2025 Midyear Outlook

June 2025

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Letter from the Partners

Outlook for H2 2025

So far, 2025 has been a rollercoaster ride for global economies and financial markets. The cautious optimism we saw at the start of the year–defined by lower inflation, declining interest rates and surging equity markets–has been replaced by real anxiety over what comes next.

President Donald Trump's attack on the global trading system has introduced new layers of uncertainty into the global economy, rattling financial markets and forcing investors to reevaluate their short- and medium-term outlooks. In Canada, the central bank is taking a wait-and-see approach on interest rates as unemployment rises, the housing market weakens and domestic demand declines.

While these geopolitical shifts are creating turbulence in some sectors, they also bring opportunities elsewhere. Heading into the second half of 2025, we see potential upside in certain energy, fixed income and infrastructure sub-sectors, as well as in crypto and gold–sectors that may increasingly be seen as safe havens in a volatile environment.

In this 2025 Midyear Outlook Report, our industry-leading portfolio managers offer their thoughts on what's ahead for the back half of the year, including opportunities to build value in these uncertain times.

We hope you find our insights helpful.

James Fox
John Wilson
Managing Partners
Ninepoint Partners LP

Fixed Income Outlook

Fixed income performance across the U.S. and Canada has been mixed in the first half of the year. While some volatility was expected, the magnitude of the trade policy shock was much larger than anyone (us included) had anticipated, leading to large moves in interest rates and credit markets. In these uncertain markets, carefully constructed fixed income portfolios can be a source of stability and provide ballast as we await better opportunities.

Global Shifts in Appetite for U.S. Assets

We are witnessing a seismic shift in the global trade and monetary order. Given the unpredictability of the U.S. administration, global appetite for U.S. assets is set to wane. Investors are increasingly looking to diversify away from the U.S., where policy uncertainty and growing concerns about the rule of law are creating too many unknowns.

Many countries are also taking steps to diversify their trade relationships away from the U.S. While this will take some time over many years, we believe that this theme is here to stay. Global investors will scour the globe for new sources of safe assets and exporters will seek new buyers of their goods. These shifting capital flows will create new winners and losers.

Over time, if Canada can successfully navigate the ongoing trade war and revitalize its resource sectors, we could benefit from increased capital flows.

As Unpredictability Rises, so Does Interest in Fixed Income

Investor interest in fixed income grew in the first half of the year. Going forward, with markets shifting week to week and trade policy uncertainty rising, we expect investors will want to be more defensively positioned. Cash and traditional sector exposures no longer offer the returns seen in recent years, while bonds are generating much higher incomes. As a result, fixed income is back in focus, offering investors more stability in their portfolios.

> *"It feels like we are in the eye of the trade war storm right now. It might take until September for the full impact to become evident. We think it's best to keep some powder dry and wait and see."*
>
> — Etienne Bordeleau-Labrecque
> *Vice President, Portfolio Manager*
> Ninepoint Partners

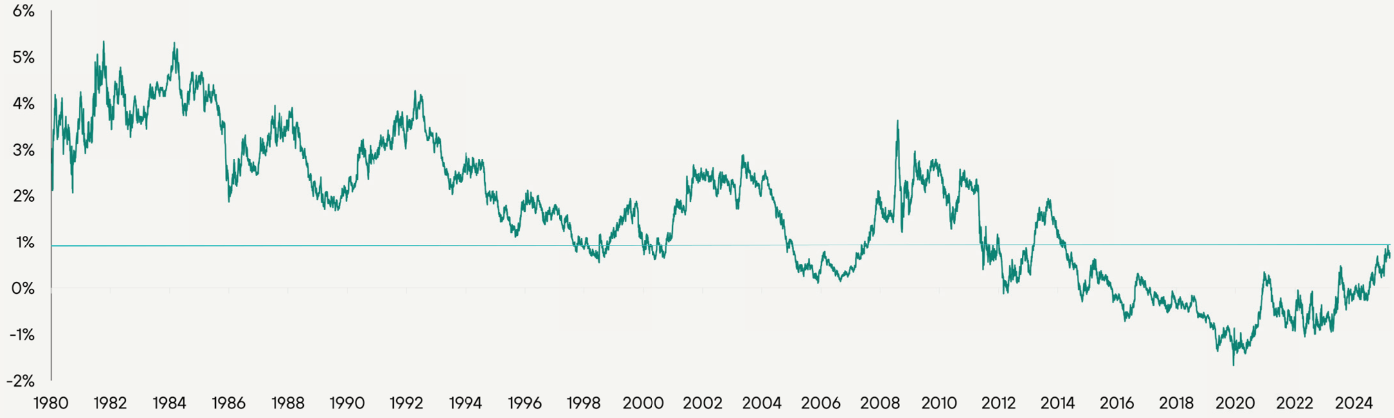
Weak Economic Growth Still Presents Challenges

