



# Ninepoint Convertible Securities Fund

## Q4 2022 Commentary

Ninepoint Convertible Securities Fund is closed to new investments. Ninepoint Partners is seeking unitholder approval to merge the fund at a special meeting to be held on or about January 25, 2023. If the merger is successful, the Ninepoint Convertible Securities Fund will merge into the Ninepoint Global Infrastructure Fund.

### Fund Overview

The Ninepoint Convertible Securities Fund (“Fund”) seeks to provide unitholders with income and long-term capital appreciation. To achieve the Fund’s investment objective, the Fund will look for opportunities to participate in the potential growth of the common stocks’ underlying convertible securities, while seeking to earn income that is generally higher than the income the common stocks would provide.

The Fund is advised by the Sub-Advisor, Columbia Management Investment Advisers, LLC (“Columbia”), an affiliate of Columbia Threadneedle Investments. Columbia Threadneedle Investments is a leading global asset management company that offers investors, investment strategies across- equities, fixed income, asset allocation, customized multi-asset solutions and alternatives, including real estate. As of September 30<sup>th</sup>, 2022, Columbia Threadneedle had 650+ investment professionals based in North America, Europe, and Asia Pacific, and manages approximately US\$546 billion in assets on behalf of institutional and individual investors. The firm is co-headquartered in Boston, Massachusetts for its North American business and London, United Kingdom for its EMEA and Asia Pacific businesses. Investment teams are predominately located in the United States and the United Kingdom.

### Investment Team



**Ninepoint Partners / Columbia Threadneedle**

Sub Advised by Columbia Threadneedle Investments

### Fund Performance as at December 31, 2022

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2022	-6.75%	0.18%	-0.10%	-4.98%	-4.76%	-4.67%	4.99%	3.65%	-2.68%	1.65%	0.11%	-2.30%	-15.23%
2021			-0.38%	0.26%	-3.62%	5.55%	-0.63%	2.57%	-1.42%	0.02%	-0.54%	-0.45%	1.11%

Source: Ninepoint Partners

Ninepoint Convertible Securities Fund returned -0.58% (net of fees) in the fourth quarter. The Fund underperformed the 0.18% return of its benchmark, the ICE BofA All Convertibles, All Qualities Index. (All returns in CAD).

### Market Overview

Convertible securities produced narrow gains in the quarter, as most financial assets rallied on expectations that the U.S. Federal Reserve could be poised to shift to a more accommodative policy in 2023. The category was unable to keep pace with the stronger returns for either equities or bonds, however. The convertible market remained under pressure from its tilt toward growth companies, which was a headwind, given that the value style strongly outperformed. This continued a trend that was in place for the full calendar year, during which the index returned -12.80% and experienced its largest down year since 2008.

The new-issue market remained quiet. Only 21 new issues came to the market in the quarter, bringing the total for the year to 58. The value of new issuance for the quarter and year was \$8.5 billion (USD) and \$28 billion (USD), respectively, well below the total for same time periods in 2021.

Notably, new issuance was not enough to make up for the total amount of convertibles that matured or were otherwise removed from the market in 2022. Although the decline in new-issue supply reflected the combination of difficult market conditions and the higher cost of capital, we also think reduced supply helps provide a stronger foundation for prices.

## **Quarterly Portfolio Recap**

The Fund had a number of notable winners in the health care sector in the quarter, including two diabetes management companies. The securities of one of these companies rallied after the Food & Drug Administration (FDA) approved a new device for launch in 2023, and the second company continued to see robust growth from its own new device that was released earlier in the year. A health care company providing cancer screening and diagnostic test products, a biopharma technology platform company and a medical devices company were also strong performers in health care.

Elsewhere, a cloud platform for businesses to manage spending, was a top performer thanks to a takeover from a private equity firm. Holdings in a global cruise holding company and various airline issues were additional contributors amid rising optimism about the outlook for travel spending.

On the negative side, a position in the convertibles of an American pharmaceutical company that specializes in oncology treatment products was a significant detractor. The FDA didn't approve the company's key drug for new indications, forcing it to declare Chapter 11 bankruptcy. We expected the company would come back to investors to negotiate a restructuring, but the company instead surprised us by throwing in the towel. It is relatively rare for one of our holdings to default; this has only occurred about once a year on average over the past decade. Our position in an internet security company also detracted, as the convertible we hold has a high degree of equity sensitivity and was therefore hurt by a downturn in the company's common stock. A semiconductor producer and a cloud security provider also detracted from results amid broader weakness in the technology sector.

