Ninepoint Global Infrastructure Fund

November 2023 Commentary

REFINITIV LIPPER FUND AWARDS
2022 WINNER CANADA

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Summary

- Ninepoint Global Infrastructure Fund had a YTD return of 3.87% up to November 30, compared to the MSCI World Core Infrastructure Index with a total return of 0.53%.
- In November, the Fund generated a total return of 5.70%, while the Index had a return of 7.34.
- November's market rally followed the Fed's decision to maintain rates, likely signaling the end of the tightening phase culminating with a spike in US 10-year bond yields.
- Concerns still exist regarding the Fed's ability to engineer a soft landing post a substantial 525 bps worth of tightening, despite current economic resilience.
- Market expectations suggest approximately five rate cuts in 2024, prompting debates about whether this would be consistent with a soft-landing scenario as anticipated by the equity markets.
- The Fund is currently overweight the Industrials, Materials and Energy sectors, market weight the Real Estate sector and underweight the Utilities sector.
- The fund was concentrated in 27 positions, with the top 10 holdings accounting for approximately 40.0% of the fund. Over the prior fiscal year, 16 out of our 27 holdings have announced a dividend increase, with an average hike of 13.6% (median hike of 6.0%).

Monthly Update

Year-to-date to November 30, the Ninepoint Global Infrastructure Fund generated a total return of 3.87% compared to the MSCI World Core Infrastructure Index, which generated a total return of 0.53%. For the month, the Fund generated a total return of 5.70% while the Index generated a total return of 7.34%.

Ninepoint Global Infrastructure Fund - Compounded Returns[1] As of November 30, 2023 (Series F NPP356) | Inception Date: September 1, 2011

	1M	YTD	3M	6M	1YR	3YR	5YR	10YR	Inception
Fund	5.7%	3.9%	2.6%	7.2%	0.1%	5.9%	7.9%	6.3%	7.2%
MSCI World Core Infrastructure NR (CAD)	7.3%	0.5%	4.1%	3.7%	-2.3%	4.5%	5.8%	9.1%	10.4%

After the seasonally weak August to October period, the markets experienced a powerful relief rally in November. The move was likely triggered by the October 31 to November 1 Fed meeting, where members of the FOMC committee voted to hold rates steady in a range of 5.25% to 5.50% and Chairman Powell's post-meeting press conference essentially confirmed that the tightening phase of the interest rate cycle is now done. We believe that the final spike in the US 10-year bond yields to just above 5.0% effectively tightened financial conditions to a sufficient degree to satisfy the FOMC committee. We had previously identified the rate spike as the primary culprit of weakness across various financial asset classes and as the US 10-year bond yield fell, short sellers covered positions and buyers stepped in aggressively.

