Ninepoint Focused Global Dividend Class

October 2020 Commentary

Year-to-date to October 31, the Ninepoint Focused Global Dividend Class generated a total return of 4.39% compared to the S&P Global 1200 Index, which generated a total return of 1.20%. For the month, the Fund generated a total return of -3.13% while the Index generated a total return of -2.92%.

Investment Team

Jeff Sayer, CFA
Vice President, Portfolio Manager

Despite a strong start, October turned out to be the second down month in a row as the uncertainty related to the US presidential election, the rising number of Covid-19 cases and the lack of progress on the next fiscal stimulus package created a turbulent market environment. Investors seemed to be unable to decide whether a Biden "Blue Wave" would be positive or negative for the markets (with the upside of a huge fiscal stimulus package and improving global trade relations potentially offset by the downside of higher taxes and greater regulation). In the meantime, the number of new Covid-19 cases skyrocketed in Europe and the United States, which heightened the threat of new mobility restrictions. As the risk of a return to a partial lockdown increased and the likelihood of another fiscal stimulus package faded, the economic recovery was called into question. In fact, the final week of October was the worst week for the S&P 500 since the depths of the Covid-19 pandemic last March as investors positioned defensively into month end.

Thankfully, markets rebounded during the first few trading days of November, leading up to the US presidential election, as it seemed that investors had concluded that the most likely outcome would be a Biden presidency, a Republican Senate and a Democratic House. The churning drawdown abated since political gridlock is generally perceived as a goldilocks environment for the stock markets (this scenario implied a smaller but still meaningful fiscal package and an improvement in global trade relations but without the risk of significantly higher taxes or greater regulation). After several whipsaws during September and October, the information technology, communication services, consumer discretionary and health care leaders stabilized while fiscal spending beneficiaries (including various materials, industrials, home builders and renewable energy names) gave back some of the gains made over the past couple of months.

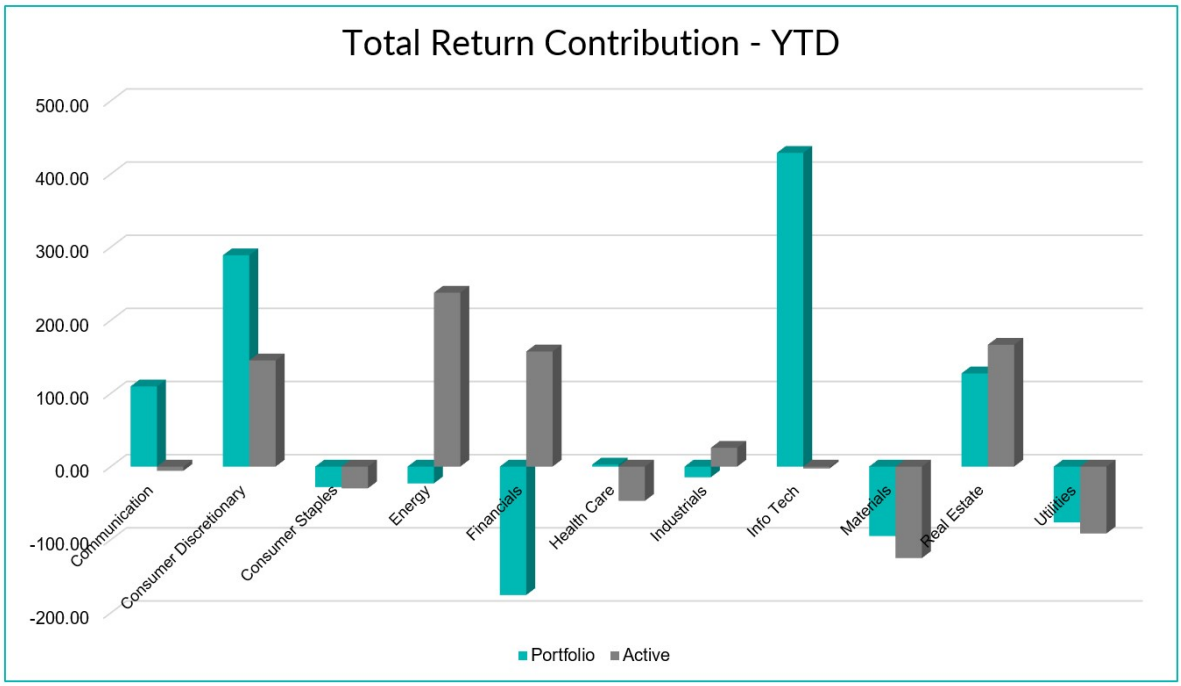
Given the amount of noise impacting the markets, I deliberately delayed writing this commentary for a few days while waiting for the press to definitively call the election. It turned out to be fortunate decision since we now have two key pieces of information: first, Joe Biden has been declared the winner of the 46th US presidential election and second, Pfizer and BioNTech have announced that their mRNA-based Covid-19 vaccine candidate was found to be more than 90% effective in preventing Covid-19 in the first interim efficacy analysis, with safety and manufacturing data to be submitted shortly. The election may face legal challenges and the distribution of the vaccine may take well into 2021 but it is difficult to underestimate the importance of these two events. A coherent plan to both contain the outbreak and provide fiscal support for those in need until we can finally bend the curve of new cases through vaccination is exactly what is needed to eventually return our lives to normal (or at least as close to pre-Covid-19 normal as possible).

