



Ninepoint Global Infrastructure Fund

June 2019 Commentary

Year-to-date to June 30, the Ninepoint Global Infrastructure Fund generated a total return of 16.45% compared to the MSCI World Core Infrastructure Index, which generated a total return of 14.55%. For the month, the Fund generated a total return of 0.35% while the Index generated a total return of -0.21%. After a solid recovery rally to start the year, markets faltered in May as US-China trade negotiations broke down. However, sentiment improved dramatically through June with the indefinite suspension of US tariffs on Mexican imports, the growing expectation of a US-China trade war truce (driven by the anticipation of a Trump and Xi face-to-face meeting at the G-20 Osaka summit) and the dovish reassurances from global Central Banks. In fact, the S&P 500 (in US dollar terms) recorded its best June performance since 1995 and its best first half since 1997.

In last month's commentary, we acknowledged that the risk of an economic downturn was rising based various economic indicators, including weakening global PMIs and a flattening yield curve. Despite our concerns, we identified three potential developments that could extend the economic cycle:

First, the final tranche of tariffs on the remaining \$300 billion worth of goods from China may not be enacted if President Trump is willing to settle for a relatively weaker deal to improve his re-election chances in 2020.

Second, tariffs on imported goods from Mexico may be avoided if Trump receives enough assurances that Mexican authorities will step up their efforts to secure the border.

Third, the Fed may aggressively lower the federal funds rate in a preemptive move to stimulate the domestic economy, boosting growth and inflation.

Amazingly, the world seems to be unfolding in line with this optimistic scenario. Both the first and second developments have essentially played out in bullish fashion. The final development needed for economic reacceleration, interest rate cuts, is now all but guaranteed with the US Federal Funds futures implying a 100% chance of a 25-bps cut at the July meeting and another 50 bps of cuts through January 2020. We continue to believe that this should be enough to avoid a global recession and, if the economic indicators can bottom reasonably soon, earnings expectations for 2020 should stabilize. The bull case would suggest that if we couple forward earnings growth with some multiple expansion we could still see a decent back half of the year for the broad equity markets.

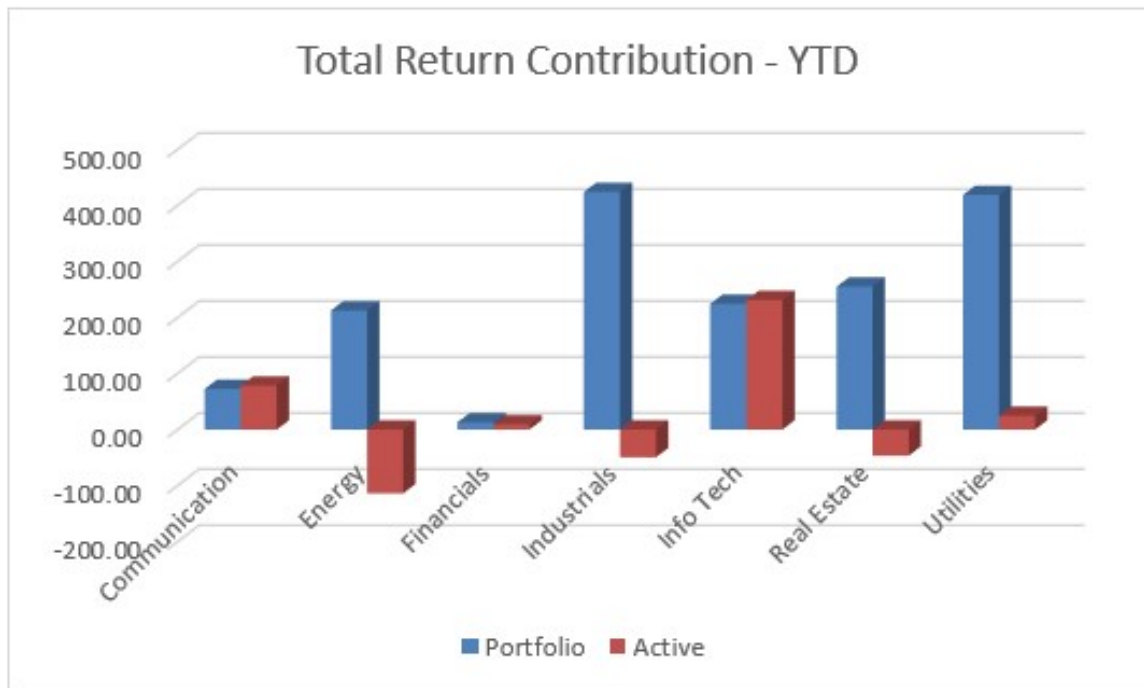
Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+424 bps), Utilities (+419 bps) and Real Estate (+255 bps) while no sector had a negative contribution on an absolute basis. On a relative basis, positive return contributions from the Information Technology, Communication and Utilities sectors more than offset negative contributions from the Energy, Industrials and Real Estate sectors. Note that the underperformance

