Ninepoint Global Infrastructure Fund

May 2022 Commentary

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Vice President, Portfolio Manager

Year-to-date to May 31, the Ninepoint Global Infrastructure Fund generated a total return of 1.49% compared to the MSCI World Core Infrastructure Index, which generated a total return of 0.88%. For the month, the Fund generated a total return of 0.81% while the Index generated a total return of 1.07%.

Although the broad equity indexes finished the month relatively flat, it was a wild ride for investors. The markets essentially "V-shaped" through May, with a sharp selloff over the first few weeks followed by a rebound into month end. At the May 20th intraday low of 3,810 on the S&P 500 (down approximately 20% from all-time highs to 16.5x 2022 consensus estimates and 15.25x consensus 2023 estimates according to Refinitiv), fear regarding an impending stagflation or recession scenario was palpable. Thankfully, the combination of some relatively soothing Fed speeches and a valuation reset led to more constructive investor behaviour, which allowed the relief rally to take hold. Unfortunately, whether the bounce is more than just a bear market rally remains to be seen.

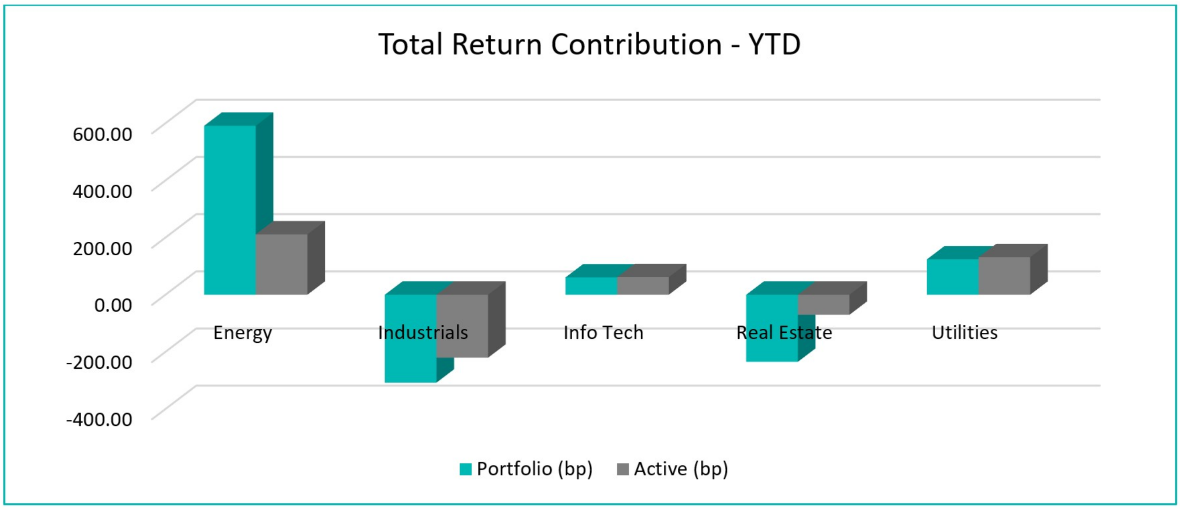
As has been the case all year, investors have been fixated on inflation and the ensuing path of future interest rate hikes. The most recent CPI print (for April but released on May 11th) showed an increase of 8.3% over the last twelve months and 6.2% over the last twelve months excluding food and energy, indicating a slight deceleration relative to the March data. However, the details of the report did nothing to alleviate concerns that the drivers of inflation are more "sticky" than initially thought. So, after the Fed's 50 bps interest rate hike on May 4th to a new range of 0.75% to 1.00%, we still expect 50 bps hikes in both June and July. Further, the futures curve is pricing in hikes at the September, November and December FOMC meetings, implying a Fed funds rate of approximately 2.75% to 3.0% by December. We think this could prove to be excessively hawkish, but most investors are unwilling to temper their outlook until they can see clear evidence that inflation is moderating.

Although most of the year-to-date decline could be attributed to multiple compression due to rising interest rates, investors have now started to question forward earnings expectations. Surprisingly, consensus estimates have been reasonably stable around $230 for 2022 and $250 for 2023, but the threat of margin compression does pose a credible risk going forward. If businesses are unable or unwilling to pass along higher wages, raw material costs and freight rates, we could see these forecasts shift lower. Theoretically, if we do see a challenging Q2 earnings season with materially lower guidance for the second half of 2022, we could experience a negative earnings revision phase of the market selloff/correction. Conversely, if management teams sound confident regarding their guidance, we may have already seen the lows for the year.