With a weak growth backdrop and inflationary pressures, governments often respond by increasing spending, which leads to even larger deficits. Bigger deficits mean more debt issuance, raising the question: who will buy all these bonds and at what price?

In this kind of environment, investors will typically require a larger return over a longer term. As a result, the term premium on 10-year U.S. government bonds is at levels last seen over a decade ago (chart below). 30-year government bond yields in the U.K., the U.S., Japan and Canada have reached multi-decade highs as shown in the chart on the next page.

We believe that yield curves will continue to steepen globally, with long term rates progressively higher than short term rates, even if central banks continue to gradually cut rates in response to weak economic growth. This poses a significant risk not only to bond investors, but to investors across all asset classes.

Term Premium on 10-year U.S. Government Bonds



Source: Bloomberg, As at June 17, 2025.

Bond Market Remains a Strong Bet

Since the drawdowns of 2022 (the largest ever for fixed income), many investors have come to view the asset class as risky. But that view oversimplifies the landscape, because not all fixed income products are created equal.

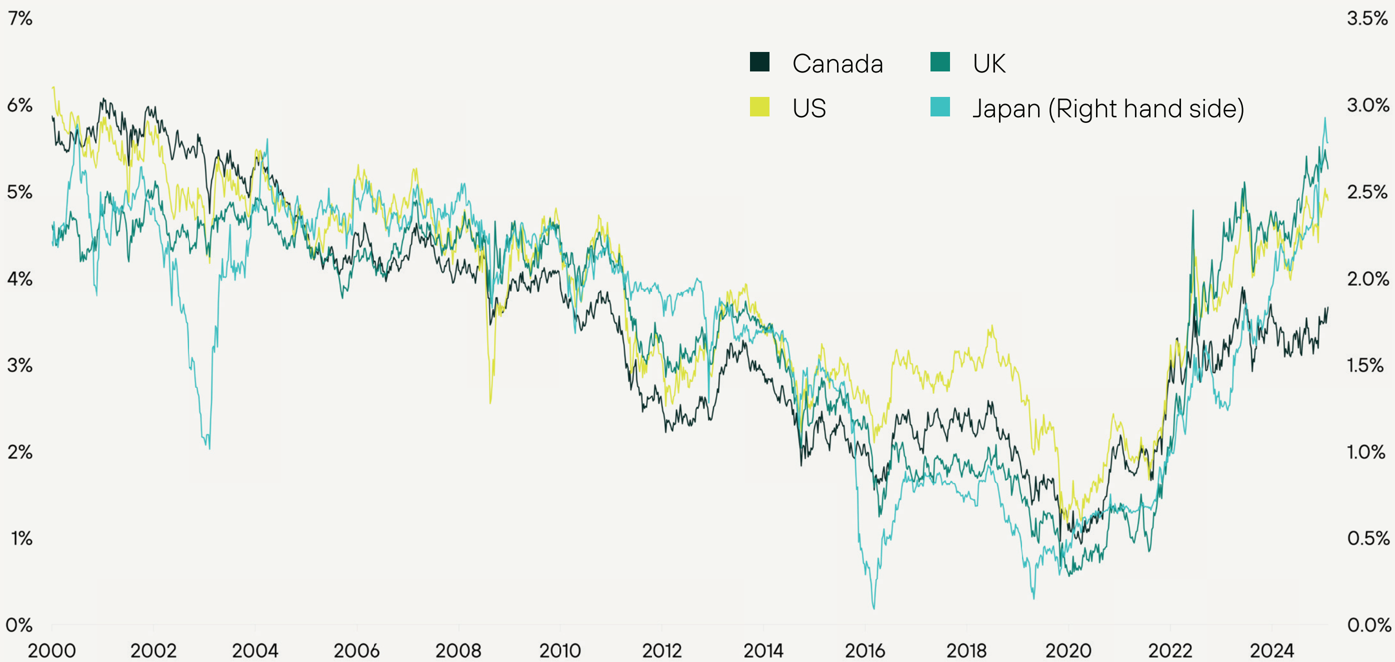
We believe buying a Canadian fixed income index with eight years of duration and only 3.4% yield in today's environment is risky. Buying high yield bonds at all-time tight credit spreads is very risky. But buying a portfolio of high-quality corporate bonds, five years and under, with an average yield of 4-5% and an A- credit rating, is a sensible and smart investment. In our view, our approach is the best path forward in uncertain times.

