Ninepoint Global Infrastructure Fund

June 2023 Commentary

REFINITIV LIPPER FUND AWARDS
2022 WINNER
CANADA

Jeff Sayer, CFA
Vice President, Portfolio Manager

Year-to-date to June 30, the Ninepoint Global Infrastructure Fund generated a total return of -0.26% compared to the MSCI World Core Infrastructure Index, which generated a total return of -2.20%. For the month, the Fund generated a total return of 2.96% while the Index generated a total return of 0.85%.

Ninepoint Global Infrastructure Fund - Compounded Returns[1] As of June 30, 2023 (Series F NPP356) | Inception Date: September 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	Inception
Fund	3.0%	-0.3%	0.1%	-0.3%	3.2%	7.5%	6.6%	6.8%	7.0%
MSCI World Core Infrastructure NR (CAD)	0.9%	-2.2%	-2.6%	-2.2%	0.3%	4.8%	5.7%	9.7%	10.5%

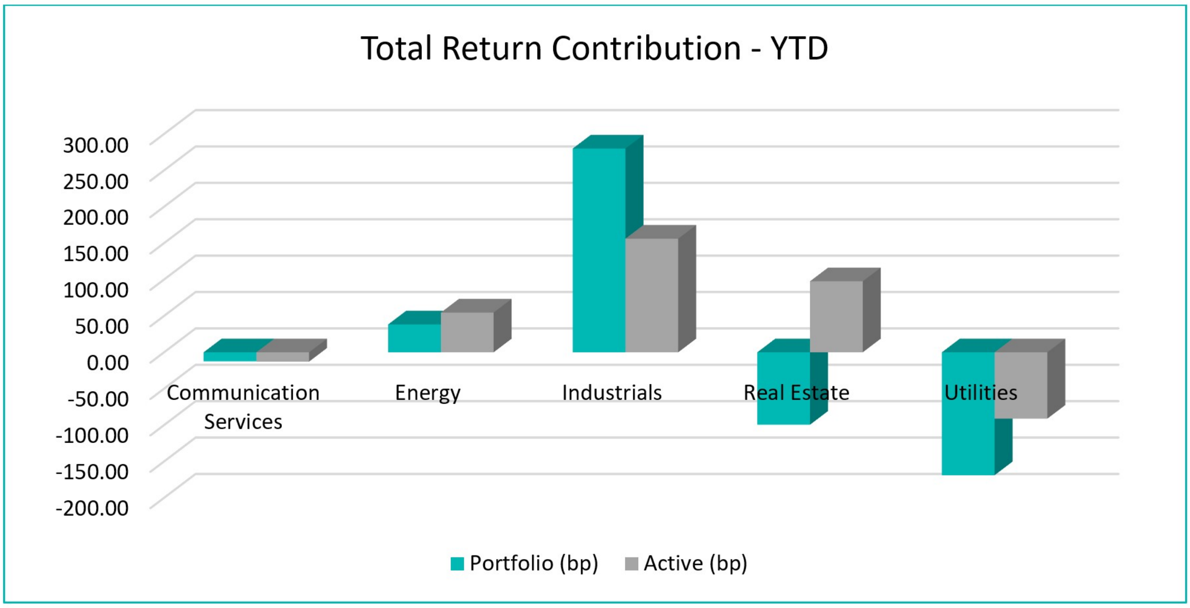
The financial markets are rarely boring, and thus far in 2023, we have had to deal with the lingering effects of the global pandemic, one of the fastest Fed tightening cycles in over forty years, the banking crisis culminating in the failure of several major regional banks, the debt ceiling negotiations, the ongoing debate over forward earnings expectations and the continuous struggle to correctly value those future earnings streams. Impressively, the NASDAQ is off to its best start in 40 years, as investors have aggressively chased the artificial intelligence theme, with huge rallies in semiconductor manufacturers, wafer fab equipment manufacturers and the software companies that are the most likely to benefit from artificial intelligence. Gains have been led by the Information Technology, Communication and Consumer Discretionary sectors and powered by about seven stocks: NVIDIA, Meta Platforms, Tesla, Amazon, Alphabet, Apple, and Microsoft. But because almost all of the rally was driven by multiple expansions, earnings eventually will need to catch up with expectations otherwise valuations could be at risk.

Long-term investors still need to contend with the lagged impact of tighter monetary policy, including falling inflation, slowing growth, and rising unemployment, as we work through the final stages of the economic cycle. Thankfully, inflation looks to have peaked in June 2022 at 9.1%, and has steadily trended lower ever since (to 4.0% in May on a year-over-year basis), but unemployment rates are now beginning to tick up (to 3.6% in June, compared to 3.7% in May and 3.4% in April). Therefore, we continue to believe that we are near the very end of the tightening cycle, but still don't expect any rate cuts this year. Essentially, we believe that inflation readings would have to reaccelerate dramatically before any additional rate hikes and economic growth would have to decline significantly before any pivot to easier monetary policy. However, we do believe that a pause would allow some of the lagging sectors to participate in the year-to-date equity rally including the Energy, Utilities, Health Care and Financials sectors, coincidently those with solid dividend payouts, that are mostly down year-to-date.

