



Ninepoint Focused Global Dividend Fund

April 2023 Commentary

Year-to-date to April 30, the Ninepoint Focused Global Dividend Fund generated a total return of 6.65% compared to the S&P Global 1200 Index, which generated a total return of 9.66%. For the month, the Fund generated a total return of 4.07% while the Index generated a total return of 1.94%.



Jeff Sayer, CFA
Vice President, Portfolio Manager

Ninepoint Focused Global Dividend Fund - Compounded Returns¹ As of April 30, 2023 (Series F NPP964) | Inception Date: November 25, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	Inception
Fund	4.2%	6.6%	5.5%	5.9%	7.1%	9.3%	6.9%	7.1%
S&P Global 1200 TR (CAD)	1.9%	9.7%	3.9%	12.8%	10.2%	12.6%	9.7%	9.9%

After one of the fastest tightening cycles over the past forty years, the Fed has now hiked a total of 500 basis points from March 2022 to May 2023. Because the current midpoint of the range of the Fed funds rate is above the most recent CPI report (when comparing the current midpoint Fed funds rate of 5.125% to the most recent CPI of 5.0% on a year-over-year basis), we believe that the tightening cycle is finally complete. Signs of credit stress, most notably the failures of Silicon Valley Bank, Signature Bank and First Republic Bank further support the case for an end to the tightening cycle. Although we don't foresee widespread contagion or systemic risk, we remain concerned about the impact of more stringent regulations and tighter lending standards on future economic growth. But as of today, we believe that inflation readings would have to reaccelerate dramatically before any additional rate hikes and economic growth would have to decline significantly before any pivot to easier monetary policy.

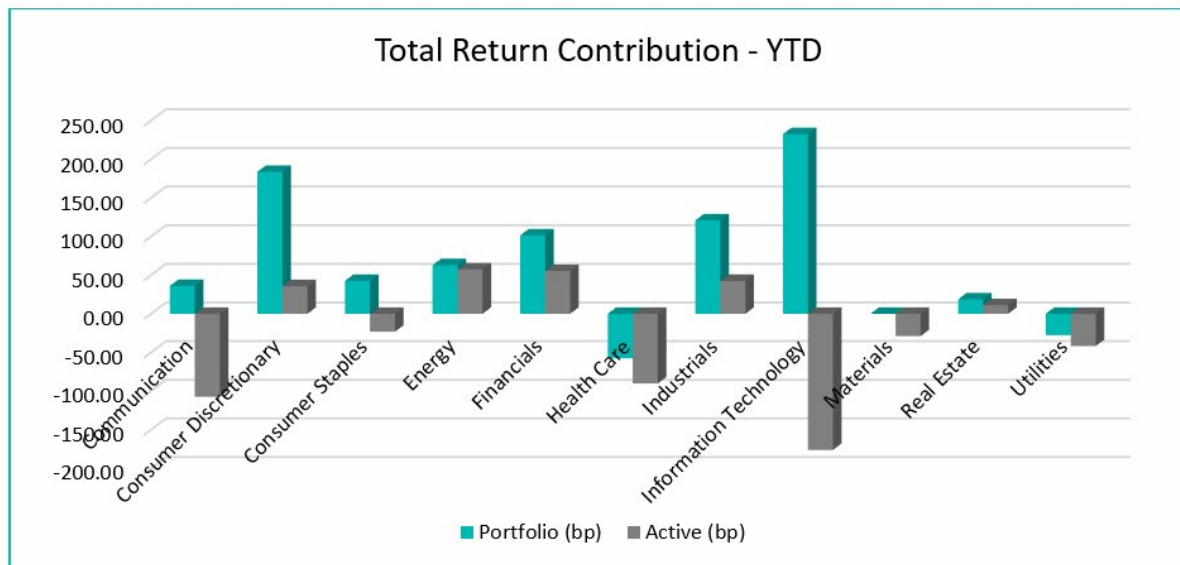
As we kicked off the Q1 2023 earnings season, FactSet Research was initially reporting that earnings were expected to decline by -6.8%, the largest dip since Q2 2020 (during what turned out to be the depths of the Covid-19 lockdown). Despite flat to slightly positive revenue growth projections, margin pressures (driven by the rising cost of raw materials, supply chain inefficiencies, increasing labour costs and other factors) were assumed to persist through at least the first half of 2023. However, with approximately 85% of the components of the S&P 500 having reported, the blended earnings growth rate decline has improved to -2.2%, as the quarterly reports have come in much better than feared. On an annualized basis, S&P 500 estimates for 2023 look to be stabilizing around \$220 and for 2024 look to be stabilizing around \$240, implying that the current year will likely be the trough of the cycle.

