Ninepoint Focused Global Dividend Fund

January 2023 Commentary

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Year-to-date to January 31, the Ninepoint Focused Global Dividend Fund generated a total return of 1.08% compared to the S&P Global 1200 Index, which generated a total return of 5.54%.

Ninepoint Focused Global Dividend Fund - Compounded Returns[1] As of January 31, 2023 (Series F NPP964) | Inception Date: November 25, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	Inception
Fund	1.1%	1.1%	0.4%	3.9%	-3.3%	5.3%	5.6%	6.6%
S&P Global 1200 TR (CAD)	5.5%	5.5%	8.6%	7.1%	-1.9%	8.4%	8.7%	9.7%

After a dismal 2022, markets roared back in January, with the laggards outperforming on a combination of the January effect (as tax loss candidates from the prior year rebound, once selling pressure abates), short covering and performance chasing (as FOMO feeds into investor psychology). We can see how this played out by examining the individual sectors of the S&P 500. In 2022, the best performing sectors were Energy (+65%), Utilities (+2%) and Consumer Staples (-1%) while the worst performing sectors were Communication Services (-38%), Consumer Discretionary (-36%) and Technology (-28%). In January 2023, these trends almost perfectly reversed, and the best performing sectors were Consumer Discretionary (+15%), Communication Services (+15%) and Technology (+9%) while the worst performing sectors were Utilities (-2%), Health Care (+2%) and Consumer Staples (-1%). Because the year is far from over, investors need to be particularly careful about being whipsawed in what could be a volatile but rangebound market.

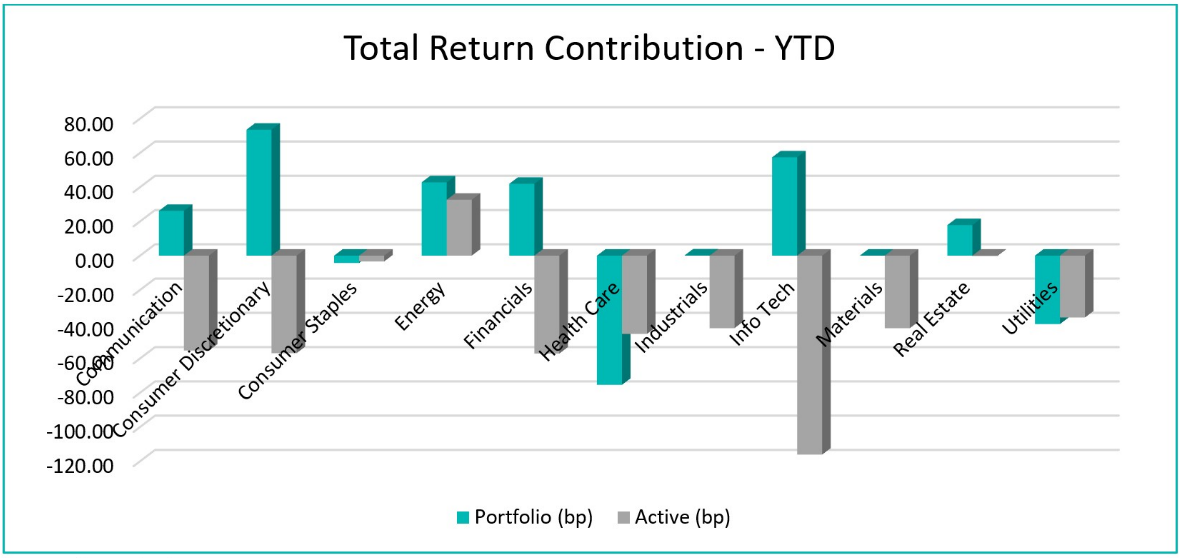
The bulk of these sector moves could be explained by changes in the price to earnings multiple, as the multiple for the S&P 500 compressed from approximately 21x NTM estimates at the beginning of 2022, bottomed at just 15x NTM estimates in October before rebounding to 19x NTM estimates at the end of January (according to Refinitiv). Importantly, the negative earning revision cycle seems to be stabilizing. Although 2023 S&P 500 earnings estimates have declined from $255 to $225 today, they have been relatively stable since about mid-December. However, current earnings estimates imply flat earnings growth in 2023, which may still prove to be optimistic once companies begin reporting 2022 financial results and potentially adjust guidance for 2023.

