Ninepoint Focused Global Dividend Fund

June 2023 Commentary

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Vice President, Portfolio Manager

Year-to-date to June 30, the Ninepoint Focused Global Dividend Fund generated a total return of 6.55% compared to the S&P Global 1200 Index, which generated a total return of 12.39%. For the month, the Fund generated a total return of 2.18% while the Index generated a total return of 3.14%.

Ninepoint Focused Global Dividend Fund - Compounded Returns[1] As of June 30, 2023 (Series F NPP964) | Inception Date: November 25, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	Inception
Fund	2.2%	6.6%	4.0%	6.6%	14.2%	7.7%	6.4%	7.0%
S&P Global 1200 TR (CAD)	3.1%	12.4%	4.5%	12.4%	21.7%	11.6%	9.7%	10.1%

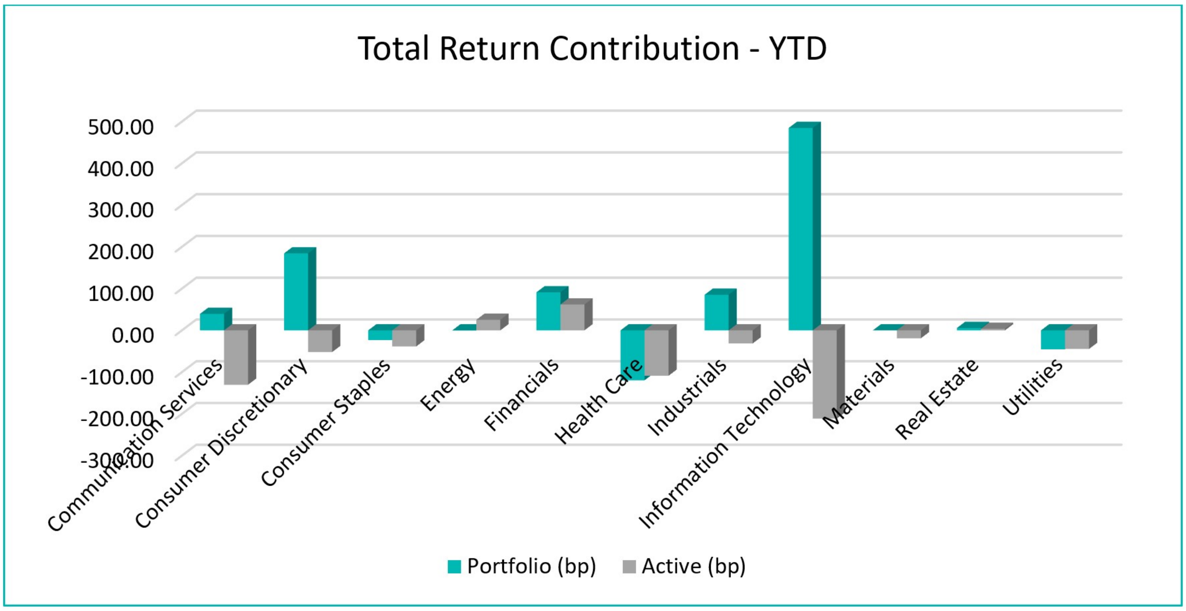
The financial markets are rarely boring, and thus far in 2023, we have had to deal with the lingering effects of the global pandemic, one of the fastest Fed tightening cycles in over forty years, the banking crisis culminating in the failure of several major regional banks, the debt ceiling negotiations, 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.

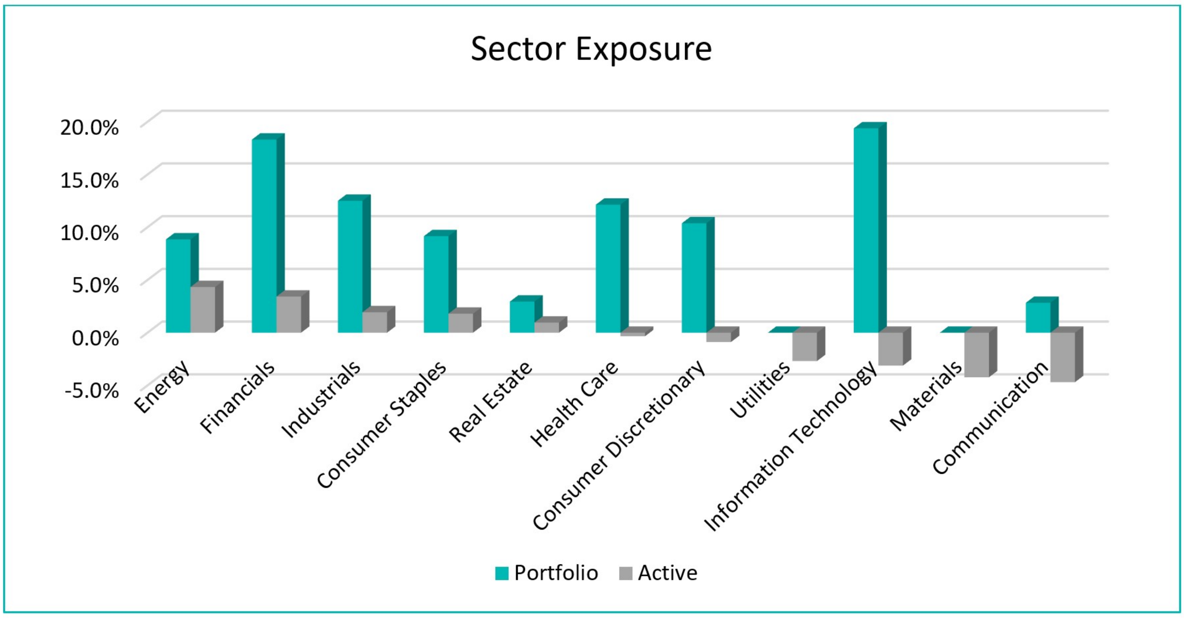
Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Fund by sector included Information Technology (+485 bps), Consumer Discretionary (+184 bps) and Financials (+91 bps) while top detractors by sector included Health Care (-120 bps), Utilities (-45 bps) and Consumer Staples (-23 bps) on an absolute basis.

On a relative basis, positive return contributions from the Financials (+62 bps), Energy (+25 bps) and Real Estate (+4 bps) sectors were offset by negative contributions from the Information Technology (-211 bps), Communication (-130 bps) and Health Care (-109 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Energy, Financials, and Industrial sectors, while underweight the Communication, Materials, and Information Technology sectors. 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.



Source: Ninepoint Partners

The Ninepoint Focused Global Dividend Fund was concentrated in 29 positions as at June 30, 2023 with the top 10 holdings accounting for approximately 39.6% of the fund. Over the prior fiscal year, 23 out of our 29 holdings have announced a dividend increase, with an average hike of 12.8% (median hike of 9.5%). 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 June 30, 2023; 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.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: ADR risk; Capital depletion risk; Capital gains risk; Class risk; Credit risk; Currency risk; Cybersecurity risk; Derivatives risk; Exchange traded funds risk; Foreign investment risk; Inflation risk; Interest rate risk; Liquidity risk; Market risk; Securities lending, Repurchase and reverse repurchase transactions risk; Series risk; Short selling risk; Specific issuer risk; Tax risk.

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