Ninepoint Global Infrastructure Fund

September 2022 Commentary

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Year-to-date to September 30, the Ninepoint Global Infrastructure Fund generated a total return of -2.29% compared to the MSCI World Core Infrastructure Index, which generated a total return of -7.86%. For the month, the Fund generated a total return of -6.56% while the Index generated a total return of -8.03%.

NINEPOINT GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS[1] AS OF SEPTEMBER 30, 2022 (SERIES F NPP 356) | INCEPTION DATE - SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10 YR	INCEPTION
Fund	-6.6%	-2.3%	0.9%	-4.4%	5.3%	5.9%	7.1%	7.9%	7.3%
MSCI World Core Infrastructure NR (CAD)	-8.0%	-7.9%	-4.4%	-9.3%	0.1%	1.9%	6.6%	10.7%	10.8%

The broader equity markets continued to slide from mid-August highs through the end of September and closed at a new low for the year. It had looked like the market was attempting to make a higher low in the early part of the month but, once again, a strong US CPI print on September 13 spoiled the recovery rally. The inflation report for August showed that the index rose 0.1%, on a seasonally adjusted basis, after being unchanged in July. Over the last twelve months, the index increased 8.3% in August compared to 8.5% in the prior month, slightly better sequentially but not enough to dampen inflation concerns. Perhaps even more disappointing, the core CPI (all items less food and energy) rose 0.6% in August, a reacceleration from the July reading, and increased 6.3% year over year compared to 5.9% in the prior month.

Unsurprisingly, the FOMC responded by another 75-bps interest rate increase on September 21 to a new range of 3.00% to 3.25%. The futures curve is currently pricing additional hikes at the November and December FOMC meetings, implying a Fed funds rate of approximately 4.25% to 4.50% by year end. The curve also suggests a high probability of another 25-bps hike by March 2023, when the tightening cycle is priced to finally come to an end. As we've said before, we think a pause in the interest rate tightening cycle is more likely than a pivot to interest rate cuts in 2023.

But with the European energy crisis and the Russian invasion of Ukraine continuing to threaten global stability, signs of stress have started to appear in the financial markets. In the currency markets, the US Dollar has maintained its safe haven status, hitting a twenty-year high against a basket of global currencies, with notable weakness in the Euro and Yen. In the bond markets, the US 2-year Treasury yield hit a fifteen-year high of 4.36% and the US 10-year Treasury yield hit a twelve-year high of 4.02%. Further, corporate bond spreads have blown out by almost 80 basis points since the beginning of the year. To say the least, it has been an extremely difficult environment for both bond and equity investors thus far in 2022.

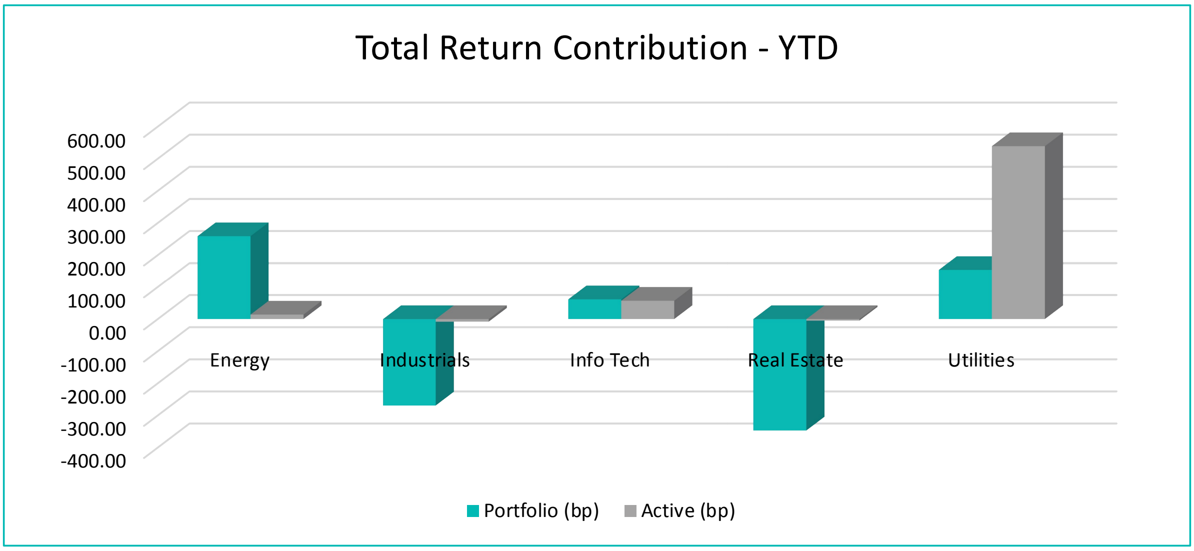
Given the number of cross currents in the markets, it is tough to find a concrete explanation for some of these outsized moves, with sentiment and positioning swinging wildly around any macroeconomic or geopolitical bit of news. However, we would point to the new UK Prime Minister's "mini-budget" that contained significant tax cuts without any revenue offsets (essentially a large, unfunded fiscal stimulus package), which exacerbated some of the gyrations in both the currency and bond markets. Specifically, the British pound fell to an all-time low against the US Dollar (almost breaking par) and UK 30-year Gilts were down 59% year-to-date and 36% month-to-date at the lows before rebounding after intervention by the Bank of England. Because of the potential for contagion from some of these cross asset moves, we still believe that the risks of a monetary policy-induced, cyclical (but relatively mild) recession are elevated.

