



Ninepoint Global Infrastructure Fund

September 2021 Commentary

Year-to-date to September 30, the Ninepoint Global Infrastructure Fund generated a total return of 5.29% compared to the MSCI World Core Infrastructure Index, which generated a total return of 6.93%. For the month, the Fund generated a total return of -3.25% while the Index generated a total return of -3.99%.



Ninepoint Partners,

September has lived up to its reputation as a particularly difficult month for investors. Several interrelated factors, that had generally been ignored until now, suddenly weighted on investor psyche and triggered a long-awaited correction in risk assets. We would characterize the drivers of the selloff 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.

As we've discussed before, the path to monetary policy normalization was always going to be a tricky one, despite being well-telegraphed. Although Chairman Powell's recent comments have been quite dovish, other members of the FOMC have been more hawkish. But the September 22nd FOMC meeting provided some clarity, 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". The subsequent press conference confirmed the prevailing view that asset purchases would be gradually reduced likely starting in November and that the tapering would continue through the middle of 2022. Powell, once again, 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. However, the statement and press conference were enough to finally push the US Treasury bond yield above 1.50%, which negatively impacted long-duration assets.

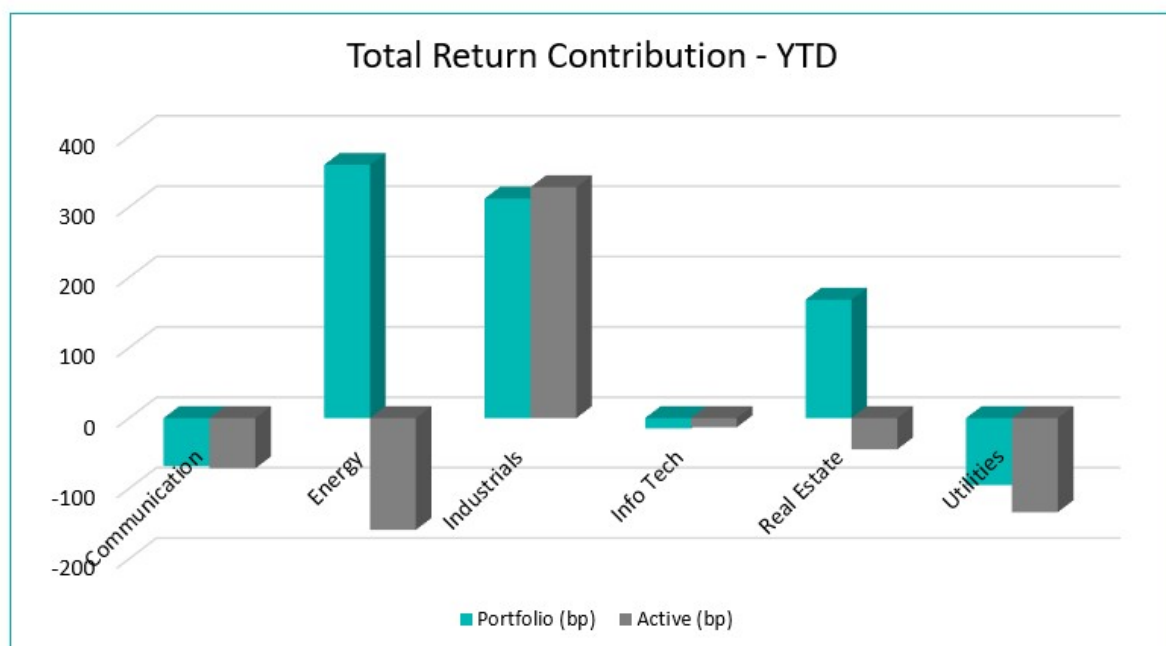
The second issue pressuring markets are the supply chain issues that have been impacting global manufacturing, thus creating transitory inflation across a wide range of industries. The extent of the problem can be seen by examining the semiconductor industry, where shortages are particularly noteworthy because of the almost ubiquitous nature of the component. The fallout from the semi shortage has hit the automotive industry hard, with US September light vehicle sales down 25% to just over 12 million units. Inventories have dropped to only 1 million units or approximately 25 days of supply, which has boosted the average transaction price 19% above last year's level. Adding to the pain, commodity prices and shipping rates have spiked. We have seen a similar domino effect across various segments of the consumer discretionary and industrial manufacturing sectors. So, from an equity investor perspective, we need to be aware of the threat of margin compression and weaker profitability for certain industries. The situation, whether temporary or not, simply doesn't help investor confidence today and the sectors and individual stocks most impacted have been understandably weak.

