# Ninepoint Focused Global Dividend Class

## December 2020 Commentary

Year-to-date to December 31, the Ninepoint Focused Global Dividend Class generated a total return of 10.61% compared to the S&P Global 1200 Index, which generated a total return of 13.55%. For the month, the Fund generated a total return of 0.75% while the Index generated a total return of 2.70%.


Investment Team

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Vice President, Portfolio Manager


The year 2020 will go down in history as one of the most challenging periods in recent memory for people around the world. What started as a localized outbreak, quickly turned into a global pandemic as the Covid-19 coronavirus spread across the planet. Governments, healthcare professionals and front-line workers were called upon to take a "whatever-it-takes" mentality to combat the crisis. Despite their extraordinary and heroic efforts, approximately 2 million lives have been lost and almost everyone has faced varying degrees of hardship tied to mandated mobility restrictions and forced economic shutdowns. But as we begin 2021, human ingenuity, tireless effort and scientific breakthroughs thankfully offer hope for the future.

Looking back at the economic impact of the lockdown, we have just experienced the sharpest, deepest recession since WWII, with the dynamics of the contraction more like a natural disaster-induced full-stop than a monetary policy-induced slowdown. This triggered the fastest bear market in history, with the S&P 500 falling 35% from February 19 to March 23. However, markets rebounded ferociously from the lows due to the relatively swift and coordinated policy response, which included emergency monetary support and aggressive fiscal stimulus. But it is important to note that investment returns varied widely across markets, sectors and asset classes with work-from-home and consume-at-home themes particularly supportive for the Information Technology sector as digital transformation accelerated.

Unsurprisingly, the tech-heavy NASDAQ composite led the charge in 2020 with a total return of 44.9% and the broader S&P 500 generated a total return of 18.4% (both in USD). Returns were slightly less impressive across our mandated benchmarks, as the S&P Global 1200 (CAD) generated a total return of 13.6%, the MSCI World Core Infrastructure (CAD) generated a total return of -2.5% and the MSCI World Core IMI Real Estate (CAD) generated a total return of -9.6%. Clearly, global markets faced tougher headwinds from a performance perspective and certain sectors and sub-industries dependent on unrestricted mobility suffered disproportionately (including toll roads and airports in infrastructure and retail REITs and office REITS in real estate). Finally, we should note that although USD exposure provided a buffer during the downturn in Q1 2020, USD weakness through the remainder of the year negatively impacted returns in CAD terms.

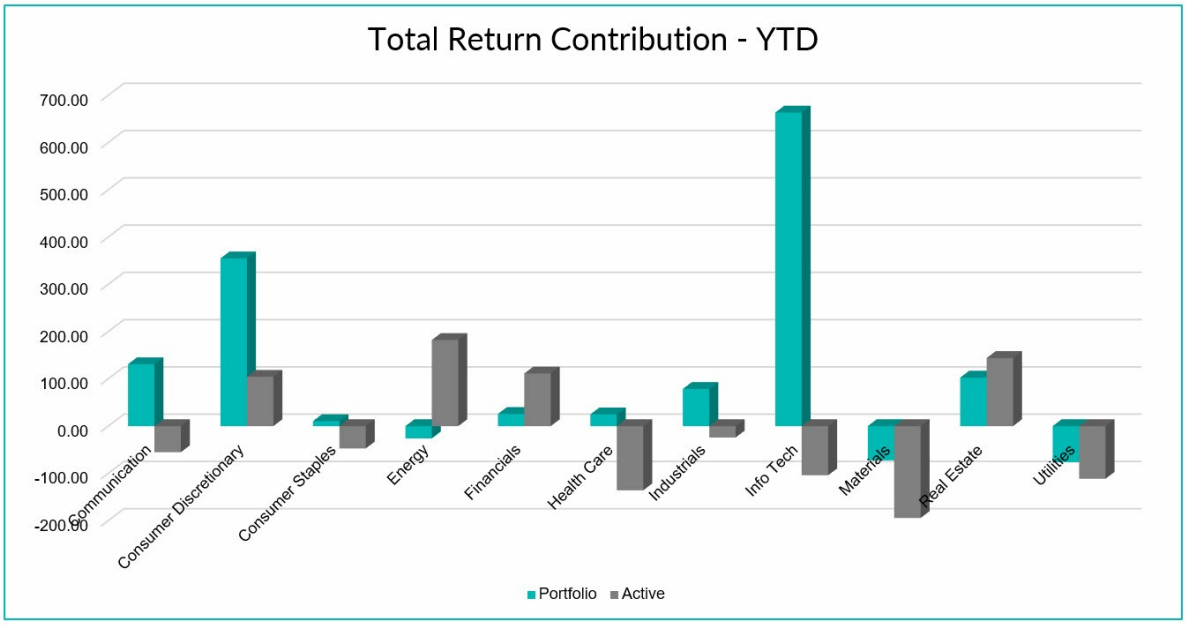
Looking forward into 2021, the outlook for the broad equity markets appears quite good, since three key positive catalysts have materialized. First, Congress has officially certified Joe Biden's victory in the US Presidential election and the Democrats have held the House and flipped the Senate. The Democratic sweep creates a "Blue Wave" scenario and removes a tremendous amount