Investment Team



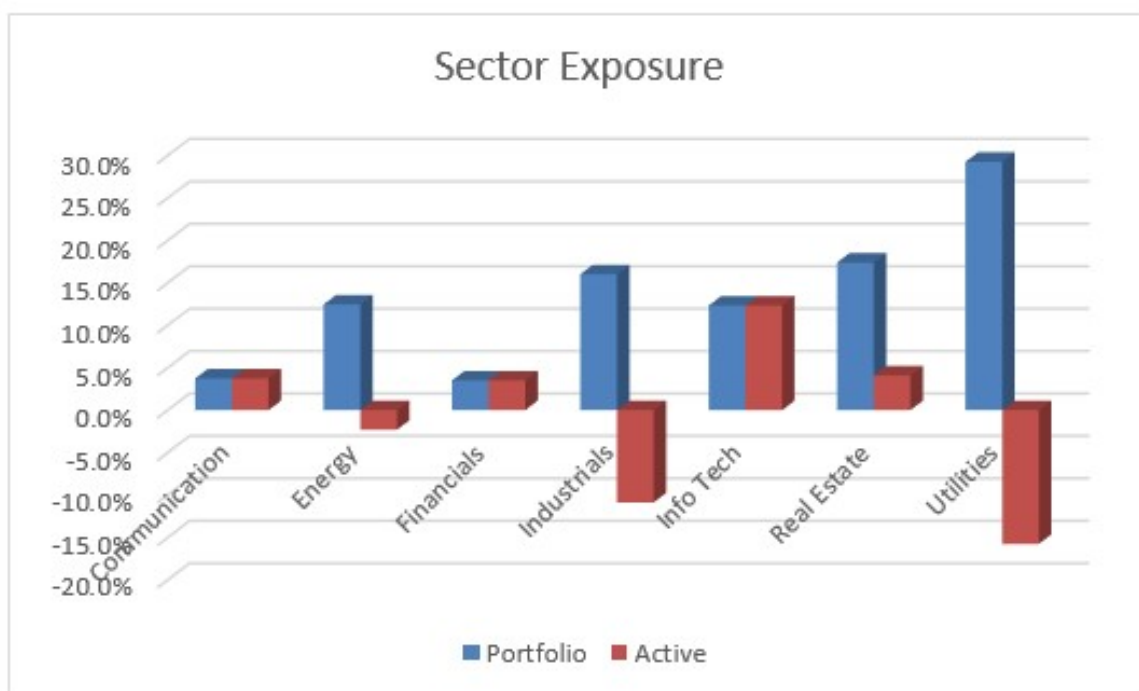
Jeff Sayer, CFA
Vice President, Portfolio
Manager

in the Industrials and Energy sectors was primarily due to sector allocation decisions as opposed to individual stock picks.



