Jeff Sayer: This is Jeff Sayer, portfolio manager of the Ninepoint Global Infrastructure Fund and the Ninepoint Global Real Estate Fund. Welcome to our 2022 mid-year review. With the S&P 500 closing at 3,785 on June 30, the best gauge of stocks in the United States finished the first half of 2022 officially in a bear market, down 20.6% year to date and trading at 16.3 times 2022 consensus estimates, and 15.2 times 2023 consensus estimates according to Refinitiv.

Fear regarding an impending recession has gripped investors. Broadly speaking, the first six months of 2022 has been the worst start to the year since 1970. The pain has been even more severe in the unprofitable, the high growth sub sectors of the market. The combined impact of the COVID-19 Omicron Variant, additional lockdowns in China, and the Russian invasion of the Ukraine has exacerbated inflationary pressures, weight on global growth, and triggering the market selloff.

As been the case all year, investors have been fixated on inflation and the ensuing path of futures interest rate hikes. The May CPI print released on June 10 was particularly troublesome for the equity markets since it essentially negated the argument of transitory inflation. The report showed an increase of 8.6% over the last 12 months and 6.0% over the last 12 months excluding food and energy. A slight increase from the 8.3% headline number for April but a slight decrease from the 6.2% core number for April.

However, the details of the report indicated that some of the categories that have been deemed transitory such as gasoline, used cars and trucks, and apparel had seen price declines over the past month or two suddenly re-accelerated to the upside. The concerning data forced a quick response. After the Fed's 50-basis-point interest rate hike on May 4, the FOMC moves 75 basis points on June 15 to a range of 1.5 to 1.75.

The official statement, summary, economic projections, house press conference, and various subsequent speeches suggested that another 75 basis point interest rate increase should be expected. They delivered on July 27 with the current range now 2.25% to 2.50%. Beyond July, the futures curve is currently pricing additional hikes at the September, November, and December FOMC meetings implying a Fed funds rate of approximately 3.25 to 3.50 by December.

Given the negative sentiment tied to the rising inflation expectations, investors will need to see clear evidence that inflation is moderated before tempering rate height expectations. Although most of the year to date market decline could be attributed to multiple compression due to rising interest rates, investors have understandably started to question forward earnings expectations in a deteriorating economic environment.

Thus far, consensus estimates have been reasonably stable, around 230 for 2022 and 250 for 2023, but the threat of slowing growth and margin compression does pose a significant market risk. Theoretically, if we do see a challenging Q2 earning season with materially lower guidance for the second half of 2022 and the full year of 2023, we could experience a negative earnings revision cycle, which would likely represent the final phase of the equity market drawdown.

We could then finally begin to look beyond the trough to potentially easier monetary policy and earnings re-acceleration going forward. Year to date to June 30, the Ninepoint Global Infrastructure Fund generated a total return of negative 3.1% compared to the MSCI world core infrastructure index, which generated total return of negative 3.7%.

Top contributors the year to date performance of the Ninepoint Global Infrastructure Fund by sector included energy and information technology while top detractors by sector included industrials, real estate, and utilities on an absolute basis. On a relative basis, positive return contributions from the utilities, energy, and information technology sectors were offset by negative contributions from the industrials and real estate sectors.

We're currently overweight the energy sector, market weight the real estate sector, and underweight the utilities and industrial sectors. With inflation remaining elevated and growth slowing, our work has been focused on both the energy sector, our largest relative overweight for valuation, and the utility sector, our largest absolute weight for defensiveness.

Year to date to June 30, the Ninepoint Global Real Estate Fund generated a total return of negative 22.2% compared to the MSCI world IMI core real estate index which generated a total return of minus 19.4%. Top contributors to the year to date performance the Ninepoint Global Real Estate Fund by sub-industry included only internet services and infrastructure, with top detractors by sub-industry included industrial REITs, residential REITs, and specialized REITs on an absolute basis. On a relative basis, positive return contributions from the real estate operating companies diversified REITs and offers REITs sub-industries were offset by negative contributions from the industrial REITs, residential REITs, and specialized REITs sub-industries.

We're currently overweight specialized REITs, industrial REITs, and residential rates while underweight real estate operating companies diversified REITs, and diversified real estate activities. Although the industrial REITs have experienced a meaningful pullback, the outlook remains positive for warehousing, distribution, and logistic assets. Our analysis has also been focused on other sub-industries with the greatest potential for margin expansion, including potential opportunities in the specialized REITs and healthcare REITs sub-industries.

Given an investment environment characterized by moderate inflation and slowing growth, it is not surprising that infrastructure has outperformed, but it is somewhat disappointing that real estate has underperformed. Despite both asset classes offering a nice combination of inflation protection and income generation, investors have gravitated towards infrastructure but have shied away from real estate based on fears of a looming recession.

However, the fundamentals of most of the underlying businesses have been steady and the dividend yields remain attractive, so we should expect better relative performance from both sectors over the balance of the year. In the meantime, we will continue to apply our discipline investment process, balancing valuation, earnings, or cash flow growth, and yield in an effort to generate solid risk-adjusted returns over the cycle. Thank you for your time and support.

NINEPOINT GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS[1] AS OF JUNE 30, 2022 | INCEPTION DATE: SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	-4.5%	-3.1%	-5.2%	-3.1%	4.2%	7.7%	7.0%	7.7%	7.4%
Index	-4.5%	-3.7%	-5.2%	-3.7%	5.7%	4.6%	7.3%	11.3%	11.5%

NINEPOINT GLOBAL REAL ESTATE FUND - COMPOUNDED RETURNS[1] AS OF JUNE 30, 2022 | INCEPTION DATE: : AUGUST 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	-6.7%	-22.2%	-14.7%	-22.2%	-6.5%	5.2%	6.0%	7.2%
Index	-7.0%	-19.4%	-15.1%	-19.4%	-9.9%	-1.0%	2.0%	2.7%

[1]All Ninepoint Global Infrastructure Fund 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 June 30, 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. [1]All Ninepoint Global Real Estate Fund returns and fund details are a) based on F units; b) net of fees; c) annualized if period is greater than one year; d) as at June 30, 2022; e) 2015 annual returns are from 08/04/15 to 12/31/15. The index is 100% MSCI World IMI Core Real Estate NR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information.

The Risks associated worth investing in a Fund depend on the securities and assets in which the Funds invests, based upon the Fund's particular objectives. There is no assurance that any Fund will achieve its investment objective, and its net asset value, yield and investment return will fluctuate from time to time with market conditions. There is no guarantee that the full amount of your original investment in a Fund will be returned to you. The Funds are not insured by the Canada Deposit Insurance Corporation or any other government deposit insurer. Please read a Fund's prospectus or offering memorandum before investing.

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