Finally, despite the optimism surrounding the new administration in Washington, infighting and partisan politics seem to be leading to gridlock at an inopportune time. Although Congress managed to pass a continuing resolution to avoid a government shutdown, we are still waiting for the debt ceiling to be raised, the Bipartisan Infrastructure Bill to be passed into law and negotiations for a broader social infrastructure spending bill to be concluded. The debt ceiling is the priority, with the potential for a default by mid to late-October, obviously an unpalatable scenario. However, we have been down this road before and most expect a resolution in a timely manner. In terms of the fiscal spending packages, it is disappointing that the Bipartisan Infrastructure Bill has not yet been approved, but we still expect a positive outcome due to the essential nature of the spending. Regarding the proposed \$3.5 trillion social infrastructure spending package, signs of a compromise already seem to be emerging, but negotiations should be expected to continue right up to the self-imposed October 31 deadline. Uncertainty is never good for the equity markets but if we can get through this period, or even show some progress towards a positive outcome, the markets should respond in kind.

Despite the market setback in September, we remain generally optimistic regarding the investment outlook once we get through what could be a choppy October. Looking at valuations, with long-term interest rates still well below 2.0% (the US 10-year Treasury bond yield is now trading around 1.50%) and consensus earnings growth of 8% in 2022, forward earnings multiples should be expected to gently trend lower over time but remain elevated relative to historic levels. We are not expecting the onset of a meaningfully deeper correction, or a bear market, given that vaccination rates are up, Covid-19 hospitalizations and deaths are down, and the global economy is slowly reopening. Essentially, we think that this environment bodes well for the relative performance of our dividend and real asset strategies over the medium term.

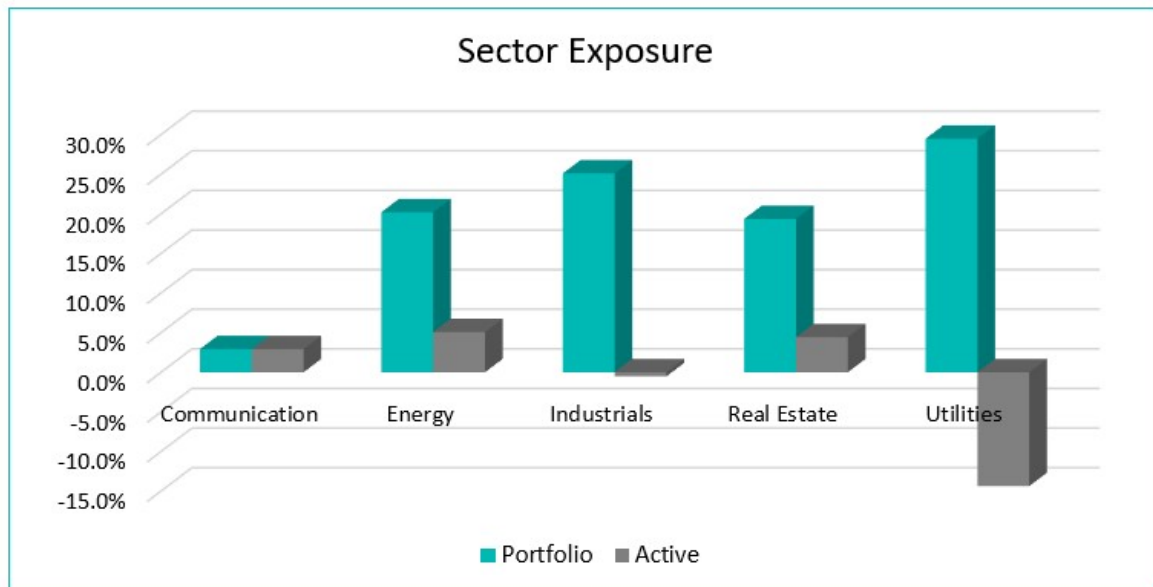
Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Energy (+360 bps), Industrials (+312 bps) and Real Estate (+168 bps) while top detractors by sector included Utilities (-95 bps), Communication (-68 bps) and Information Technology (-15 bps) on an absolute basis.

On a relative basis, a positive return contribution from the Industrials (+328 bps) sector was offset by negative contributions from the Energy (-159 bps), Utilities (-134 bps) and Communication (-72 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Energy, Real Estate and Communication sectors, while underweight the Utilities sector. We have positioned for the middle phase of the investment cycle, where above-average earnings, cash flow and dividend growth should compensate for some degree of multiple-compression. Although the bipartisan infrastructure bill has yet to be signed into law, we expect passage by October 31 and the most positively impacted securities should reaccelerate in anticipation of the news.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 30 positions as at September 30, 2021 with the top 10 holdings accounting for approximately 38.2% of the fund. Over the prior fiscal year, 24 out of our 30 holdings have announced a dividend increase, with an average hike of 8.4% (median hike of 7.9%). 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 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 September 30, 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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