Adaptability a Requirement for This Market

Our active approach to the asset class has delivered a history of higher returns with low volatility throughout the economic cycle. In this environment, a manager needs to be nimble and responsive.

Long-Term Government Bond Yields at Multi-Decade Highs

30-year government bond yields



Source: Bloomberg. As at June 13, 2025.

Infrastructure Outlook

Amid a period defined by market instability and global policy uncertainty, infrastructure has proven its value in a diversified portfolio, blending income with modest capital appreciation to preserve investor capital. With clear growth in the sector coming from global electrification and the onshoring of industrial manufacturing, infrastructure has incredible potential to weather market unpredictability and external stressors and remains an important asset class.

Global Infrastructure Equities Offer Stability Despite Market Volatility

Since the last Friday of January 2025 – when rumblings first began of President Trump's strategy of instigating a trade war to achieve his "America First" worldview – infrastructure has outperformed U.S. equities dramatically while keeping pace with Canadian equities.[1]

In our view, investors could be forgiven for feeling that "Liberation Day" only served to liberate them from some of their capital given the President's questionable strategy and dubious methodology for calculating "reciprocal" tariffs. This lack of confidence in the current administration and serious concerns regarding U.S. exceptionalism were obvious by the unusual, synchronized and dramatic decline of U.S. stocks, U.S. Treasury bonds and the U.S. dollar throughout much of April.

Tariff Threats Weigh Heavily on Investor Sentiment

The market reactions to the chaotic policy announcements have left us with one key takeaway: investors should brace for higher volatility over the next four years versus the past four years. Unfortunately, the threat of tariffs will likely weigh on investor sentiment for the near future, with unpredictable on-again/off-again announcements adding to the confusion. Against this backdrop, we believe that active management is critical–particularly within the infrastructure sector.

Infrastructure Portfolios Benefit from Defensive Nature

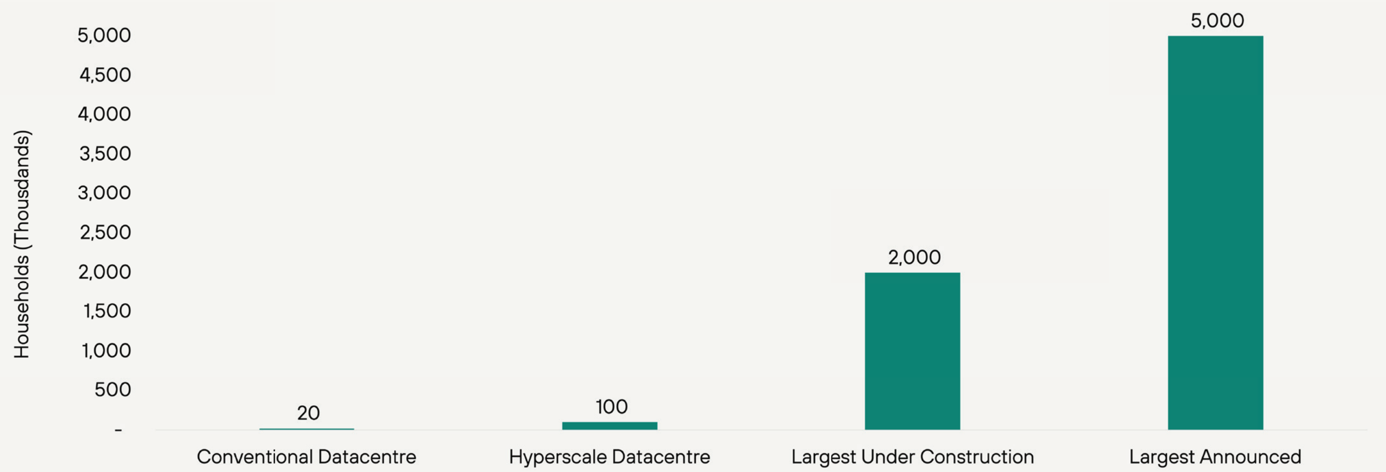
The essential nature of infrastructure facilities and services, tied to the productivity of a developed economy, enhances the defensive profile of the asset class. Historically, infrastructure holds an advantage because it balances interest rate-sensitive (or more defensive) sub-sectors, such as utilities and real estate, with more GDP-sensitive sub-sectors such as industrials and energy. Through active management, sector exposure can be tactically flexed to align with current market conditions.