of political uncertainty. Second, the next phase of the fiscal stimulus package has been signed into law, in the amount of approximately $900 billion. Given the unified government, there is also a high probability that additional stimulus legislation will top up support payments from $600 to $2,000 per person per month for those under a certain income level. With almost 10 million people still unemployed relative to pre-pandemic levels, these cheques are critically important to bridging the income gap until we can get everyone back to work. The third catalyst, the discovery and distribution of a safe, effective vaccine against Covid-19 (with the recent approval of both Pfizer-BioNTech and Moderna vaccines and the likely approval of both AstraZeneca and Johnson & Johnson vaccine candidates), will eventually achieve the herd immunity required to allow our lives to return to normal. With these catalysts incorporated into current consensus estimates, earnings are expected to grow approximately 25% on a year-over-year basis and, if interest rates remain low therefore allowing multiples to remain elevated, we could see another solid year of investment gains.

The Ninepoint Focused Global Dividend Class should be well positioned for 2021, as we continue to expect broader participation in the equity rally as the reopening trade plays out. Our investment process suggests that a diversified barbell-strategy (created by blending both growth and cyclical securities) should optimize the tradeoff between risk and reward over the next twelve months. Secular growth plays, including those in the Information Technology and Consumer Discretionary sectors, should continue to benefit from low interest rates (and, perhaps even more importantly, negative real rates), accelerated digital transformation and pent up consumer demand. Cyclical plays, such as those in the Financials, Energy and Materials sectors, should benefit from the steepening yield curve, rising inflation expectations and accelerating EPS growth. Interestingly, stocks in the Industrials sector share many attributes of both growth and cyclical businesses and should continue to work in the coming year. Essentially, there should be plenty of opportunity to find high quality, dividend growers at attractive valuations across a wide range of businesses, which bodes well for our mandate.

Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Class by sector included Information Technology (+663 bps), Consumer Discretionary (+355 bps) and Communication (+131 bps) while top detractors by sector included Utilities (-76 bps), Materials (-73 bps) and Energy (-26 bps) on an absolute basis.