## **Outlook**

Although headlines and worries about Fed policy may continue to affect convertibles' near-term returns, we believe the asset class can deliver improved performance in 2023. As we noted last quarter, a large percentage of the market is made up of securities whose prices have fallen below par. Providing the issuers don't default, these securities will move back to par over time – meaning there should be an element of price appreciation to augment the category's yield. Further, the convertible market's equity sensitivity remains deep on the low end of the historical range, and not far above where it stood during the global financial crisis. This helps limit the category's potential downside even if the broader environment remains challenging. We believe these factors, in combination with the favorable supply-and-demand conditions discussed previously, indicate that convertibles are well positioned to provide investors with an attractive risk/return profile in the year ahead.

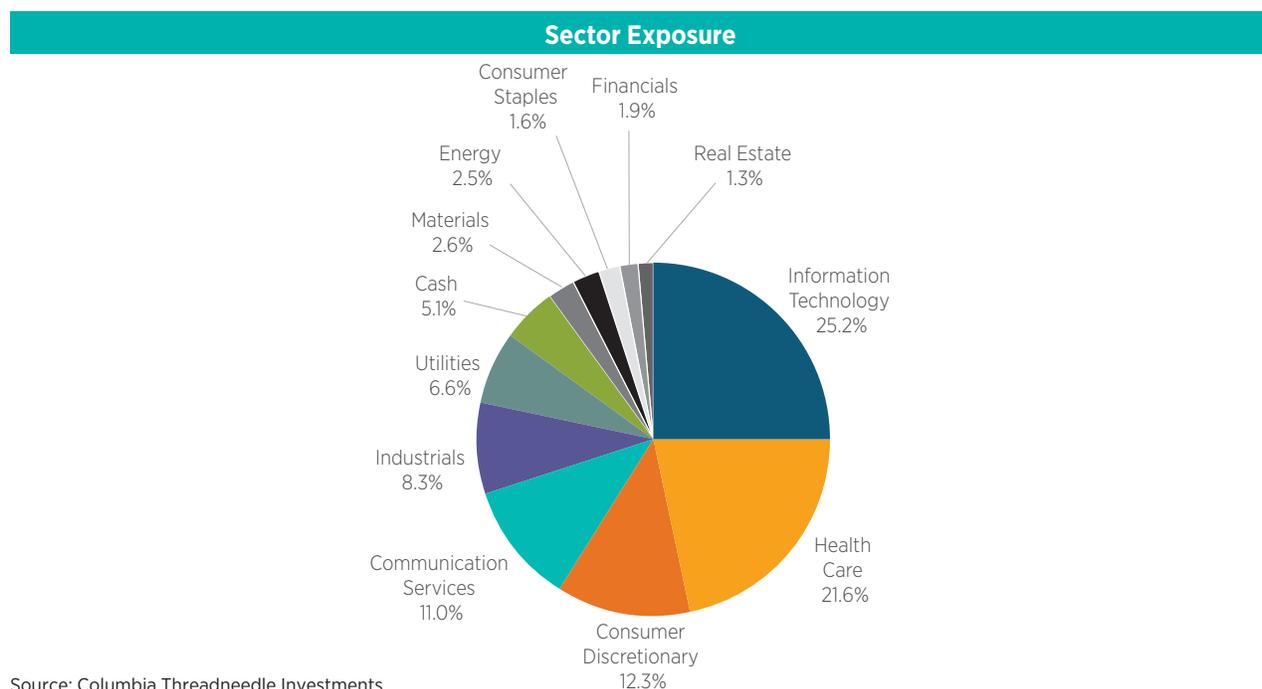
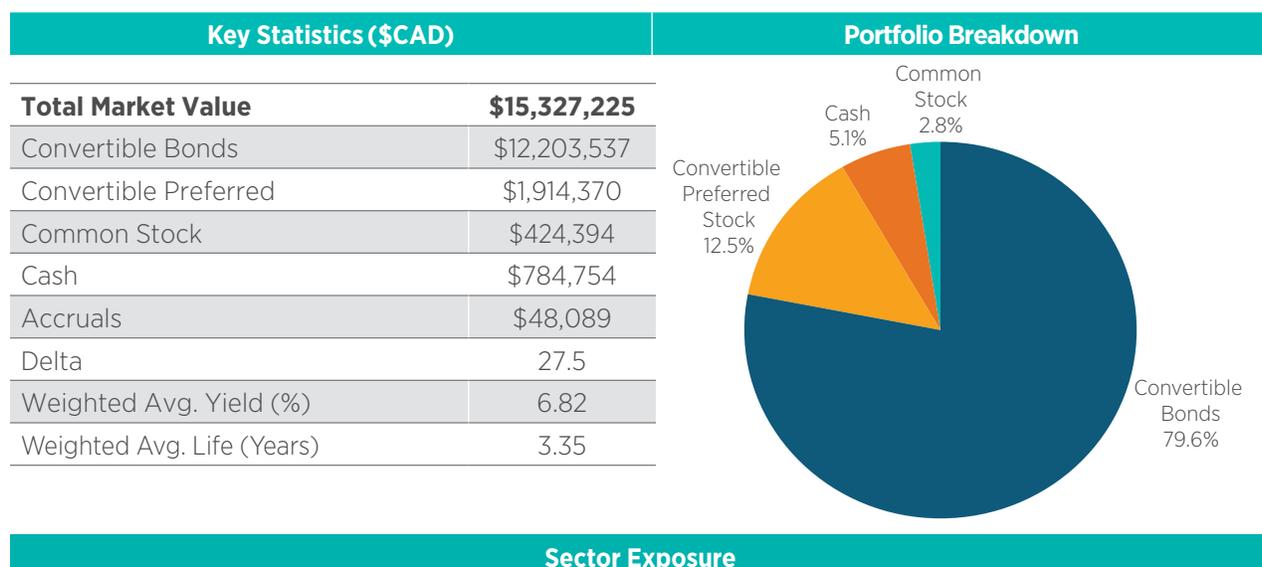
Regards,