Powerful Trends Drive Long-Term Investment Growth

Today, infrastructure is ideally positioned to benefit from the electrification of the U.S. economy and increased fiscal spending on infrastructure in the U.S. and Europe. Importantly, electricity demand is expected to accelerate at more than 2.5 times the pace of the past two decades, led primarily by the construction of AI-focused data centers and the onshoring of industrial manufacturing.

Looking ahead, fiscal spending will be driven in the U.S. by the Infrastructure Investment and Jobs Act (worth approximately US$550 billion[2] of spending through 2026), in Europe by the removal of Germany's debt brake (worth approximately €500 billion[3] of spending over the next decade) and the reconstruction of Ukraine (worth approximately US$500 billion[4] based on today's estimates).

Data Centres are Growing and Using More Power
Electricity consumption in household equivalents



Source: IEA Energy & AI Report (2025)

GDP Growth Poised to Reaccelerate and Drive Infrastructure Asset Utilization

As GDP growth is expected to remain positive and potentially reaccelerate, GDP-sensitive infrastructure assets should experience increased utilization, thus boosting revenue, cash flow and dividend growth. We anticipate monetary policy will ease over the remainder of the year and into 2026, interest rates should fall and rate-sensitive sub-sectors should perform well on an absolute and relative basis. Infrastructure is well-positioned to benefit from these themes, including traditional energy investments, electrical, natural gas, nuclear and multi-utilities and engineering and construction contractors.

> *"We continue to believe that the infrastructure asset class, which blends attractive characteristics of both fixed income and equity securities, should be considered a core holding in a diversified portfolio. Few asset classes today present infrastructure's growth opportunities and durability in the market. Through disciplined construction and thoughtful positioning, we believe the Ninepoint Global Infrastructure Fund can prove a bellwether amid global market uncertainty."*
>
> — Jeff Sayer
> *Vice President, Portfolio Manager*
> Ninepoint Partners

Gold Outlook

Following a record 2024, the gold price continued its upward ascent in 2025, driven by continuing central bank purchases, unprecedented market volatility and geopolitical uncertainty, as gold has re-emerged as a safe haven. Gold now appears to have found a new trading range, consistently trading above US$3200/oz since mid-April and – after a lackluster performance in 2024 when they lagged the gold price – gold stocks have finally started to "work." In our view, the equities are where the biggest opportunity lies for the months ahead.

Economic and Geopolitical Uncertainty

Geopolitical tensions are a double-edged sword, but gold is a clear beneficiary. While the ongoing tariff turmoil and geopolitical uncertainty are headwinds for many asset classes, they represent a tailwind for gold, driving investors toward gold as a safe-haven. While we continue to monitor the impact of tariffs on the broader economy and the gold industry, at this stage they have had a very limited influence on the cost structure of the producers.

An Opportunity for Equities

As gold prices continue to rise and operating costs stabilize, we expect producer margins will continue to expand. This translates to significant free cash flow and the opportunity for impressive capital returns in H2 2025. With compelling valuations and positive momentum building, we believe that equities have room to run.

