ongoing trade war) and positioning for a regime change in market leadership (believing that cyclicals and value stocks are simply too cheap relative to secular growth and defensive stocks).

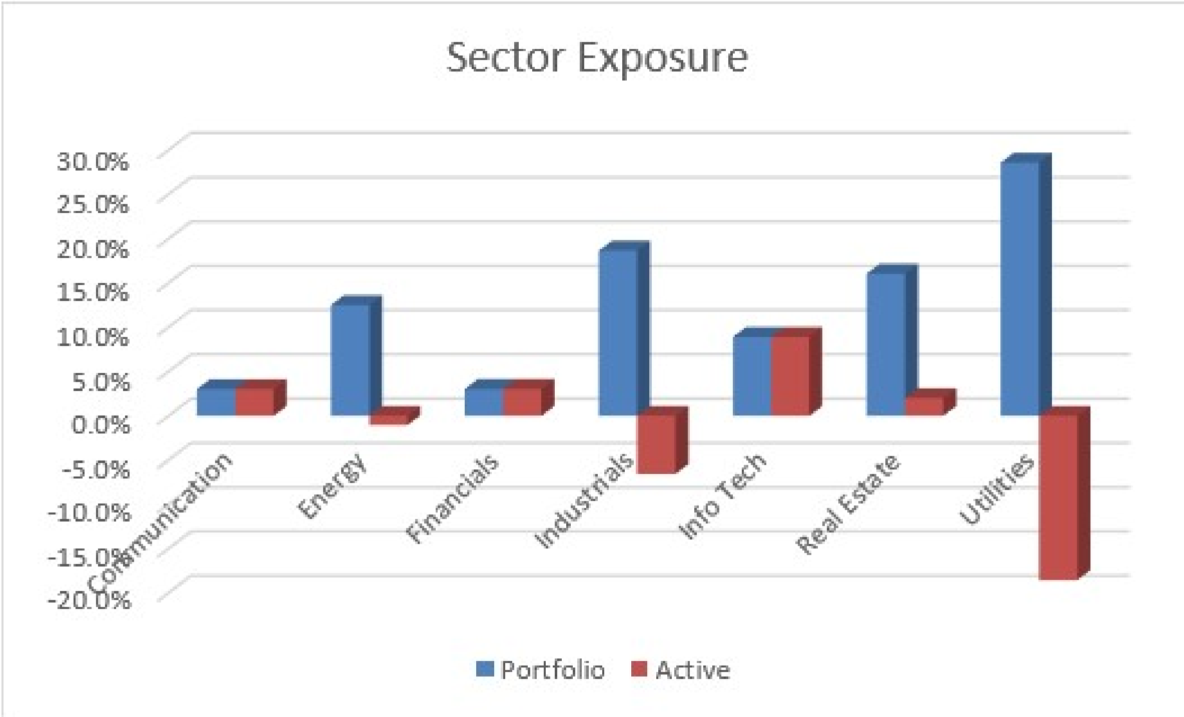
From our perspective, we will continue to follow our investment process (both on the buy side and the sell side of trades), construct a concentrated but diversified portfolio, hold a higher-than-normal cash balance and watch the incoming data extremely closely. We firmly believe that the path forward is highly dependent on at least a partial resolution to the US-China trade negotiations. Cancelling or even just postponing the previously announced tariff increases should be enough to avoid the worst-case scenario, an economic downturn culminating in a recession. If Trump's end goal is to be re-elected 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 by any means necessary. If this scenario plays 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 (+663 bps), Real Estate (+573 bps) and Industrials (+518 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 (+185 bps), ONEOK (+132 bps) and Ferrovial (+128 bps). Top detractors year-to-date included Enterprise Products Partners (-29 bps), Raytheon (-17 bps) and Plains GP Holdings (-12 bps).

In September, our top performing investments included Boralex (+30 bps), CyrusOne (+28 bps) and ENGIE (+21 bps) while Canadian Pacific Railway (-24 bps), American Tower (-22 bps) and Enterprise Products Partners (-14 bps) underperformed.

ENGIE PA, the France-based natural gas and electricity utility, is one of our core holdings in European infrastructure. However, from an operating perspective, ENGIE is truly a global company with assets across continental Europe, North America, Latin America, the Middle East, Asia and Africa.

We found two aspects of the ENGIE story particularly attractive when we originally built our position. First, ENGIE was pushing ahead with the rollout of low CO2 sources of energy (much in line with Europe's focus on ESG investing – environmental, social and governance). Renewables currently make up 23% of the Company's generation capacity (including hydro, wind, solar and biomass) and management clearly stated their goal of reaching at least 25% of Group generation capacity by 2020. We believe that utilities with a meaningful weighting toward renewables will continue to trade at a valuation premium to those with more traditional sources of fuel for power generation.

Second, we were intrigued by ENGIE's Client Solutions division, which generated approximated €2.4 billion in EBITDA last year and increased 9% (or 5% organically) compared to overall Group EBITDA that grew at 4.7%. Client Solutions offers energy performance solutions to various industries, develops large infrastructure projects, installs and operates urban infrastructure assets and offers various retail customers and small businesses energy efficiency solutions. We like the fact that a utility as large as ENGIE has a smaller, faster-growing segment that could possibly even exist as a standalone business at some point.

Today, ENGIE pays an annualized dividend of €0.75 per share, implying a 5.1% dividend yield, which is extremely attractive relative to French 10-year bonds that currently yield –18 bps. Unsurprisingly, the stock has rallied approximately 20.5% this year, as falling interest rates in Europe boosted the value of ENGIE's steady, consistent dividend stream. In an investment climate of lower-for-longer interest rates, we expect ENGIE to continue to perform relatively well, especially since the shares have not yet seen the same magnitude of earnings multiple-expansion as the North American-based utilities.

The Ninepoint Global Infrastructure Fund was concentrated in 30 positions as at September 30, 2019 with the top 10 holdings accounting for approximately 33.4% of the fund. Over the prior fiscal year, 28 out of our 30 holdings have announced a dividend increase, with an average hike of 12.7%. 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 RETURNS[1] AS OF MAY 31, 2022 (SERIES F NPP356) | INCEPTION DATE: SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	IN
Fund	0.8%	1.5%	5.3%	6.5%	12.7%	9.5%	7.4%	8.7%	
MSCI World Core Infrastructure NR (CAD)	1.1%	0.9%	4.5%	6.9%	12.4%	6.1%	7.2%	12.2%	

[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 September 30, 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.

Ninepoint Partners LP is the investment manager to the Ninepoint Funds (collectively, the "Funds"). Commissions, trailing commissions, management fees, performance fees (if any), other charges and expenses all may be associated with mutual fund investments. Please read the prospectus carefully before investing. The indicated rate of return for series F units of the Fund for the period ended September 30, 2019 is based on the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not

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