



Ninepoint Focused Global Dividend Fund

October 2022 Commentary

Year-to-date to October 31, the Ninepoint Focused Global Dividend Fund generated a total return of -8.04% compared to the S&P Global 1200 Index, which generated a total return of -13.26%. For the month, the Fund generated a total return of 7.59% while the Index generated a total return of 6.02%.



Jeff Sayer, CFA
Vice President, Portfolio Manager

NINEPOINT FOCUSED GLOBAL DIVIDEND FUND - COMPOUNDED RETURNS¹ AS OF OCTOBER 31, 2022 (SERIES F NPP964) | INCEPTION DATE: NOVEMBER 25, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	Inception
Fund	7.6%	-8.0%	3.4%	1.1%	-2.4%	6.7%	6.4%	6.8%
S&P Global 1200 TR (CAD)	6.0%	-13.3%	-1.3%	-2.3%	-9.4%	7.5%	7.8%	8.8%

This year has been dominated by the “macro-trade” with the Fed hiking interest rates to fight inflation before it becomes entrenched. The real question that we have been trying to answer is “what’s the terminal rate?”; investors are essentially trying to figure out the correct P/E multiple to put on forward earnings. On November 2, 2022, the Fed hiked another 75 bps (as expected) and although the statement was relatively dovish, it was followed by a quite hawkish press conference. The forward curve is now suggesting a terminal rate of approximately 5.0% in 2023 before the Fed pauses for the cycle. But after six rate hikes this year (and four 75 bps hikes in a row), the Fed is likely to step down to a 50 bps on December 14, 2022. So, the beginning of the taper and the end of the tightening cycle is probably near.

Looking at some of the other data, we can see that inflation is starting to roll over. According to US CPI data, gasoline prices, used car prices, apparel prices and medical costs are down sequentially. Redfin (a US-based residential brokerage) recently reported that rents declined 2.5% in September. The last piece of the puzzle to tame inflation will be (unfortunately) job loss and we have already seen some of the biggest tech companies freezing hiring or even cutting employees.

Further, PMIs are approaching contraction levels, with the US manufacturing ISM at 50.2% and the US services ISM at 54.4%. Finally, after remaining surprisingly strong through much of the year, S&P 500 forward earnings estimates have fallen from \$255 at the start of the year to \$232 today, a decline of almost 10% (the expectations reset is positive in terms of sentiment). Importantly, based on history, markets tend to bottom about six months before the economic data & the earnings estimates trough and the recovery from a recession begins.

Thankfully, signs that the broader markets are finding a bottom exist now. The S&P seems to be stabilizing at the 200-week moving average (around 3,600), which would represent about 15.5x 2023 earnings. Currently, we are trading at about 16x 2023 earnings, which has proven to be a good spot to deploy capital, excluding the 2008/2009 global financial crisis and the 2020 Covid-19 lockdowns. Unless something happens that is materially worse than either of these two events, investors with a long-term time horizon should be looking for opportunities. Reassuringly, after double bottoming in June and

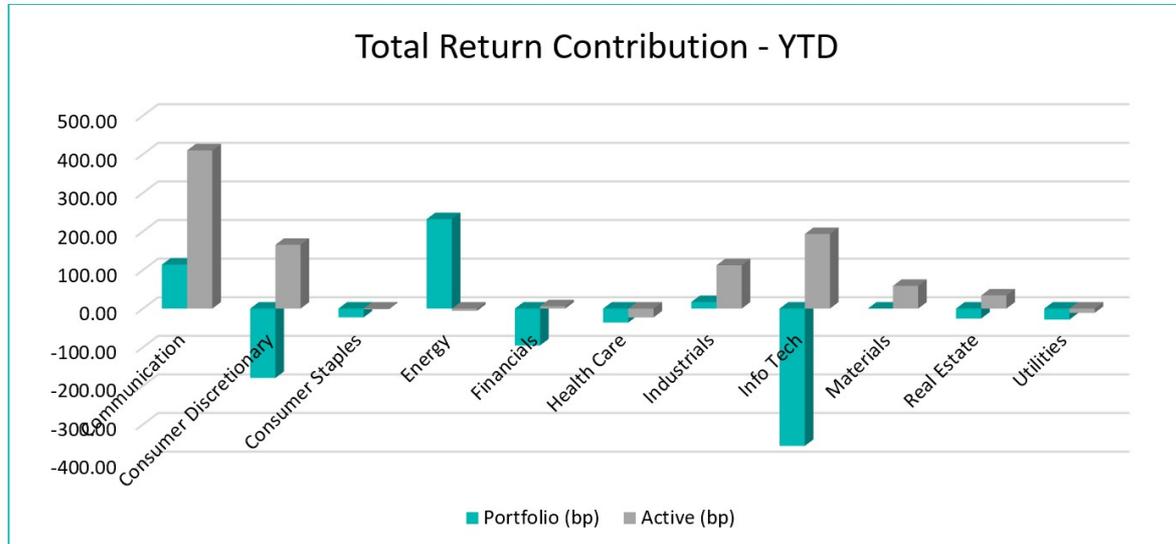
October, the internals of the market have improved, with 40% of stocks hitting new 52-week lows in June but just over 30% hitting new 52-week lows in October.