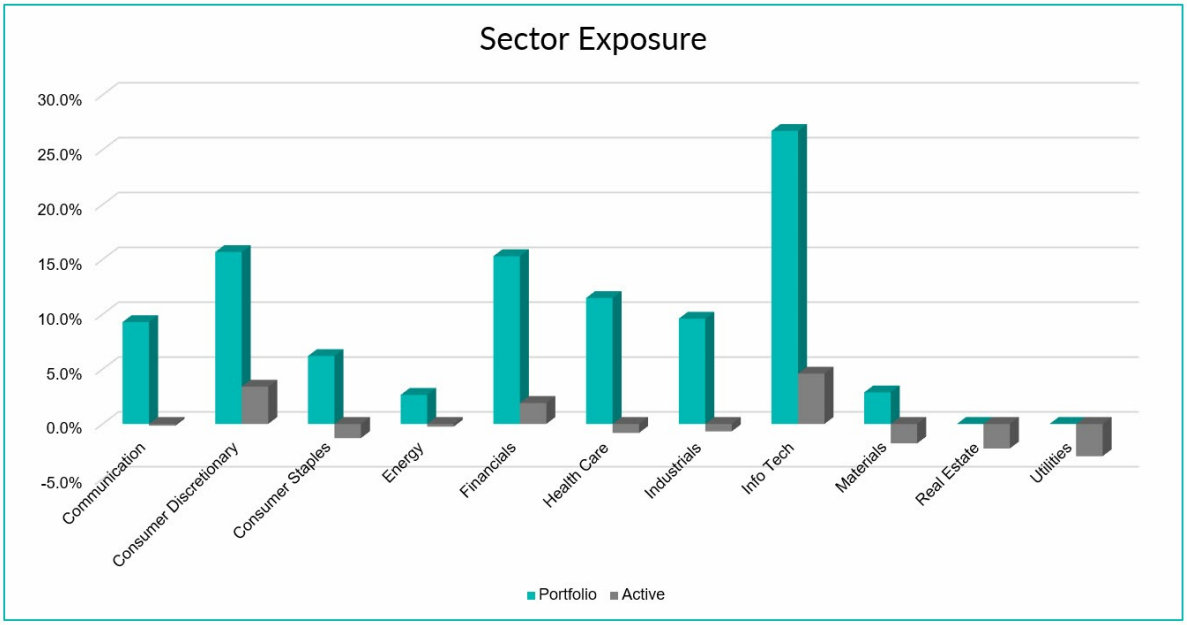
On a relative basis, positive return contributions from the Energy, Real Estate and Financial sectors were offset by negative contributions from the Materials, Health Care and Utilities sectors.




Source: Ninepoint Partners

We are currently overweight in the Information Technology, Consumer Discretionary and Financials sectors, while underweight in the Utilities, Real Estate and Materials sectors. Given our expectations for the rally to broaden through 2021 as the world reopens, we have reduced some of our outsized (either overweight or underweight) sector allocations.

If the world can reopen smoothly, we may finally see both growth/momentum stocks and value/cyclical stocks rallying together. Therefore, we have positioned our holdings using a barbell-strategy in anticipation of global economic normalization.




Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Apple (+234 bps), Amazon (+205 bps) and Nvidia (+202 bps). Top detractors year-to-date included Assurant (-91 bps), Applied Materials (-85 bps) and Brookfield Infrastructure (-80 bps).

In December, our top performing investments included Magna (+39 bps), Apple (+37 bps) and Ally Financial (+33 bps) while Suncor (-29 bps), Walmart (-23 bps) and Cellnex (-19 bps) underperformed.

The Ninepoint Focused Global Dividend Class was concentrated in 32 positions as at December 31, 2020 with the top 10 holdings accounting for approximately 34.8% of the fund. Over the prior fiscal year, 23 out of our 32 holdings have announced a dividend increase, with an average hike of 16.3% (median hike of 10.6%). We will continue to apply a disciplined investment process, balancing various quality and valuation metrics, in an effort to generate solid risk-adjusted returns.

**Jeffrey Sayer, CFA**
Ninepoint Partners

## NINEPOINT FOCUSED GLOBAL DIVIDEND CLASS - COMPOUNDED RETURNS[1]
AS OF DECEMBER 31, 2020 (SERIES F NPP137)

| | 1M | YTD | 3M | 6M | 1YR | 3YR | 5YR | INCEPTION |
|---|---|---|---|---|---|---|---|---|
| Fund | 0.7% | 10.6% | 2.6% | 10.2% | 10.6% | 8.1% | 7.8% | 7.8% |
| Index | 2.7% | 13.6% | 8.9% | 15.0% | 13.6% | 11.4% | 11.0% | 11.2% |

[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 December 31, 2020; 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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