Ninepoint Focused Global Dividend Class

June 2021 Commentary

Year-to-date to June 30, the Ninepoint Focused Global Dividend Class generated a total return of 6.26% compared to the S&P Global 1200 Index, which generated a total return of 10.04%. For the month, the Fund generated a total return of 1.60% while the Index generated a total return of 3.68%.

Investment Team

Jeff Sayer, CFA
Vice President, Portfolio Manager

The effectiveness of the worldwide Covid-19 vaccination rollout is amazing to observe in real time. In regions with elevated vaccination rates, where approximately 50% to 60% of the population has received at least one dose, new cases are plummeting, hospitalization and deaths are exceedingly rare events and economic normalization is accelerating. Importantly, studies suggest that the currently available vaccines are also very effective at preventing serious illness against the known variants, which vastly reduces the risk of any further lockdowns. Although some regions of the world are still suffering from the pandemic, hopefully a global, coordinated push to improve vaccination rates will finally bring transmission of the Covid-19 virus under control.

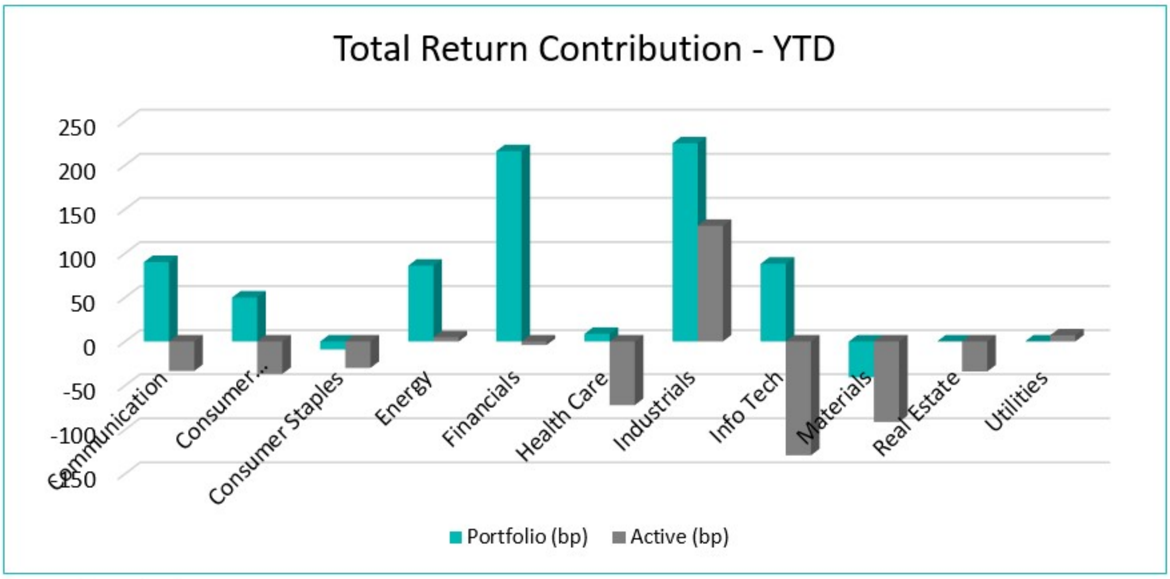
Other than improving vaccination rates, the most important market-moving event of the past month was the FOMC meeting on June 16th since it is US monetary policy that will shape the path of future investment returns over the medium term. At the conclusion of the most recent meeting, members of the FOMC took two initial steps towards the normalization of monetary policy. First, although they agreed to continue purchasing $80 million of Treasury securities per month and $40 million of agency mortgage-backed securities per month, Chairman Powell indicated during the press conference that tapering discussions are now appropriate due to increased confidence in the economic recovery. Second, the interest rate dot plot shifted from a median interest rate projection of no hikes in 2023 to two hikes in 2023, with 14 out of 18 FOMC members looking for at least one hike by the end of 2023.

The changes, whether hawkish or simply more realistic depending on one's base case assumptions, triggered an immediate flattening of the yield curve and another snap rotation in the equity markets (but this time from the cyclicals back into the secular growth trade). The simplest explanation of the market's reaction is that the scenario of runaway inflation is no longer plausible and the worry that the Fed is "behind the curve" is no longer credible. However, shifting rate hikes forward into 2023 suggests that expectations for long term growth may need to be moderated, hence rotation back into the secular growth trade and mega cap technology stocks. We view the outcome of the FOMC meeting as entirely consistent with the Fed's dual mandate of price stability and maximum full employment, which is positive for equity market returns over the medium term.

Over the near term, equities have generally faced some headwinds leading up to and during periods of tapering and rate hikes. However, if Chairman Powell can successfully engineer a normalization of monetary policy without shocking the markets, solid investment returns should continue through at least 2023 since we are likely many years away from real monetary tightening. With long-term interest rates still well below 2.0% (the US 10-year Treasury bond yield is currently pinned around 1.50%) and earnings growth of approximately 35% in 2021 and approximately 12% in 2022 (according to FactSet), earnings multiples can remain elevated relative to historical levels although they may gently trend lower over time. We would therefore characterize the current environment as mid-cycle, where positive investment returns depend on identifying companies with accelerating earnings, cash flow and dividend growth. Essentially, we think this environment bodes well for the relative performance of our dividend and real asset strategies over the medium term.

Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Class by sector included Industrials (+225 bps), Financials (+216 bps) and Communication (+90 bps) while top detractors by sector included Materials (-41 bps) and Consumer Staples (-9 bps) on an absolute basis.

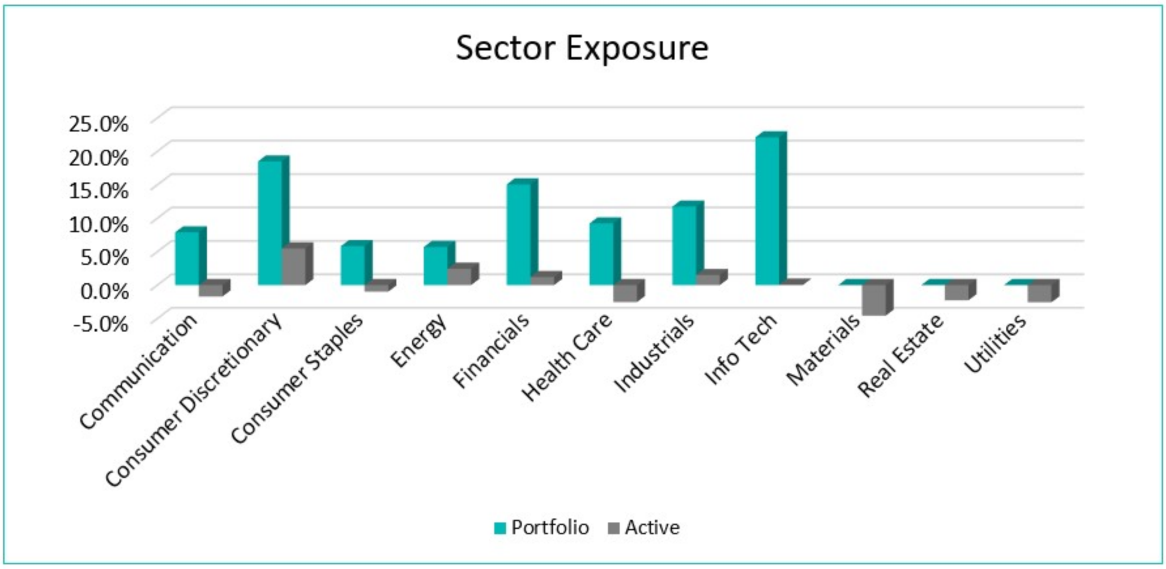
On a relative basis, positive return contributions from the Industrials (+131 bps), Utilities (+7 bps) and Energy (+5 bps) sectors were offset by negative contributions from the Information Technology (-129 bps) Materials (-91 bps) and Health Care (-72 bps) sectors.



Source: Ninepoint Partners

We are currently slightly overweight the Consumer Discretionary, Energy and Industrials sectors, while slightly underweight the Materials, Utilities and Health Care sectors. As the global economy reopens, sharp sector rotations are occurring underneath the surface of the broad indices. We have therefore maintained relatively neutral sector allocations but are looking to position for the middle phase of the investment cycle, where above-average earnings, cash flow and dividend growth can compensate for some degree of multiple-compression due to rising interest rates.

Our investment process suggests that a diversified barbell-strategy should optimize the tradeoff between risk and reward over the next twelve months. Mega cap technology stocks should benefit from the digitalization of the global economy (including e-commerce, cloud computing, cyber security and advances in AI), consumer discretionary stocks should benefit from the pent up demand for both goods and services, industrial stocks should benefit from the broad-based GDP growth and the return of corporate capex, communication stocks should benefit from the 5G rollout and the recovery of advertising spending, and financial stocks should benefit from the rising interest rates and the rebound in commercial loan growth. Essentially, there should be plenty of opportunity to find high quality, dividend growers at attractive valuations across a wide range of businesses.



Source: Ninepoint Partners

The Ninepoint Focused Global Dividend Class was concentrated in 30 positions as at June 30, 2021 with the top 10 holdings accounting for approximately 37.5% of the fund. Over the prior fiscal year, 21 out of our 30 holdings have announced a dividend increase, with an average hike of 2.4% (median hike of 6.3%). 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 JUNE 30, 2021 (SERIES F NPP 137) | INCEPTION DATE - NOVEMBER 25, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	INCEPTION
Fund	1.6%	6.3%	3.4%	6.3%	17.1%	8.5%	10.9%	8.3%
Index	3.7%	10.0%	5.9%	10.0%	26.5%	13.1%	14.3%	12.1%

[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 June 30, 2021; 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.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: ADR risk; Capital depletion risk; Capital gains risk; Class risk; Credit risk; Currency risk; Cybersecurity risk; Derivatives risk; Exchange traded funds risk; Foreign investment risk; In ation risk; Interest rate risk; Liquidity risk; Market risk; Securities lending, repurchase and reverse repurchase transactions risk; Series risk; Short selling risk; Speci c issuer risk; Tax risk.