On that first day of trading after the positive vaccine announcement, the rotation into pandemic-epicenter trades at the expense of both growth/momentum stocks and bonds was ferocious. Travel and leisure-related plays spiked, energy ripped and financials screamed higher. After massive underperformance year-to-date, pipelines, toll roads and airports led the relief rally in the infrastructure space while retail REITs, health care REITs, office REITs and multi-family residential REITs led the relief rally in the real estate sector.

Although we could not keep pace with the initial kneejerk reaction, we have continued to broaden our exposure away from the work-from-home and consume-at-home winners and position our portfolios to benefit from positive GDP growth. We still believe that dividend-paying equities remain extremely attractive relative to bonds and, as the economic recovery becomes self-sustaining, rising growth and inflation expectations should provide a tailwind for a diversified portfolio of dividend-paying stocks and real asset strategies.

Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Class by sector included Information Technology (+429 bps), Consumer Discretionary (+289 bps) and Real Estate (+127 bps) while top detractors by sector included Financials (-176 bps), Materials (-95 bps) and Utilities (-76 bps) on an absolute basis.

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

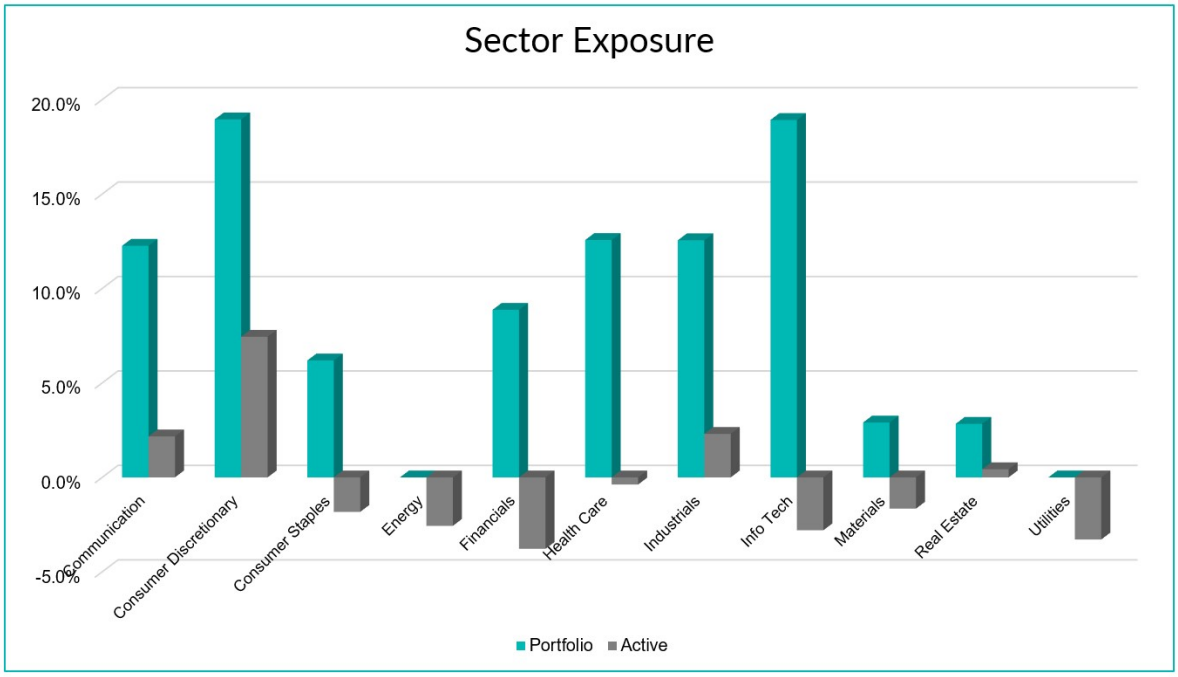


Source: Ninepoint Partners

We are currently overweight the Consumer Discretionary, Industrials and Communication sectors, while underweight the Financials, Utilities and Information Technology sectors. At the end of the month, we held a 3.9% cash position but we are looking to deploy the balance of our capital as the uncertainty related to the US presidential election and the Covid-19 pandemic dissipates.

It is important to note that sector allocations though the balance of the year will be highly dependent on the official results of the US presidential election and the successful distribution of

the Covid-19 vaccine. If fiscal spending accelerates and economies around the world can reopen smoothly, we may finally see a more lasting rotation toward the value/cyclical trade and away from the growth/momentum trade, that has led the market for more than a decade. We are prepared to position the fund accordingly should we see continued progress along those lines.



Source: Ninepoint Partners

At the stock specific level, top contributors to the year-to-date performance included Nvidia (+203 bps), Amazon (+201 bps) and Apple (+166 bps). Top detractors year-to-date included Medtronic (-100 bps), FMC Corporation (-95 bps) and Applied Materials (-85 bps).

In October, our top performing investments included Alphabet (+29 bps), Thermo Fisher (+21 bps) and Danaher (+20 bps) while Mastercard (-43 bps), Union Pacific (-31 bps) and Visa (-27 bps) underperformed.

The Ninepoint Focused Global Dividend Class was concentrated in 31 positions as at October 31, 2020 with the top 10 holdings accounting for approximately 34.3% of the fund. Over the prior fiscal year, 22 out of our 31 holdings have announced a dividend increase, with an average hike of 15.9% (median hike of 8.8%). 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 OCTOBER 31, 2020 (SERIES F NPP137)

	1M	YTD	3M	6M	1YR	3YR	INCEPTION
Fund	-3.1%	4.4%	0.2%	8.6%	7.1%	6.3%	6.8%
Index	-2.9%	1.2%	-0.5%	8.0%	5.9%	7.5%	9.0%

[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 October 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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