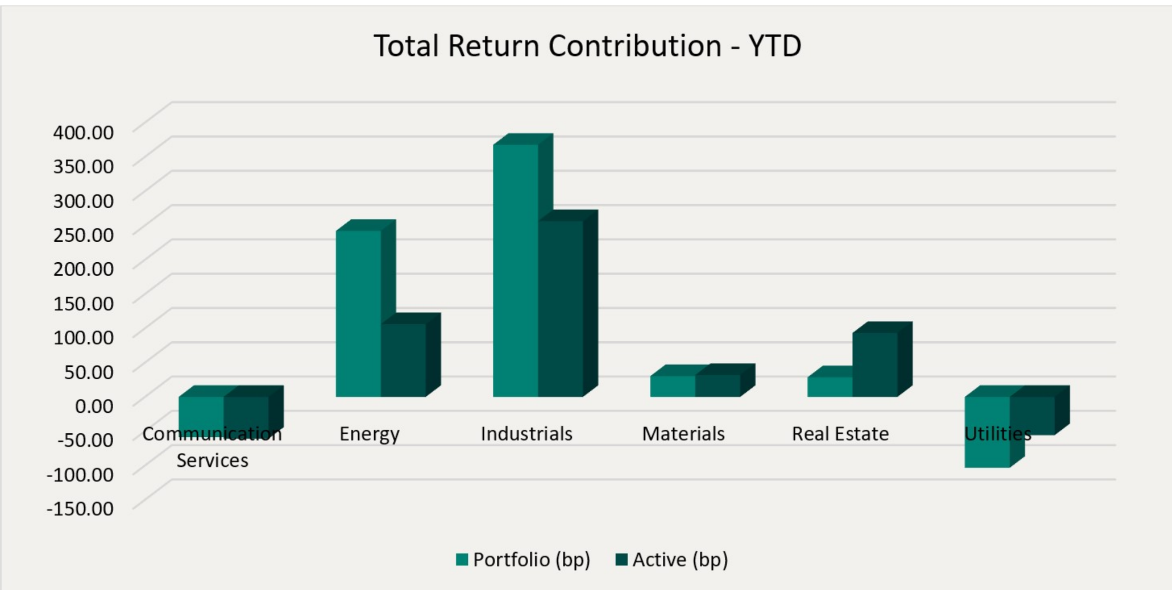
The debate now turns to whether the Fed can engineer a soft-landing or whether the lagged impact of 525 bps of tightening will eventually do more serious damage to the US economy. Thankfully, the economic data is slowing but remains relatively resilient thus far. Released early-December, the November PMI data was consistent with a mild slowdown in goods as the ISM Manufacturing PMI remained in contractionary territory at 46.7% but modest growth in services as the ISM Services PMI registered 52.7%. Excess slack in the labour market also seems to be fading, although November's nonfarm payroll report increased by 199,000 jobs and the unemployment rate ticked down to 3.7%. We still see diminishing upwards pressure on wages in the absence of any fear of widespread job losses, which is consistent with a soft-landing scenario. Incorporating new information in real-time, the forward curve is currently indicating approximately five rate cuts in 2024. We believe that the 125 bps of anticipated easing in 2024 is inconsistent with a dovish/bullish scenario (growth would likely have to weaken dramatically for that amount of Fed easing, which wouldn't be particularly good for the equity markets), but only a couple of rate cuts would still be needed to improve the odds of a soft-landing.

Importantly, if the November rally is to continue into 2024, earnings growth will need to reaccelerate. Entering the Q3 earnings season, expectations were quite low and consensus estimates suggested a slight decline, which would have resulted in four consecutive quarters of negative growth. However, with 98% of the S&P 500 companies having reported actual results, the blended year-over-year earnings growth rate is 4.8%, which certainly helped stocks to rally in November. Based on earnings year-to-date and consensus estimates looking forward, earnings are expected to rebound approximately 11% in 2024, according to FactSet. After a flat year for earnings in 2023, a return to earnings growth in a soft-landing scenario should be well received by the equity markets. As always, we are continually searching for companies that can post solid earnings growth but still trade at acceptable valuations today.

Through the trough of the cycle, the most important drivers of investment performance will likely be valuation, balance sheet strength and the ability to consistently generate cash flow and earnings. In keeping with our mandates, we are concentrating our research efforts on high quality, dividend growth companies and real asset investments given our positive assessment of the risk/reward outlook over the next few years. After many years of outperformance from the high-growth and high valuation Information Technology sector, as capital becomes more expensive, we expect a rotation out of the big winners of 2023 and into equities more aligned with our dividend-focused mandates in 2024.

Top contributors to the year-to-date performance of the Ninepoint Global Infrastructure Fund by sector included Industrials (+367 bps), Energy (+242 bps) and Materials (+30 bps), while top detractors by sector included Utilities (-103 bps), Communication (-59 bps) and Real Estate (-29 bps) on an absolute basis.