In the meantime, we continue to rely on prior comparable periods to guide our investment decisions, which suggest that if the inflation data shows some signs of moderating, the economic data remains relatively robust and the pace of interest rate hikes & quantitative tightening slows relative to market expectations, the equity markets can resume an upward trend. Although investors should expect continued volatility amid a challenging investment environment, if the Fed can achieve its "soft or softish-landing" goal, the broad markets could prove to be more resilient than feared at the depths of the correction. In keeping with our mandates, we are concentrating our efforts on free cash flow positive, high quality, dividend growth companies and real asset investments given our positive assessment of the risk/reward outlook over the next two to three years.

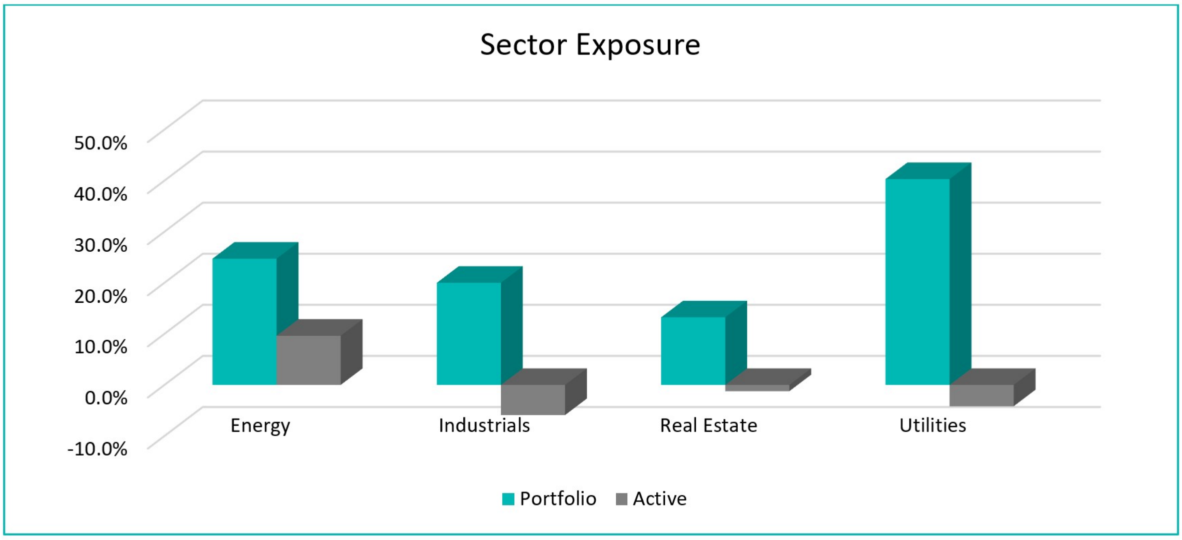
Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Energy (+593 bps), Utilities (+105 bps) and Information Technology (+61 bps) while top detractors by sector included Industrials (-308 bps) and Real Estate (-235 bps) on an absolute basis.

On a relative basis, positive return contributions from the Energy (+221 bps), Utilities (+129 bps) and Information Technology (+62 bps) sectors were offset by negative contributions from the Industrials (-217 bps) and Real Estate (-67 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Energy sector, while underweight the Industrials, Utilities and Real Estate sectors. The Oil & Gas Storage & Transportation sub-industry has been the clear leader year-to-date, but the Utilities sector has also generated positive returns, albeit in a distant second place. We remain significantly overweight the Energy sector but have been doing the fundamental work on various potential investment opportunities in the Utilities sector (both in North America and Europe) after a pullback from mid-April to mid-May.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 30 positions as at May 31, 2022 with the top 10 holdings accounting for approximately 38.1% of the fund. Over the prior fiscal year, 16 out of our 30 holdings have announced a dividend increase, with an average hike of 5.0% (median hike of 1.9%). 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 RETURNS[1] AS OF MAY 31, 2022 (SERIES F NPP 356) | INCEPTION DATE - SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	0.8%	1.5%	5.3%	6.5%	12.7%	9.5%	7.4%	8.7%	7.9%
MSCI World Core Infrastructure NR (CAD)	1.1%	0.9%	4.5%	6.9%	12.4%	6.1%	7.2%	12.2%	12.1%

[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 May 31, 2022; 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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