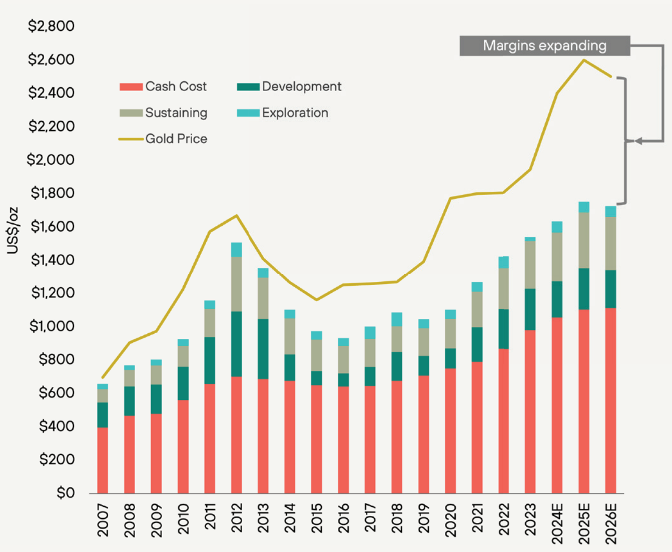
A Multi-Year Gold Bull Cycle

On the heels of gold's record-breaking performance this year, the number one question we hear from investors is, "Have I missed it?" Our answer: we don't think so. While we continue to expect volatility, gold and gold equities remain under-owned and valuations are still compelling.

In addition, we are confident that the combination of central bank purchases and safe-haven demand will support a multi-year gold bull cycle. Not only will this create significant opportunities in producers but also in small cap companies (i.e., developers and explorers), which tend to outperform producers in the latter stages of a gold rally.

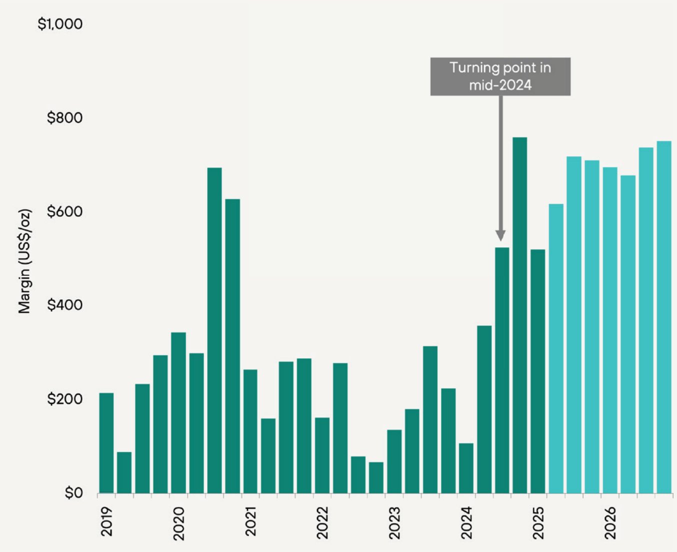
> *"While gold equity performance has improved meaningfully in the first half of 2025, gold equities continue to trade at a discount to their historical trading range and equity valuations are yet to reflect the improved free cash flow profile of the industry and the expected improvement in capital returns. As investors, we remain excited by this opportunity."*
>
> — Nawojka Wachowiak
> *Senior Portfolio Manager*
> Ninepoint Partners

Mine Site Costs vs. Gold Price ($/oz)



Source: Scotia Capital. As at February 2025.

Senior Producer All-In Margin (co-product)



Source: RBC Capital, assumes RBC commodity price assumptions. As at February 2025.

Energy Outlook

As we reach the mid-point of 2025, the energy landscape continues to evolve. Forecasts from the start of the year, which anticipated oil prices in the vicinity of US$70 per barrel, have since been revised downwards by approximately US$10. This recalibration is a response to softer global demand, growing concerns about the economic impact of U.S. tariffs and signals from OPEC+ suggesting more supply may come online than previously anticipated. In the near term, the outlook remains mixed, with oil and natural gas moving in different directions as demand patterns, supply decisions and geopolitical risks continue to unfold.

