# Ninepoint Focused Global Dividend Class

## November 2019 Commentary

### Investment Team

**Jeff Sayer, CFA**
Vice President, Portfolio Manager

Year-to-date to November 30, the **Ninepoint Focused Global Dividend Class** generated a total return of **19.53%** compared to the S&P Global 1200 Index, which generated a total return of **20.60%**. For the month, the Fund generated a total return of **3.58%** while the Index generated a total return of **3.71%**.

Since last August, the broad equity markets have whipsawed between dramatic outperformance of consensus over-weights linked to momentum factors and dramatic outperformance of consensus under-weights linked to value factors. However, the disparity between sector returns narrowed in November and we were able to keep up with our benchmark after having rebalanced our portfolios over the past few months. Essentially, our investment process finally began to pick up investment candidates that were more diversified between growth (or momentum) factors and value (or cyclical) factors and our investment discipline led us to make the appropriate changes.

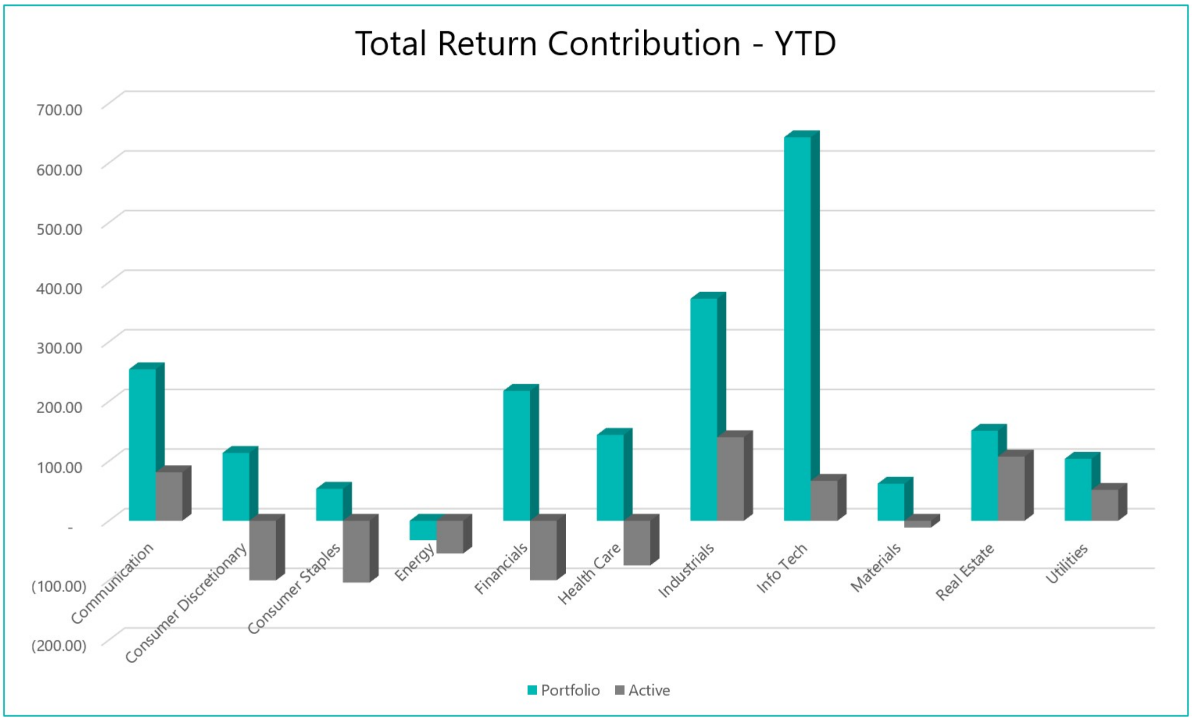
Performance over the balance of the year, and whether the investment regime change persists into 2020, will be highly dependent on continued de-escalation of the US-China trade war. At the minimum, the tranche of tariffs scheduled to be implemented on December 15 (predominantly targeting consumer goods) needs to be postponed or cancelled. If Trump believes that enough progress has been made toward a "phase one" trade deal, perhaps we could even see a rollback of previously implemented tariffs, which should drive continued market gains. However, if the two sides cannot come to some form of initial agreement and approximately $160 billion worth of Chinese-made consumer goods are hit with a 15% tariff, investors should expect markets to quickly reverse course, if only temporarily.