Unfortunately, investors still need to contend with the lagged impact of tighter monetary policy and the impending debt ceiling negotiations, as we work through the final stages of the economic cycle. Thankfully, inflation looks to have peaked in June 2022 at 9.1%, and has steadily trended lower despite a tight labour market, with total nonfarm payrolls up by 253,00 and the unemployment rate at 3.4% in April (although the JOLTS has fallen below 10 million for two consecutive months). Key upcoming data points to watch include the US CPI, PPI, and retail sales numbers for confirmation that the Fed has successfully managed to guide inflation back towards its 2.0% target. We continue to believe that a pause would be sufficiently supportive for equities however investors need to be careful about being whipsawed during what could be a volatile but rangebound market over the balance of 2023.

From our perspective, in an environment of moderating inflation but slowing growth through 2023, the most important drivers of investment performance will likely be valuation, balance sheet strength and the ability to consistently generate cash flow and earnings. Also, a greater component of total returns will likely come from dividend yields, which meshes nicely with our investment philosophy. In keeping with our mandates, we are concentrating our efforts on free cash flow positive, high quality, dividend growth companies and real asset investments given our positive assessment of the risk/reward outlook over the next two to three years.

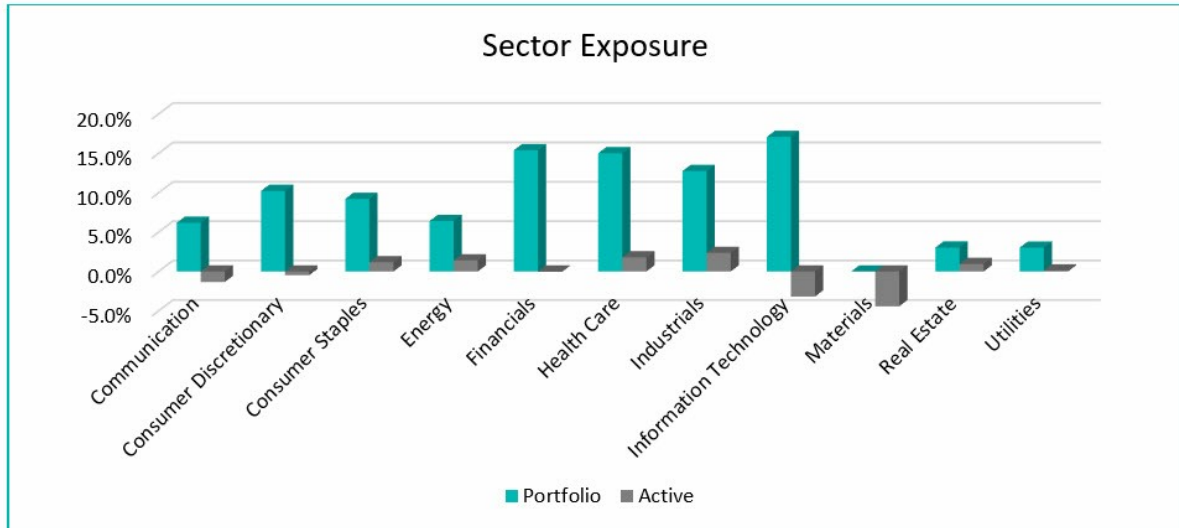
Top contributors to the year-to-date performance of the Ninepoint Focused Global Dividend Fund by sector included Information Technology (+232 bps), Consumer Discretionary (+184 bps) and Industrials (+121 bps) while top detractors by sector included Health Care (-57 bps) and Utilities (-28 bps) on an absolute basis.

On a relative basis, positive return contributions from the Energy (+58 bps), Financials (+55 bps) and Industrials (+43 bps) sectors were offset by negative contributions from the Information Technology (-176 bps), Communication (-107 bps) and Health Care (-90 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Industrials, Health Care and Energy sectors, while underweight the Materials, Information Technology and Communication sectors. With the US Federal Reserve now likely on pause, we are carefully watching the US regional banking system for signs of stabilization and the US debt ceiling negotiations for signs of a resolution. As the late stages of one of the most highly anticipated downturns ever continue to play out, we remain focused on high quality, dividend payers that have demonstrated the ability to consistently generate revenue and earnings growth through the cycle.



Source: Ninepoint Partners

The Ninepoint Focused Global Dividend Fund was concentrated in 30 positions as at April 30, 2023 with the top 10 holdings accounting for approximately 37.5% of the fund. Over the prior fiscal year, 22 out of our 30 holdings have announced a dividend increase, with an average hike of 9.8% (a median hike of 8.6%). We will continue to apply a disciplined investment process, balancing various quality and valuation metrics, in an effort to generate solid risk-adjusted returns.

Jeffery Sayer, CFA
 Ninepoint Partners

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 April 30, 2023; 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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