



Ninepoint Focused US Dividend Class

March 2018 Commentary

Year-to-date to March 31, the Ninepoint Focused US Dividend Class generated a total return of 0.54% compared to the S&P 500 Index, which generated a total return of 1.66%.

Returns in the month of March were acceptable on a relative basis but disappointing on an absolute basis, with the Fund generating a total return of -2.07% while the benchmark generated a total return of -2.09%. After a fantastic start to the year and a correction in February, March was another difficult month for the US equity markets. However, a weakening Canadian dollar provided a tailwind to the Fund in the month.

Our modelling indicates that the Canadian dollar should continue to weaken in 2018. Although the Canadian dollar strengthened throughout January on accelerating global growth expectations, the currency began to decline in February and the trend persisted through the middle of March. With a resolution to the ongoing NAFTA negotiations expected shortly, we have hedged approximately half of our USD exposure in order to reduce currency-related volatility in the Fund.

Following months of investigation and threats, the Trump administration recently announced its intention to place tariffs on approximately \$50 billion worth of Chinese goods, heightening the risk of a global trade war. Despite the concerning headlines, we believe that negotiations will prevail before any significant damage can be done to the outlook for global growth and corporate profits. From our perspective, the correction has provided an opportunity to high-grade our portfolios and add exposure to sectors and stocks that benefit most in a mid to late-cycle environment.

Top contributors to the year-to-date performance of the Ninepoint Focused US Dividend Class included Raytheon (+75 bps), Mastercard (+66 bps) and S&P Global (+54 bps). Top detractors year-to-date included Comcast (-37 bps), Brookfield Asset Management (-37 bps) and Quanta Services (-32 bps). Comcast declined in March after becoming involved in the consolidation of the sector via a \$31 billion offer for Sky PLC, funded with incremental debt, which the market viewed negatively.

Constellation Brands (STZ US) was among our top performing holdings in March. The Company is the third largest beer distributor in the US (and sole US distributor of Corona and Modelo) and the world's largest premium wine producer (including the Robert Mondavi, Kim Crawford and Meiomi brands). As the clear leader in the US high-end beer category, STZ contributed 40% of the industry's total retail dollar sales growth in 2017. Upside to our thesis is tied to the Company's stake in Canopy Growth, as cannabis beverages potentially become a significant consumer category in federally legal markets.

The Ninepoint Focused US Dividend Class was concentrated in 29 positions as at March 31, 2018 with the top 10 holdings accounting for approximately 41.7% of the fund. Over the past year, 25 out of our 29 holdings have announced a dividend increase, with an average hike of 29.1%. We will

Investment Team



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continue to apply a disciplined investment process, balancing various quality and valuation metrics, in an effort to generate solid risk-adjusted returns.

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