Despite the fear of an impending recession, consensus earnings forecasts for the S&P 500 have been stable around $230 for 2022 and $240 for 2023 but we should expect the numbers for next year to decline as companies work through the Q3 2022 and Q4 2022 reporting periods. At the minimum, the stronger US Dollar and inflated operating costs are likely to pressure margins through the balance of 2022 and into 2023. As investors try to determine the appropriate P/E multiple to put on potentially falling forward earnings expectations, the markets are trying to balance good but backward-looking data today with the threat of potential weakness tomorrow, weighing soft-landing versus recession valuation scenarios.

We remained focused on watching for either the negative earning revision cycle to bottom or a Fed pause to signal the inflection toward a return to economic growth. 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 (+259 bps), Utilities (+154 bps) and Information Technology (+61 bps) while top detractors by sector included Real Estate (-347 bps) and Industrials (-269 bps) on an absolute basis.

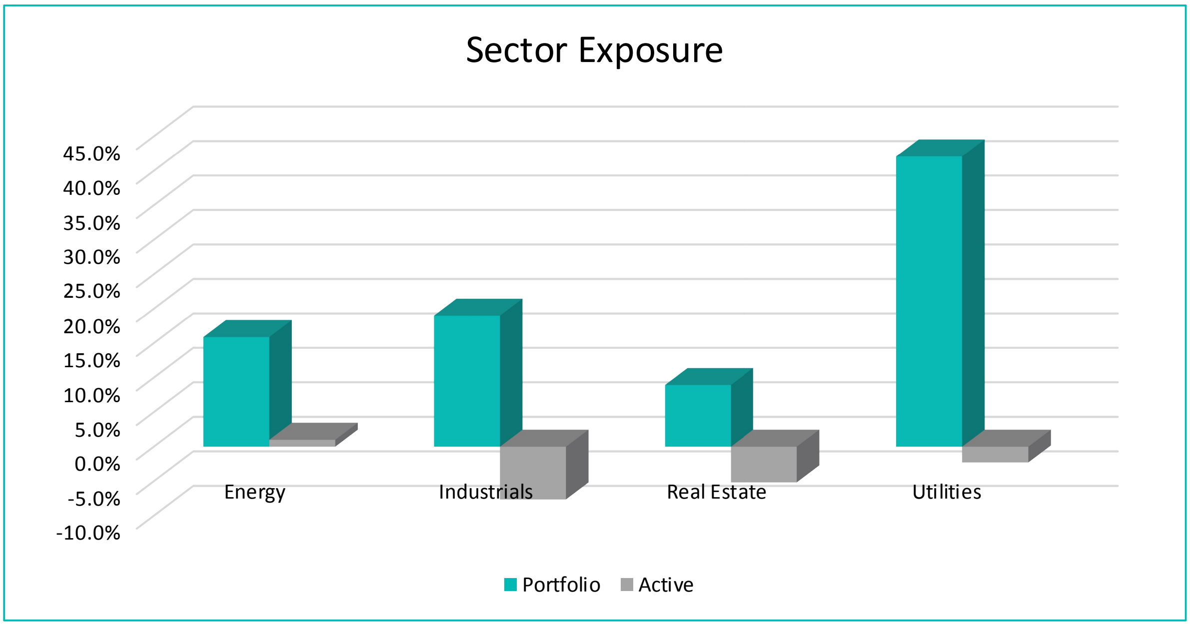
On a relative basis, positive return contributions from the Utilities (+564bps), Information Technology (+57 bps) and Energy (+28bps) sectors were offset by negative contributions from the Industrials (-0.8 bps).



Source: Ninepoint Partners

We are currently slightly overweight the Energy sector and underweight the Industrials, Real Estate and Utilities sectors. With signs of a global slowdown materializing and the US Federal Reserve committed to regaining control of inflation, we have been focused on the Utilities sector (our largest absolute weight given its defensive characteristics) and the Energy Sector (our largest relative overweight given its attractive valuation). We are carefully watching for either the negative earnings revision cycle to bottom or a Fed pause to signal that the global equity markets can move sustainably higher.

Outside of broader equity market moves, we are becoming more confident in our belief that the energy transition trade will be one of the most important investment themes over the coming years. However, we believe that it is unlikely that fossil fuel usage will ever be eliminated in any realistic time frame. Therefore, we are comfortable having exposure to both traditional energy investments (primarily through Oil & Gas Storage & Transportation assets) and renewable energy investments (including clean power technologies) given the importance of sustainability and security of supply.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 26 positions as at September 30, 2022 with the top 10 holdings accounting for approximately 37.2% of the fund. Over the prior fiscal year, 13 out of our 26 holdings have announced a dividend increase, with an average hike of 2.1% (median hike of 0.3%). 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

[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, 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.

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.

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