Despite signs of an economic slowdown (most global PMI readings indicate an ongoing contraction) and challenging equity markets, we are still able to find reasons to be optimistic going forward. We are constantly reminding ourselves to keep several things in mind while attempting to navigate 2023. First, back-to-back down years are very rare for the broad equity markets. Second, academic studies have shown almost no correlation between earnings growth and equity market returns. Third, inflation peaked in June at 9.1% and has been steadily trending lower ever since. Finally, the Fed is expected to pause monetary tightening in 2023, with perhaps two more hikes of 25 bps each, reaching a terminal Fed funds rate of 5.0% or 5.25%, possibly as soon as March or May. Although we don't expect a pivot to easing monetary policy in 2023, we think that a pause would be supportive enough for equity valuations.

We do believe that 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. Also, a greater component of total returns will likely come from dividend yields, which meshes nicely with our investment philosophy. 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.

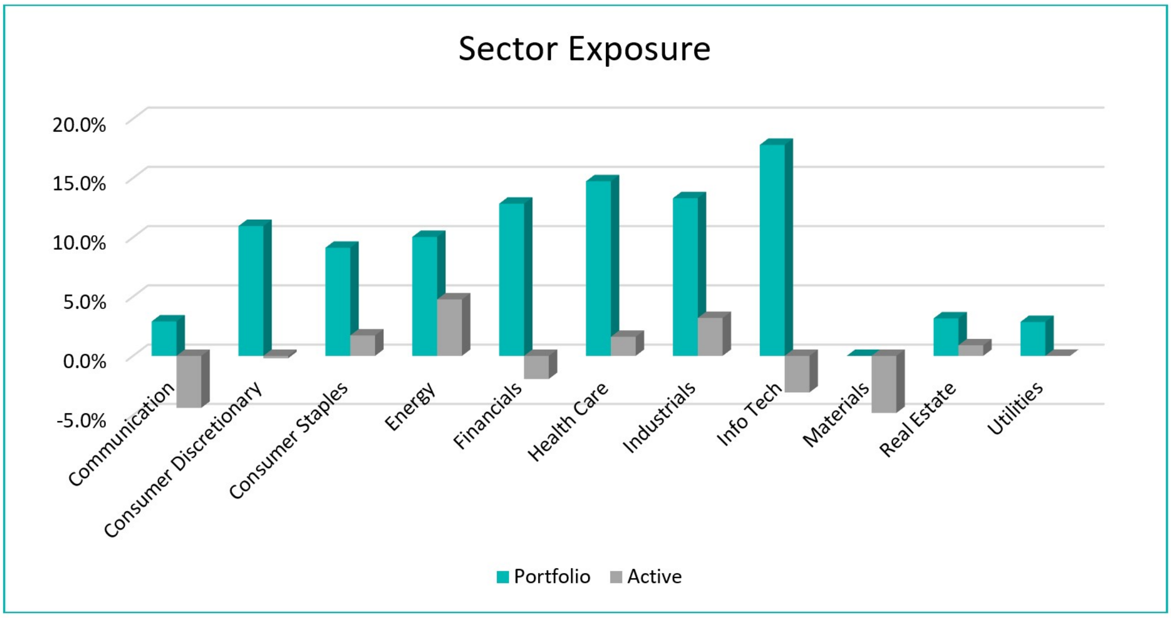
Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Fund by sector included Consumer Discretionary (+74 bps), Information Technology (+57 bps) and Energy (+43 bps) while top detractors by sector included Health Care (-75 bps), Utilities (-40 bps) and Consumer Staples (-4 bps) on an absolute basis.

On a relative basis, a positive return contribution from the Energy (+33 bps) sector were offset by negative contributions from the Information Technology (-116 bps), Financials (-57 bps) and Consumer Discretionary (-57 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Energy, Industrials and Consumer Staples sectors, while underweight the Materials, Communication, and Information Technology sectors. With the US Federal Reserve expected to pause interest rate hikes in 2023, we are carefully watching for the negative earnings revision cycle to bottom and unemployment to peak to signal the start of a new equity bull market. 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 30 positions as at January 31, 2023 with the top 10 holdings accounting for approximately 36.8% of the fund. Over the prior fiscal year, 19 out of our 30 holdings have announced a dividend increase, with an average hike of 10.2% (median hike of 8.5%). 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 January 31, 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.

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