Barring a trade war, we continue to believe that the global economy can continue to work through this mid-cycle correction. Central banks around the world have done their part by easing monetary conditions (the US Fed has now cut interest rates by 25 bps three times this year, reducing the overnight rate by a total of 75 bps) and some economic data points have shown early signs of stabilization and even recovery. Importantly, the Markit US Manufacturing PMI has improved (to 52.6 from 51.3 in October), the Markit Eurozone Manufacturing PMI has improved (to 46.9 from 45.9 in October) and the China Caixin Manufacturing PMI has improved (to 51.8 from 51.7 in October). When aggregated, the JPMorgan Global Manufacturing PMI has moved back into expansionary territory for the first time since April, posting a seven-month high of 50.3 in November. Interest rates appear to confirm the nascent recovery, with the rebound of the US 10-year bond yield (from a low of 1.43% in early September to just over 1.80% recently) and the steepening of the 2-year/10-year yield curve (from -4 bps in late-August to 17.4 bps by the end of November).

It is always difficult making solid, long-term investment decisions when approaching important binary events, such as the December 15th deadline for the next round of tariffs. However, we continue to believe that if Trump's goal is to be re-elected next November, he will likely seek some form of compromise on trade in order to protect the domestic economy, create jobs and bolster consumer confidence. If this scenario plays out, we would expect markets to grind higher at least into the first quarter of 2020 before turning attention to the upcoming Presidential election.

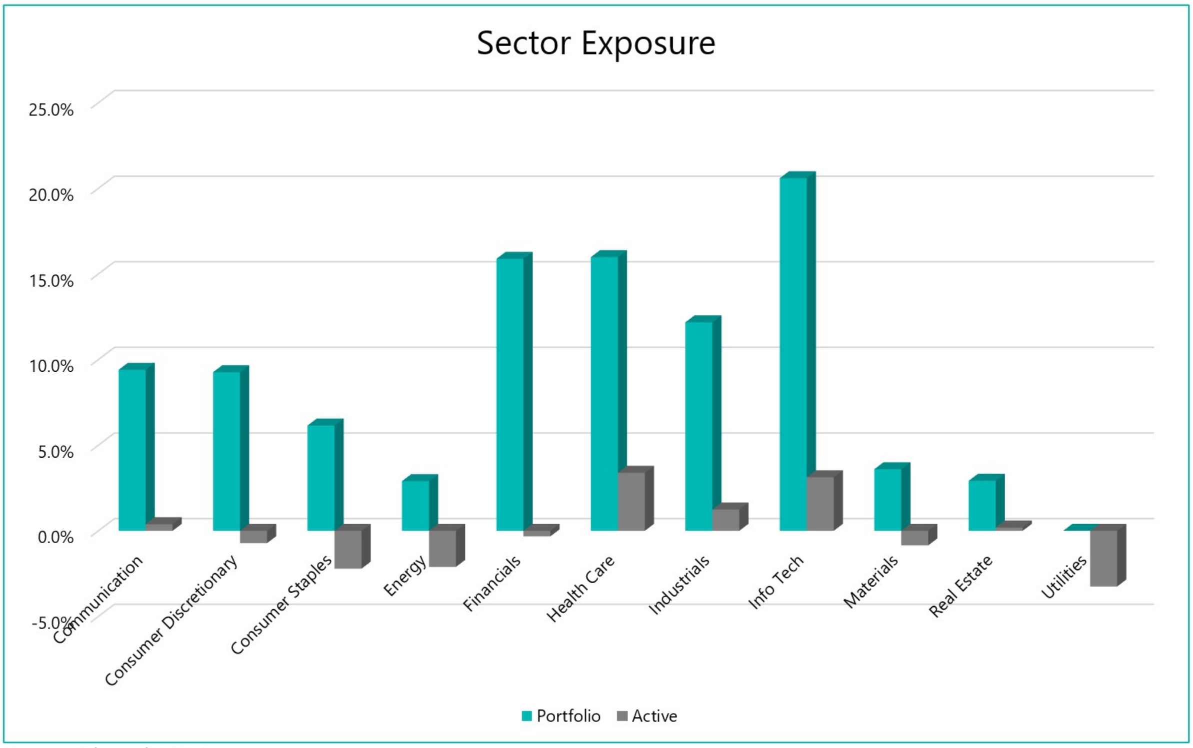
Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Class by sector included Information Technology (+643 bps), Industrials (+372 bps) and Communication (+254 bps) while only the Energy sector had a negative contribution on an absolute basis.

