Ninepoint Global Infrastructure Fund

October 2023 Commentary

REFINITIV LIPPER FUND AWARDS
2022 WINNER CANADA

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Vice President, Portfolio Manager

Summary

- Ninepoint Global Infrastructure Fund had a YTD return of -1.74% up to October 31, compared to the MSCI World Core Infrastructure Index with a total return of -6.35%.
- In October, the Fund generated a total return of 0.83%, while the Index had a return of 2.43%.
- The year experienced weak seasonality, with disappointing performance in August, a challenging September, and an underwhelming October. However, relief was provided after the October 31 to November 1 Fed meeting, which indicated a pause in the tightening phase.
- Earnings reports in October were better than expected, with a blended year-over-year earnings growth rate of 3.7%. Several sectors are expected to report positive year-over-year earnings growth, ending the earnings recession.
- The Fund is currently overweight the Energy, Industrials and Materials sectors, while underweight the Utilities and Real Estate sectors.
- The fund was concentrated in 28 positions, with the top 10 holdings accounting for approximately 40.4% of the fund. Over the prior fiscal year, 16 out of our 28 holdings have announced a dividend increase, with an average hike of 11.3% (median hike of 5.0%).

Monthly Update

Year-to-date to October 31, the Ninepoint Global Infrastructure Fund generated a total return of -1.74% compared to the MSCI World Core Infrastructure Index, which generated a total return of -6.35%. For the month, the Fund generated a total return of 0.83% while the Index generated a total return of 2.43%.

Ninepoint Global Infrastructure Fund - Compounded Returns[1] As of October 31, 2023 (Series F NPP356) | Inception Date: September 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	Inception
Fund	0.8%	-1.7%	-2.5%	-3.3%	-0.6%	5.3%	7.3%	5.7%	6.7%
MSCI World Core Infrastructure NR (CAD)	2.4%	-6.4%	-5.1%	-8.8%	-2.5%	3.9%	5.3%	8.3%	9.8%

Weak seasonality seems to have played out once again in 2023. The month of August was mildly disappointing, September was pretty nasty, and October wasn't that great either. However, the October 31 to November 1 Fed meeting thankfully provided some relief to bonds, equities, and most other asset classes. After last hiking in July, members of the FOMC committee voted to hold rates steady at 5.25% to 5.50% and Chairman Powell's press conference essentially confirmed that the tightening phase of the cycle is now done. Importantly, we believe that the Fed was satisfied with the idea that the final spike in the US 10-year bond yield to 5.0% has effectively tightened financial conditions to a sufficient degree. We had previously identified the rate spike as the primary culprit of weakness across various financial asset classes and because peak rates have likely been reached, short sellers covered positions and dip buyers stepped in aggressively.

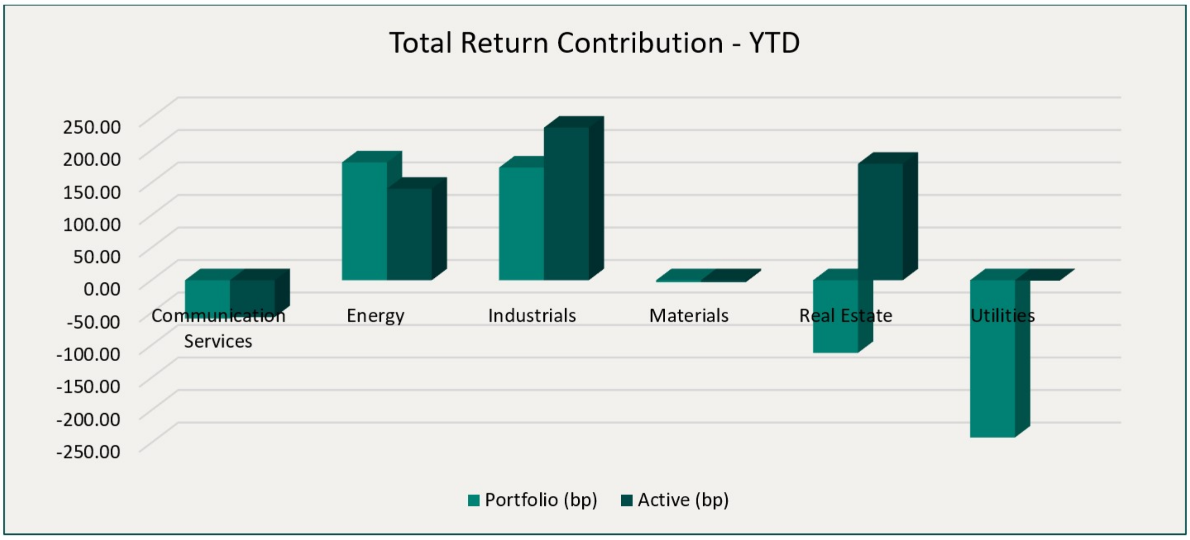
As expected, after 525 bps of tightening since March 2022, the economic data is slowing but remains relatively resilient. Specifically, the October PMI data was consistent with a slowdown as the ISM Manufacturing PMI remained in contractionary territory at 46.7% and the ISM Services PMI registered only 51.8%, down from September's reading of 53.6%. Further, October's nonfarm payroll report increased by only 150,000 jobs and the unemployment rate ticked up to 3.9%. But signs that fear had begun to dissipate were evident in the pullback in the price of crude oil and the pause in the rapid appreciation of the safe-haven US Dollar. Incorporating all the pieces of information into future projections, the forward curve is currently indicating almost no chance of another rate hike through January 2024, and almost four rate cuts in 2024. Perhaps 100 bps of anticipated easing in 2024 suggests an incorrectly dovish scenario (growth would likely have to weaken dramatically for that amount of Fed easing, which wouldn't be good) but the odds of a soft landing are improving.