**David King, CFA**

Columbia Threadneedle Investments

Sub-Advisor to the Ninepoint Convertible Securities Fund

## Exhibit A – Portfolio Overview as of December 31, 2022



Source: Columbia Threadneedle Investments

Top 10 Positions (As % of Portfolio)		
RANK	POSITION NAME	% OF TOTAL PORTFOLIO
1	PALO ALTO NETWORKS INC 0.38 01-JUN-2025 CONVERTIBLE BOND	2.2%
2	NEXTERA ENERGY INC 6.93 01-SEP-2025 PREFERRED	2.2%
3	SNAP INC 0.13 01-MAR-2028 SENIOR CONVERTIBLE BOND	2.2%
4	NCL CORPORATION LTD 2.5 15-FEB-2027 SENIOR CONVERTIBLE BOND	2.1%
5	OKTA INC 0.38 15-JUN-2026 SENIOR CONVERTIBLE BOND	1.8%
6	ETSY INC 0.25 15-JUN-2028 SENIOR CONVERTIBLE BOND	1.6%
7	SHIFT4 PAYMENTS INC 0.5 01-AUG-2027 SENIOR CONVERTIBLE BOND	1.5%
8	EXACT SCIENCES CORPORATION 0.38 01-MAR-2028 SENIOR CONVERTIBLE BOND	1.4%
9	DROPBOX INC 0.0 01-MAR-2028 SENIOR CONVERTIBLE BOND	1.4%
10	AKAMAI TECHNOLOGIES INC 0.38 01-SEP-2027 SENIOR CONVERTIBLE BOND	1.4%

Source: Columbia Threadneedle Investments  
Numbers may not sum due to rounding.

Ninepoint Convertible Securities Fund - Compounded Returns\* Series F (NPP 942) as at December 31, 2022 |  
Inception Date: March 16, 2021

	1MTH	YTD	3MTH	6MTH	1YR	INCEPTION
FUND	-2.31%	-15.23%	-0.58%	5.30%	-15.23%	-8.28%

\*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 December 31, 2022.



[www.ninepoint.com](http://www.ninepoint.com)

Ninepoint Partners LP is the investment manager to the Ninepoint Funds (collectively, the "Funds").

**The Ninepoint Convertible Securities Fund (the "Fund") is generally exposed to the following risks. See the simplified prospectus of the Fund for a description of these risks: Convertible securities risk; Credit risk; Currency risk; Cybersecurity risk; Derivatives risk; Foreign investment risk; Foreign portfolio manager risk; High-yield investments risk; Inflation risk; Interest rate risk; Liquidity risk; Market risk; Preferred stock risk; Regulatory risk; Rule 144A and other exempted securities risk; Securities lending, repurchase and reverse repurchase transactions risk; Series risk; Short selling risk; Small company risk; Specific issuer risk; Substantial unitholder risk; Tax risk.**

Ninepoint Partners LP is the investment manager to a number of funds (collectively, the "Funds"). Important information about these Funds, including their investment objectives and strategies, purchase options, and applicable management fees, performance fees (if any), and expenses, is contained in their prospectus. Please read the prospectus carefully before investing. Commissions, trailing commissions, management fees, performance fees, other charges and expenses all may be associated with investing in the Funds. The indicated rate of return for series F units of the Fund for the period ended December 31, 2022 is based on the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. This communication does not constitute an offer to sell or solicitation to purchase securities of the Funds. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Funds may be lawfully sold in their jurisdiction.

The risks associated with investing in a Fund depend on the securities and assets in which the Fund 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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