Having said all of that, we should look beyond the broader indexes. Many of the largest market-cap companies are still trading at elevated valuations, both in absolute and relative terms. Further, the leaders over the next decade are unlikely to be the leaders of past cycles. In an environment of moderate inflation and slowing growth, the most important drivers of investment performance will likely be valuation, balance sheet strength and the ability to consistently generate cash flow and earnings. Also, a greater component of total returns will likely come from dividend yields, which meshes nicely with our investment strategies.

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.

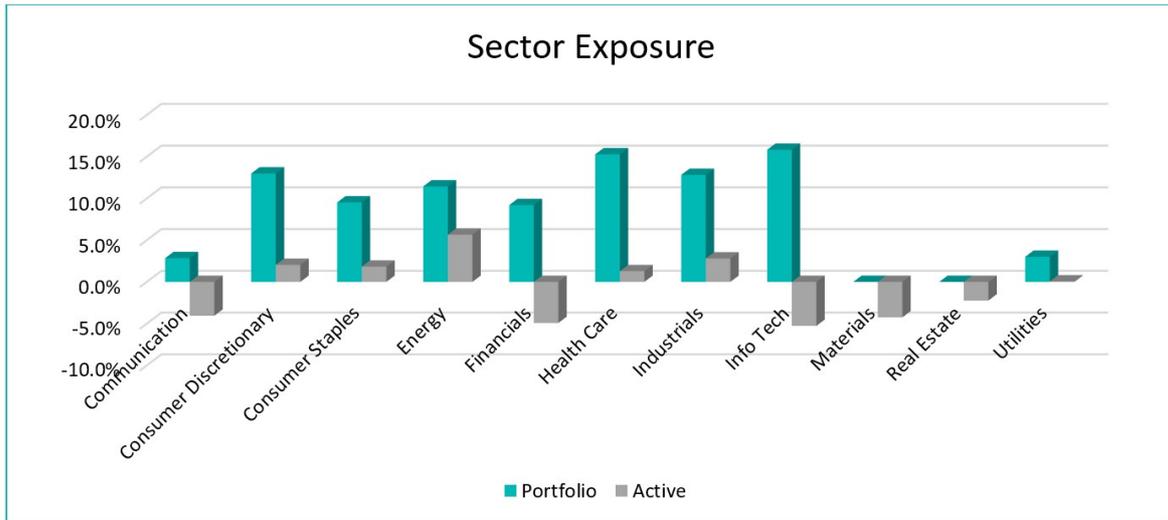
Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Fund by sector included Energy (+232 bps), Communication (+114 bps) and Industrials (+17 bps) while top detractors by sector included Information Technology (-356 bps), Consumer Discretionary (-180 bps) and Financials (-95 bps) on an absolute basis.

On a relative basis, positive return contributions from the Communication (+410 bps), Information Technology (+193 bps) and Consumer Discretionary (+165 bps) sectors were offset by negative contributions from the Health Care (-23 bps), Utilities (-11 bps) and Energy (-6 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Energy, Industrials and Consumer Discretionary sectors, while underweight the Information Technology, Financials and Materials sectors. With signs of a global slowdown materializing and the US Federal Reserve committed to regaining control of inflation, we have been focused on high quality, dividend growers that have been able to consistently grow both revenue and earnings through the cycle. 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.



Source: Ninepoint Partners

The Ninepoint Focused Global Dividend Fund was concentrated in 28 positions as at October 31, 2022 with the top 10 holdings accounting for approximately 38.1% of the fund. Over the prior fiscal year, 22 out of our 28 holdings have announced a dividend increase, with an average hike of 19.8% (median hike of 5.7%). We will continue to apply a disciplined investment process, balancing various quality and valuation metrics, in an effort to generate solid risk-adjusted returns.

Jeffery Sayer, CFA
 Ninepoint Partners

¹ All returns and fund details are a) based on Series F shares; b) net of fees; c) annualized if period is greater than one year; d) as at October 31, 2022; e) 2015 annual returns are from 11/25/15 to 12/31/15. The index is S&P GLOBAL 1200 TR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information.

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