Oil Market: Navigating New Realities

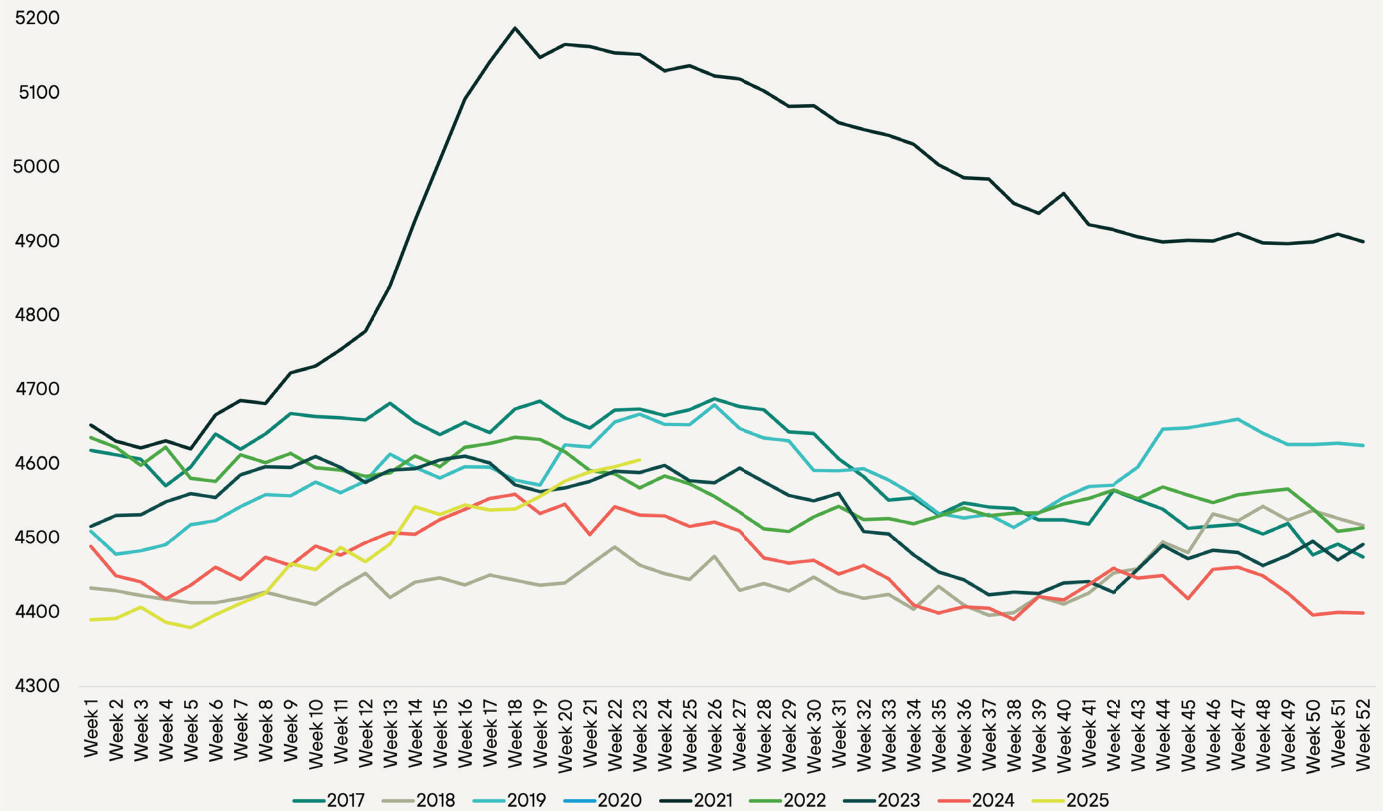
Crude oil inventories have increased by approximately 170 million barrels[5] year-to-date – well above what we had anticipated. This signals weaker global demand and points to a bearish outlook for oil prices and stocks, at least in the near term. We see this trend continuing into 2026, with inventory levels tracking above seasonal and historical norms.

To prevent further inventory builds, we think the oil price needs to fall to a level that slows U.S. shale growth or leads to outright declines. In our view, that inflection point is around US$60 or lower.

The key wildcard on oil, however, is the impact of tariffs on demand. For every 0.1% change in global GDP, oil demand shifts by about 100,000 barrels per day. Therefore, if President Trump matches his talk with action, we'll likely see U.S. shale lose about a million barrels per day, which implies a US$50 oil price. On the other hand, if Trump delays or waters down the tariffs, then US$60 may be enough to balance the market.

Ultimately, if U.S. shale producers do not reduce production and OPEC+ members continue adding supply, global inventories could approach COVID-era highs by the end of 2026. That would be bearish for medium-term oil prices, and we'd be surprised if OPEC lets it reach that point.