Beyond our obsession with macroeconomic variables, investors have faced an onslaught of earnings reports during October. With 81% of the S&P 500 companies having reported actual results, the blended year-over-year earnings growth rate is 3.7%, an improvement over prior expectations of a slight decline. If earnings can remain positive over the remainder of the reporting season, it would mark the first quarter of growth since Q3 2022. An end to the earnings recession would be welcome news, and eight out of the eleven S&P 500 sectors are expected to report positive year-over-year earnings growth. Ranked in order, they include the Communication, Consumer Discretionary, Financials, Information Technology, Utilities, Industrials, Real Estate and Consumer Staples sectors. As always, we are continually searching for companies that have been able to post solid earnings growth but still trade at acceptable valuations.

In an environment of moderating inflation but slowing economic growth through the balance of 2023 and into 2024, the most important drivers of investment performance will likely be valuation, balance sheet strength and the ability to consistently generate cash flow and earnings. In keeping with our mandates, we are concentrating our research efforts on high quality, dividend growth companies and real asset investments given our positive assessment of the risk/reward outlook over the next phase of the cycle. As interest rates stabilize around fifteen year-highs and capital becomes more expensive, these types of investments look poised to benefit from a rotation out of the high-multiple, technology winners of 2023.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Energy (+181 bps) and Industrials (+173 bps), while top detractors by sector included Utilities (-242 bps), Real Estate (-112 bps) and Communication (-59 bps) on an absolute basis.

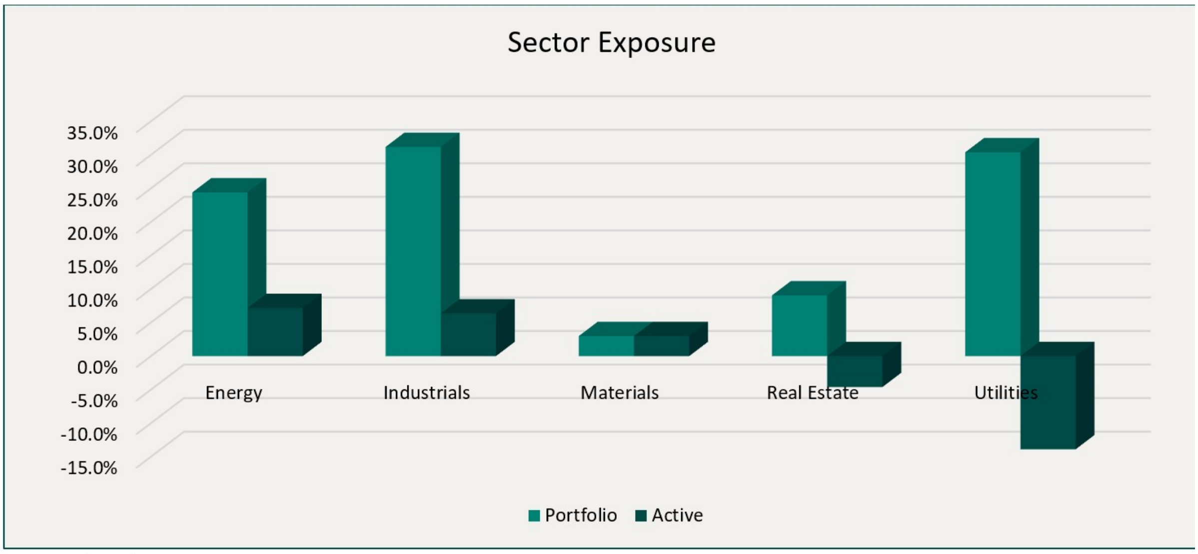
On a relative basis, positive return contributions from the Industrials (+235 bps), Real Estate (+179 bps) and Energy (+141 bps) sectors were offset by negative contributions from the Communication (-57 bps) and Materials (-3 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Energy, Industrials and Materials sectors, while underweight the Utilities and Real Estate sectors. While the lagged impact of monetary tightening is still working its way through the economy, we believe that the threat of much higher interest rates has passed. We remain focused on high quality, dividend payers that have demonstrated the ability to consistently generate revenue and earnings growth through the cycle.

Despite some projects dealing with funding concerns in a higher-for-longer interest rate environment, we continue to believe that the clean energy transition will be one of the biggest investment themes for many years ahead. Therefore, we are comfortable having exposure to both traditional energy investments and renewable energy investments in the Ninepoint Global Infrastructure Fund given the importance of energy sustainability and security of supply around the world.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 28 positions as at October 31, 2023 with the top 10 holdings accounting for approximately 40.4% of the fund. Over the prior fiscal year, 16 out of our 28 holdings have announced a dividend increase, with an average hike of 11.3% (median hike of 5.0%). 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 October 31, 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.

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; securities lending, repurchase and reverse purchase transaction risk; series risk; short selling risk; small company risk; specific issuer risk; tax risk.

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