On a relative basis, positive return contributions from the Industrials, Real Estate, Communication, Information Technology and Utilities sectors couldn't quite offset negative contributions from the Consumer Staples, Consumer Discretionary, Financials, Health Care, Energy and Materials sectors.




Source: Ninepoint Partners

We are currently slightly overweight the Health Care, Information Technology and Industrials sectors, while slightly underweight the Utilities, Consumer Staples and Energy sectors. After the market whipsaw over the past few months, we have reduced the impact of sector allocation decisions on the portfolio while we await clarity on interest rate policy, trade negotiations and economic growth.




Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Microsoft (+241 bps), Mastercard (+211 bps) and Brookfield Asset Management (+152 bps). Top detractors year-to-date included Anthem (-56 bps), Chevron (-54 bps) and Boston Scientific (-46 bps).

In November, our top performing investments included UnitedHealth (+37 bps), Fiserv (+33 bps) and Disney (+31 bps) while Home Depot (-16 bps), Intercontinental Exchange (-14 bps) and Magna International (-13 bps) underperformed.

After fantastic performance for almost a decade, shares of UnitedHealth Group (UNH) and the other managed care organizations came under pressure toward the end of 2018. With far-left leaning Democratic candidates, notably Elizabeth Warren and Bernie Sanders, gaining in the polls, talk of "Medicare for All" threatened the very existence of private health insurance providers and payers. As the stock broke below key support levels in late-2018, we followed our sell discipline as set out by our investment process and quickly locked in our gains.

But as details of the theoretical plan were released and analyzed, most realized that it would be almost impossible to implement given the requirement for incremental Federal spending of US$34 trillion on a gross basis or US$24 trillion on a net basis (after cost savings that included administrative cuts, prescription drug reform, payment reform, reduced medical cost inflation and redirected public spending toward health coverage). Faced with the astronomical dollar amounts, even Senator Warren has backed away from "Medicare for All". We therefore viewed the selloff in the MCOs as a buying opportunity and, after dropping below 15x forward expected earnings, we were comfortable rebuilding a position in UnitedHealth.

The Company's 2019 investor conference has recently confirmed our positive outlook, with expected revenue growth in the range of 7% to 8% to between $260 to $262 billion and expected earnings growth in the range of 12% to 14% to between $16.25 to $16.55 per share in 2020. Although there are various offsetting factors in the Company's medical care and operating cost ratios, the company-wide operating margin is expected to improve to a range of 8.3% to 8.6% from

8.1% in 2019. Guidance is calling for operating cash flows within a range of $19.0 to $19.5 billion, with a significant portion allocated toward shareholder friendly initiatives, including $4.0 to $5.0 billion of share repurchases and approximately $4.1 billion of dividends. A solid growth outlook combined with an accretive capital allocation plan should continue to support the rebound in this high-quality compounder.

The Ninepoint Focused Global Dividend Class was concentrated in 31 positions as at November 30, 2019 with the top 10 holdings accounting for approximately 34.5% of the fund. Over the prior fiscal year, 27 out of our 31 holdings have announced a dividend increase, with an average hike of 17.4%. 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

**Vice President, Portfolio Manager**
**Ninepoint Partners**

## NINEPOINT FOCUSED GLOBAL DIVIDEND CLASS - COMPOUNDED RETURNS[1]
AS OF APRIL 30, 2020 (SERIES F NPP137)

| | 1M | YTD | 3M | 6M | 1YR | 3YR | INCEPTION |
|---|---|---|---|---|---|---|---|
| Fund | 8.8% | -3.8% | -5.8% | -1.4% | -0.4% | 5.0% | 5.7% |
| Index | 7.7% | -6.3% | -7.3% | -1.9% | -0.5% | 6.1% | 8.2% |

[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 November 30, 2019; e) 2015 annual returns are from 11/25/15 to 12/31/15.

**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.**