Source: Ninepoint Partners

We are currently underweight the Utilities, Industrials and Energy sectors and have allocated capital to the Information Technology, Real Estate, Communication and Financials sectors in line with our “total-infrastructure” approach. Although we deployed most of our cash balances during the month, we avoided chasing the sectors and stocks most sensitive to a positive resolution to the US-China trade war (such as certain names within the Energy and Industrials sectors) given the more deeply cyclical nature of these businesses.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Equinix (+116 bps), ONEOK (+96 bps) and Canadian Pacific Railway (+91 bps). Top detractors year-to-date included CyrusOne (-45 bps), Engie (-17 bps) and Eiffage (-16 bps).

In June, our top performing investments included Superior Plus (+27 bps), Boralex (+18 bps) and Prologis (+17 bps). Top detractors in March included American Tower (-25 bps), CyrusOne (-18 bps) and Exelon (-16 bps).

This past month, two of our Canadian-based companies, Superior Plus Corporation (TSX: SPB) and Boralex Corporation (TSX: BLX) performed particularly well. Note that both names have a smaller market capitalization than our average holding, with SPB at \$2.35 billion and BLX at \$1.75 billion but have ample trading liquidity for the Fund.

Superior Plus operates through two business segments, Energy Distribution (primarily propane, heating oil and other refined fuels) and Specialty Chemicals (sodium chlorate, chlor-alkali and chlorine dioxide) in both Canada and the United States. The Energy Distribution segment generated \$265 million of EBITDA in 2018 and management expects this business to generate 10% annual wholesale volume growth and 3% annual active customer growth through 2020. The Specialty Chemicals segment generated \$138 million of EBITDA in 2018 and management is targeting 5% annual organic adjusted EBITDA growth at an 18% adjusted EBITDA margin through 2020.

Beyond the steady nature of the Company's cash flow, the shares pushed higher through the month after the announcement on June 10th that management was considering the sale of its Specialty Chemicals business. If a transaction is completed (and there are no guarantees), proceeds would likely be used to reduce debt and invest in additional US propane distribution assets. Because the current dividend is covered completely by the Energy Distribution business, the dividend dollar amount and percentage yield would remain unchanged. However, any unused proceeds from the sale could be deployed toward a significant share buyback, which would be accretive to various

financial metrics, thus boosting shareholder value.

Boralex is a Canadian-based renewable power producer with wind, hydroelectric, thermal and solar assets in Canada (490 megawatts), France (520 megawatts) and the United States (80 megawatts). The shares moved higher in anticipation of the Company's Investor Day on June 18th, where management articulated their strategic plan and financial objectives through to 2023. Essentially, targets included discretionary cash flow within a range of \$140 to \$150 million by 2023 (a CAGR of about 20%) and a dividend distribution policy of 40% to 60% of discretionary cash flow. Though not a hard target, management also suggested that gross installed and managed capacity could reach 2,800 megawatts by 2023, up from about 1,942 megawatts owned or controlled at the end of 2018. Even after accounting for the significant development program, the Company's dividend growth should outpace the peer average through 2023, which should be supportive of valuation and continued capital appreciation.

The Ninepoint Global Infrastructure Fund was concentrated in 29 positions as at June 30, 2019 with the top 10 holdings accounting for approximately 36.2% of the fund. Over the prior fiscal year, 26 out of our 29 holdings have announced a dividend increase, with an average hike of 11.2%. 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 GLOBAL INFRASTRUCTURE FUND - COMPOUNDED RETURNS¹ AS OF DECEMBER 31, 2022 (SERIES F NPP356) | INCEPTION DATE: SEPTEMBER 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	INCEPTION
Fund	-3.6%	0.2%	2.6%	3.5%	0.2%	6.6%	6.9%	7.8%	7.4%
MSCI World Core Infrastructure NR (CAD)	-2.8%	-1.2%	7.2%	2.5%	-1.2%	3.8%	7.4%	11.2%	11.2%

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 June 28, 2019; 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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