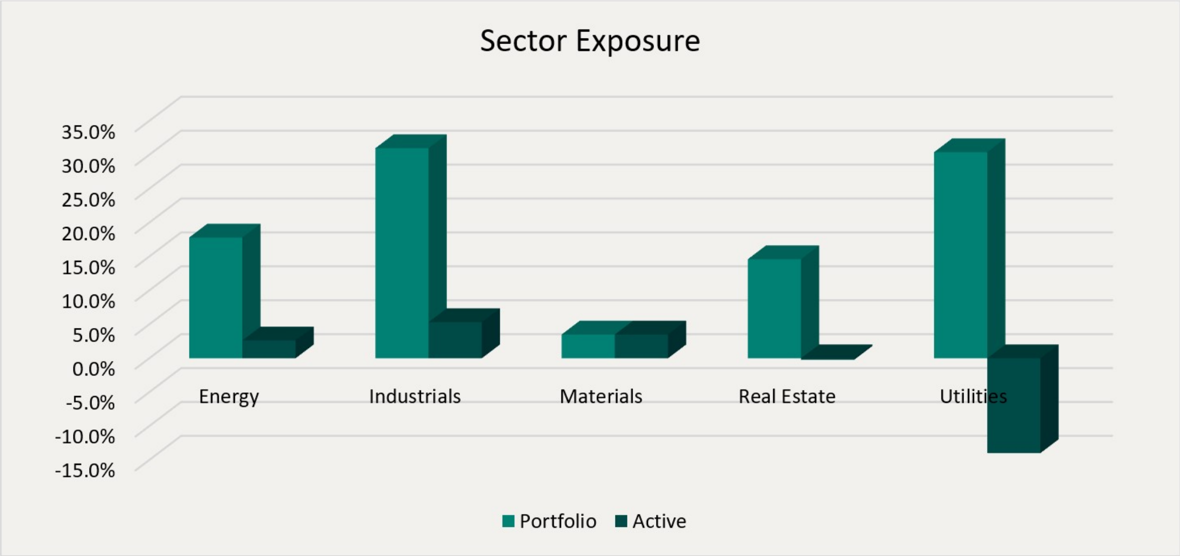
On a relative basis, positive return contributions from the Industrials (+256 bps), Energy (+106 bps) and Real Estate (+93 bps) sectors were offset by negative contributions from the Communication (-61 bps) and Utilities (-56 bps) sectors.



Source: Ninepoint Partners

We are currently overweight the Industrials, Materials and Energy sectors, market weight the Real Estate sector and underweight the Utilities sector. Although the lagged impact of monetary tightening is now slowing inflation, constraining growth, and creating higher unemployment, we expect a Fed pivot to easier monetary policy at some point in 2024. In the meantime, we remain focused on high quality, dividend payers that have demonstrated the ability to consistently generate revenue and earnings growth through the business cycle.

Despite some projects dealing with funding concerns in a higher interest rate environment, we continue to believe that the clean energy transition will be one of the biggest investment themes for many years ahead. Therefore, we are comfortable having exposure to both traditional energy investments and renewable energy investments in the Ninepoint Global Infrastructure Fund given the importance of energy sustainability and security of supply around the world.



Source: Ninepoint Partners

The Ninepoint Global Infrastructure Fund was concentrated in 27 positions as at November 30, 2023 with the top 10 holdings accounting for approximately 45.0% of the fund. Over the prior fiscal year, 16 out of our 27 holdings have announced a dividend increase, with an average hike of 13.6% (median hike of 6.0%). Using a total infrastructure approach, we will continue to apply a disciplined investment process, balancing valuation, growth, and yield in an effort to generate solid risk-adjusted returns.

Jeffrey Sayer, CFA
Ninepoint Partners

The fund has been named Refinitiv Lipper Fund Awards Canada 2022 Winner, Best Global Infrastructure Equity Fund, over a three-year period out of a total of 13 funds ending July 31, 2022.

Lipper Award Methodology

The Refinitiv Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers.

The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Refinitiv Lipper Fund Award. For more information, see lipperfundawards.com Although Refinitiv Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Refinitiv Lipper.

The merit of the winners is based on objective, quantitative criteria. The influential and prestigious Refinitiv Lipper Fund Awards are based on our Lipper Leaders Rating for Consistent Return. Lipper Leaders Ratings are subject to change on a monthly basis. Individual classifications of three, five, and 10-year periods, as well as fund families with high average scored for the three-year period, are also recognized. The awards are based on Refinitiv Lipper's proven proprietary methodology, which can be viewed here.

[1] All returns and fund details are a) based on Series F units; b) net of fees; c) annualized if period is greater than one year; d) as at November 30, 2023; e) 2011 annual returns are from 09/01/11 to 12/31/11. The index is 100% MSCI World Core Infrastructure NR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information.

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