Ninepoint Global Infrastructure Fund

April 2023 Commentary

REFINITIV LIPPER FUND AWARDS
2022 WINNER CANADA

Jeff Sayer, CFA
Vice President, Portfolio Manager

Year-to-date to April 30, the Ninepoint Global Infrastructure Fund generated a total return of 1.66% compared to the MSCI World Core Infrastructure Index, which generated a total return of 2.71%. For the month, the Fund generated a total return of 2.04% while the Index generated a total return of 2.24%.

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

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	Inception
Fund	2.0%	1.7%	0.4%	2.8%	1.2%	9.2%	7.5%	6.9%	7.3%
MSCI World Core Infrastructure NR (CAD)	2.2%	2.7%	0.6%	6.9%	1.6%	7.0%	7.9%	9.9%	11.1%

After one of the fastest tightening cycles over the past forty years, the Fed has now hiked a total of 500 basis points from March 2022 to May 2023. Because the current midpoint of the range of the Fed funds rate is above the most recent CPI report (when comparing the current midpoint Fed funds rate of 5.125% to the most recent CPI of 5.0% on a year-over-year basis), we believe that the tightening cycle is finally complete. Signs of credit stress, most notably the failures of Silicon Valley Bank, Signature Bank and First Republic Bank further support the case for an end to the tightening cycle. Although we don't foresee widespread contagion or systemic risk, we remain concerned about the impact of more stringent regulations and tighter lending standards on future economic growth. But as of today, 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.

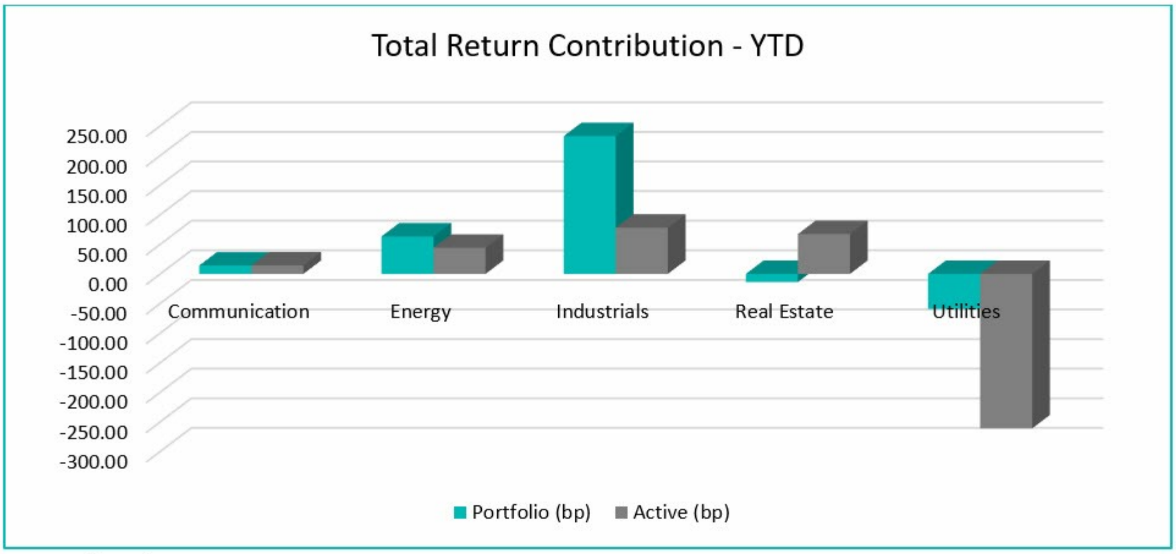
As we kicked off the Q1 2023 earnings season, FactSet Research was initially reporting that earnings were expected to decline by -6.8%, the largest dip since Q2 2020 (during what turned out to be the depths of the Covid-19 lockdown). Despite flat to slightly positive revenue growth projections, margin pressures (driven by the rising cost of raw materials, supply chain inefficiencies, increasing labour costs and other factors) were assumed to persist through at least the first half of 2023. However, with approximately 85% of the components of the S&P 500 having reported, the blended earnings growth rate decline has improved to -2.2%, as the quarterly reports have come in much better than feared. On an annualized basis, S&P 500 estimates for 2023 look to be stabilizing around $220 and for 2024 look to be stabilizing around $240, implying that the current year will likely be the trough of the cycle.