Global Observable Oil Inventories (onshore + oil-on-water)
(MM Bbls)



Source: Kpler (inventory data only available back to 2017)

Natural Gas: A Bright Spot in the Energy Sector

While we remain cautious on oil in the short term, we're bullish on natural gas, with 75% of the Ninepoint Energy Fund now allocated to that resource (at May 31, 2025).

Across the globe, there's been a structural increase in demand specifically for Liquefied Natural Gas (LNG). In the United States, for example, LNG export capacity is currently 16 billion cubic feet per day[6] (Bcf/d) and expected to grow to 26 Bcf/d by the end of the decade, driven by increased power demand in Asia and Europe.

This poses a big opportunity for Canadian companies as Canada expands its export infrastructure. We expect natural gas prices to strengthen to between $4 and $5 over the coming year, and as Canada increases its LNG capacity, we think the current discount on Canadian natural gas should fall from about $2 today, to between $1.10 to $1.30.

Global Factors: Geopolitics and Economic Headwinds

Aside from tariffs, the energy sector faces several geopolitical uncertainties, with the most significant being the status of U.S.-Iranian nuclear negotiations. Should these talks fail, it could potentially spark a regional escalation, including a tit-for-tat exchange that could impact global oil exports out of the Strait of Hormuz, or, at minimum, the introduction of a political risk premium in the oil price.

The second uncertainty comes from OPEC policy and whether OPEC members will follow through on increasing production and exports, knowing that this would have a bearish impact on inventories and therefore price.

> *"As we head into the second half of the year, we remain a little more cautious on oil in the short term given rising inventories and the impacts of the Trump tariffs. That said, we remain bullish on both oil and gas over the medium and long term, with gas offering more immediate upside driven by increasing global demand of liquefied natural gas."*
>
> — Eric Nuttall
> *Partner and Senior Portfolio Manager*
> Ninepoint Partners

Finally, we'll continue to follow the impact of U.S. sanctions on Venezuela. While the situation seems to be in flux, sanction enforcement will likely have an impact on production.

The Canadian Opportunity: A Stark Contrast to the U.S.

In the medium- and long-term, we continue to have a strong outlook on Canadian companies. Canadian oil companies, in contrast to U.S. shale operators, continue to have some of the longest-dated inventories anywhere in the world, healthy balance sheets and strong business models.

We're also encouraged by the new government's talk of making Canada into an energy superpower, but, like the rest of the sector, we're watching for action, not more talk.

Cryptoassets Outlook

2024 was a historic year for digital assets marked by strong policy support, institutional adoption and technological progress. Against that backdrop, investor expectations entering 2025 were high, and sentiment was overwhelmingly bullish. But, as macroeconomic conditions took centre stage, momentum in crypto and AI faded, resulting in a highly fragmented return landscape through the first half of 2025.

Despite the recent slowdown, we remain bullish on the sector heading into the second half of 2025 and beyond. Institutional adoption continues to grow, and regulatory conditions are improving in the U.S., with the new White House aiming to make the country a global hub for crypto and AI. While other sectors may feel the impact of U.S. trade and fiscal policy, we believe that uncertainty may strengthen the case for safer, non-dollar-based digital assets.

Growing Demand for Cryptoassets

So far, in 2025, we've seen rapid, large-scale adoption of crypto, AI and other emerging technologies by institutional players. Asset managers like BlackRock, Fidelity and Apollo are tokenizing real-world assets on public blockchains; major banks are developing stablecoins; and payment giants like Visa and PayPal are expanding crypto access.

Looking ahead into the second half of the year, we expect institutional buy-in to continue. BlackRock now includes a 1%–2% Bitcoin allocation in its $150 billion model portfolios[7], with Fidelity[8] and VanEck[9] recommending even higher exposures.

A recent study by Coinbase and EY-Parthenon revealed that 86% of institutional investors are already exposed to crypto or plan to be by year-end[10]. Notably, 83% expect to increase their allocation this year, citing crypto as one of the most compelling opportunities for strong, risk-adjusted returns over the next few years.