In an environment of moderating inflation but slowing growth through 2023, the most important drivers of investment performance will likely be valuation, balance sheet strength and the ability to consistently generate cash flow and earnings. Should the year-to-date rally broaden beyond the AI-related trade, a rotation into high quality, dividend payers would result in better relative performance from our strategies going forward. 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 Industrials (+280 bps) and Energy (+38 bps) while top detractors by sector included Utilities (-169 bps), Real Estate (-99 bps) and Communication (-12 bps) on an absolute basis.

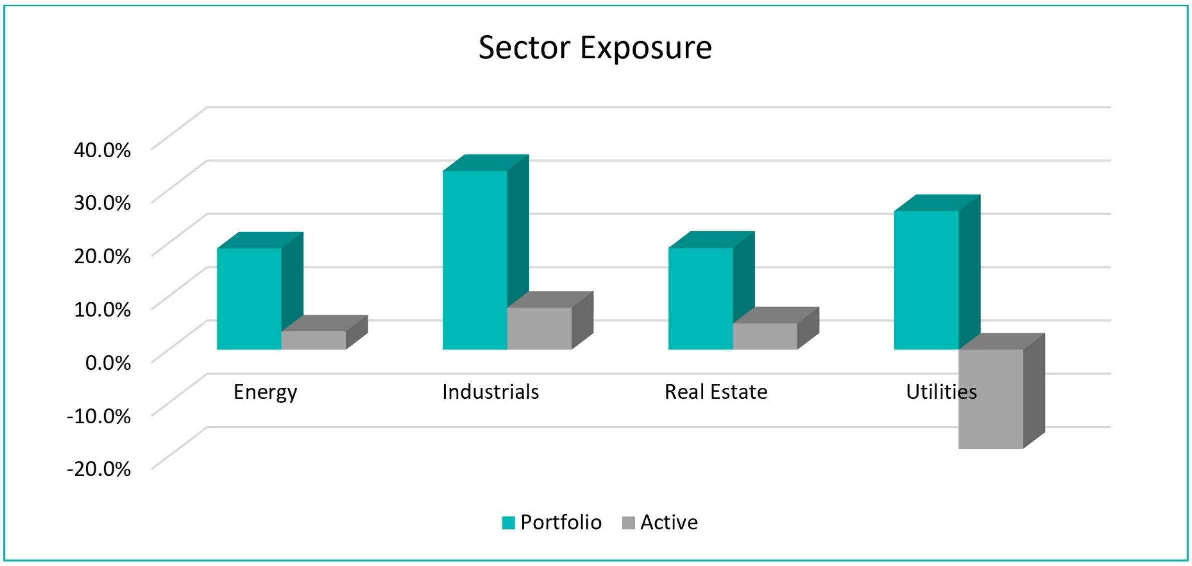
On a relative basis, positive return contributions from the Industrials (+156 bps), Real Estate (+98 bps) and Energy (+55 bps) sectors were offset by a negative contribution from the Utilities (-91 bps) and Communication (-13 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Industrials, Real Estate and Energy sectors, while underweight the Utilities sector. With the US Federal Reserve having paused in June, we believe we are very close to the end of the tightening cycle as inflation continues to trend lower and the unemployment rate begins to move higher. So, while we work through the late stages of one of the most highly anticipated downturns ever, we remain focused on high quality, dividend payers that have demonstrated the ability to consistently generate revenue and earnings growth through the cycle.

We continue to believe that the clean energy transition will be one of the biggest investment themes for many years ahead and infrastructure stands to be a clear beneficiary. Therefore, we are comfortable having exposure to both traditional energy investments and renewable energy investments given the importance of energy sustainability and security of supply around the world.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 29 positions as at June 30, 2023 with the top 10 holdings accounting for approximately 37.9% of the fund. Over the prior fiscal year, 17 out of our 29 holdings have announced a dividend increase, with an average hike of 11.6% (median hike of 4.1%). 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

The fund has been named Refinitiv Lipper Fund Awards Canada 2022 Winner, Best Global Infrastructure Equity Fund, over a three-year period out of a total of 13 funds ending July 31, 2022.

Lipper Award Methodology

The Refinitiv Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers.

The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Refinitiv Lipper Fund Award. For more information, see lipperfundawards.com Although Refinitiv Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Refinitiv Lipper.

The merit of the winners is based on objective, quantitative criteria. The influential and prestigious Refinitiv Lipper Fund Awards are based on our Lipper Leaders Rating for Consistent Return. Lipper Leaders Ratings are subject to change on a monthly basis. Individual classifications of three, five, and 10-year periods, as well as fund families with high average scored for the three-year period, are also recognized. The awards are based on Refinitiv Lipper's proven proprietary methodology, which can be viewed here.

[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 June 30, 2023; 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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