Unfortunately, investors still need to contend with the lagged impact of tighter monetary policy and the impending debt ceiling negotiations, 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 despite a tight labour market, with total nonfarm payrolls up by 253,00 and the unemployment rate at 3.4% in April (although the JOLTS has fallen below 10 million for two consecutive months). Key upcoming data points to watch include the US CPI, PPI, and retail sales numbers for confirmation that the Fed has successfully managed to guide inflation back towards its 2.0% target. We continue to believe that a pause would be sufficiently supportive for equities however investors need to be careful about being whipsawed during what could be a volatile but rangebound market over the balance of 2023.

From our perspective, 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 Global Infrastructure Fund by sector included Industrials (+233 bps), Energy (+63 bps) and Communication (+14 bps) while top detractors by sector included Utilities (-59 bps) and Real Estate (-14 bps) on an absolute basis.

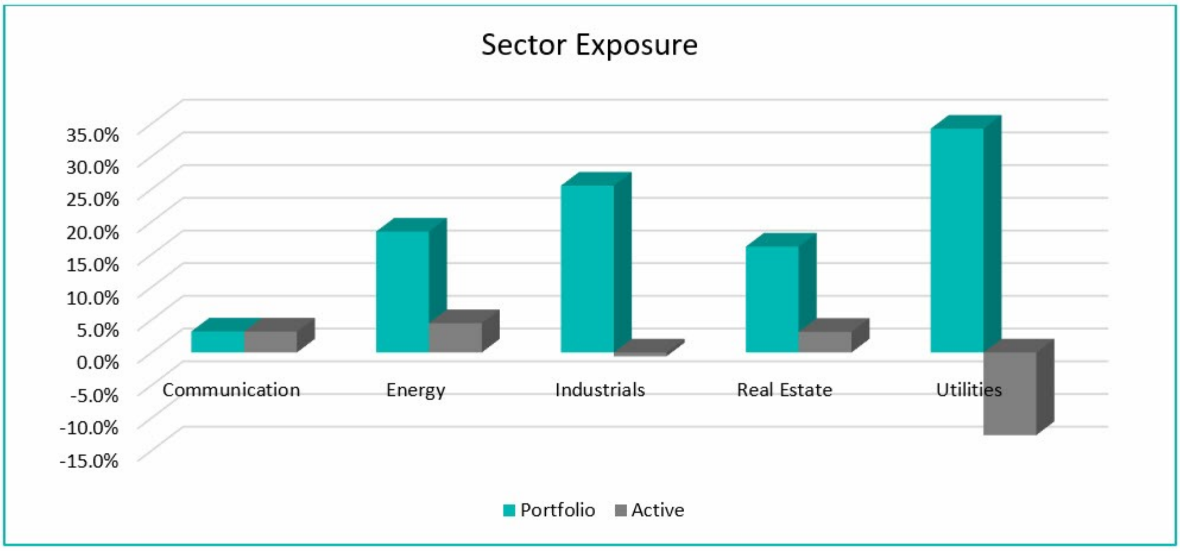
On a relative basis, positive return contributions from the Industrials (+78 bps), Real Estate (+67 bps) and Energy (+44 bps) sectors were offset by a negative contribution from only the Utilities (-261 bps) sector.



Source: Ninepoint Partners

We are currently overweight the Energy, Communication and Real Estate sectors, market weight the Industrials sector and underweight the Utilities sector. With the US Federal Reserve now likely on pause, we are carefully watching the US regional banking system for signs of stabilization and the US debt ceiling negotiations for signs of a resolution. As the late stages of one of the most highly anticipated downturns ever continues to play out, 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 30 positions as at April 30, 2023 with the top 10 holdings accounting for approximately 36.5% of the fund. Over the prior fiscal year, 16 out of our 30 holdings have announced a dividend increase, with an average hike of 11.0% (median hike of 2.1%). 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 April 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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