The Emergence of Crypto Treasury Companies

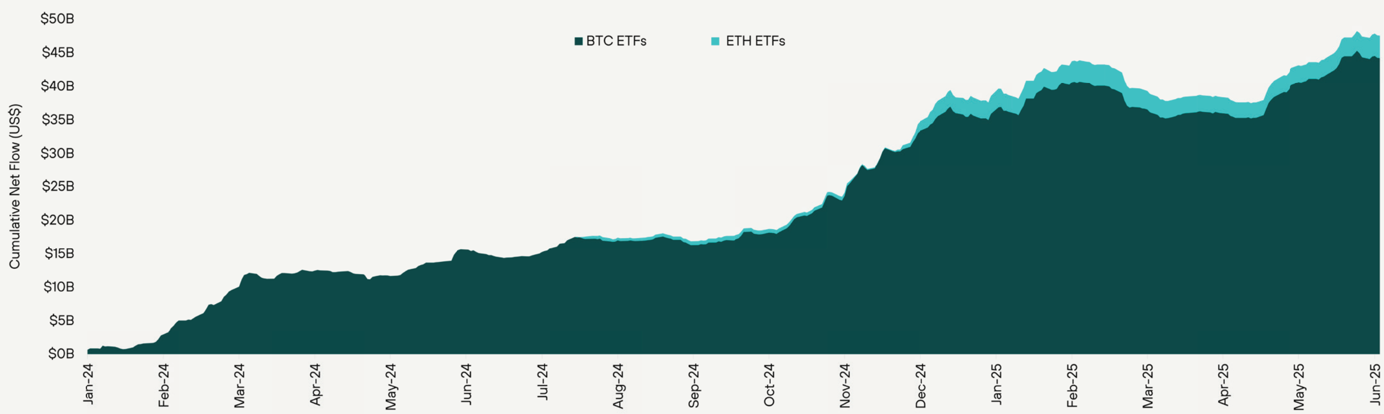
Demand for cryptoassets is also being boosted by the emergence of crypto treasury companies. These are public companies that accumulate and hold cryptoassets on their balance sheets.

Many of these businesses are aiming to replicate the playbook of Strategy (formerly MicroStrategy) which, since adopting a Bitcoin treasury strategy in 2020, accumulated nearly 600,000 BTC[11] (roughly 3% of total supply) and grew its market capitalization to over US$100 billion. A new wave of firms are adopting a similar Bitcoin-first approach, while others, like SharpLink Gaming, that recently held a US$425 million financing, are targeting an Ethereum-focused treasury strategy.[12]

AI Offers Another Big Growth Opportunity for Crypto

One of the most underappreciated storylines in the crypto market today is the ongoing convergence of crypto and AI. Increasingly, crypto miners are starting to support AI hyperscalers — large tech companies or infrastructure providers that build and operate massive computing platforms to power AI at scale. We believe the fusion of AI and crypto will define the next era of innovation and drive additional demand across both sectors.

Visualizing Investor Demand for Cryptoassets: Net Flows into U.S. Bitcoin and Ethereum ETFs



Source: Farside Investors

Boosting Canada's AI and Blockchain Industries

While Canadian companies have played a critical role in advancing AI, quantum computing, nuclear science, robotics and blockchain technologies, fundraising remains a challenge. Canada's venture capital industry, for example, is just 5% the size of the U.S. and we invest only 57 cents on the dollar[13] in capital spending compared to our neighbours to the south.

To address this mismatch, we've been strong advocates for expanding the country's flow-through share regime, a mechanism that lets investors fund resource companies and deduct the company's exploration expenses directly from their own taxable income. We believe this approach could be a powerful catalyst for early-stage investment in AI and blockchain companies.

> *"Investor appetite for the asset class has grown meaningfully over the past year, and exponentially over the past five. Uncertainty around U.S. trade and fiscal policy will only accelerate a flight from dollar-based assets, prompting investors to seek more globally neutral alternatives, like Bitcoin."*
>
> — Alex Tapscott
> *Managing Director, Digital Assets Group*
> Ninepoint Partners

1. Bloomberg, LSEG Workspace
2. United States Infrastructure Investment and Jobs Act
3. German Parliament Constitutional Amendment on Infrastructure and Defense
4. UkraineInvest
5. Kpler
6. U.S. Energy Information Administration
7. Bloomberg
8. CrytoSlate
9. VanEck
10. EY.com
11. BITCOINTREASURIES.NET
12. SharplinkGaming
13. RBCX

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