



Ninepoint-UIT Alternative Health Fund

April 2018 Commentary

The equity values of many cannabis sector companies stabilized through the month. With the Canadian Senate passing its second reading at the end of March combined with less volatile capital markets overall, investor confidence improved. Investors are becoming more focused on June 7 for final passage of the legislation and next steps in the legalization process. In our opinion, final passage is fairly certain when you consider that so many jobs in economically weak geographic areas of the country have seen significant employment gains from people working in licensed facilities. Each facility in Canada employs 100-400 people, revitalizing rural areas and improving infrastructure around the country. However, it is possible that the Senate requests some amendments in the bill that could delay the government's planned timeline. Further aiding investor confidence were the announcements from the Province of Quebec and the Société des alcools du Québec (SAQ), who will oversee distribution of recreational marijuana in the province. Mid month, the SAQ announced supply agreements with the companies that won contracts including the amounts each company is contracted to provide. A key winner in the SAQ announcement was Hydropothecary (CVW:THCX), as it was the only LP to secure a five year contract, with the first year of the contract amounting to 20,000 kg. For a producer with a current capacity of 7,000kg, this is a significant opportunity to drive revenue and earnings for the company.

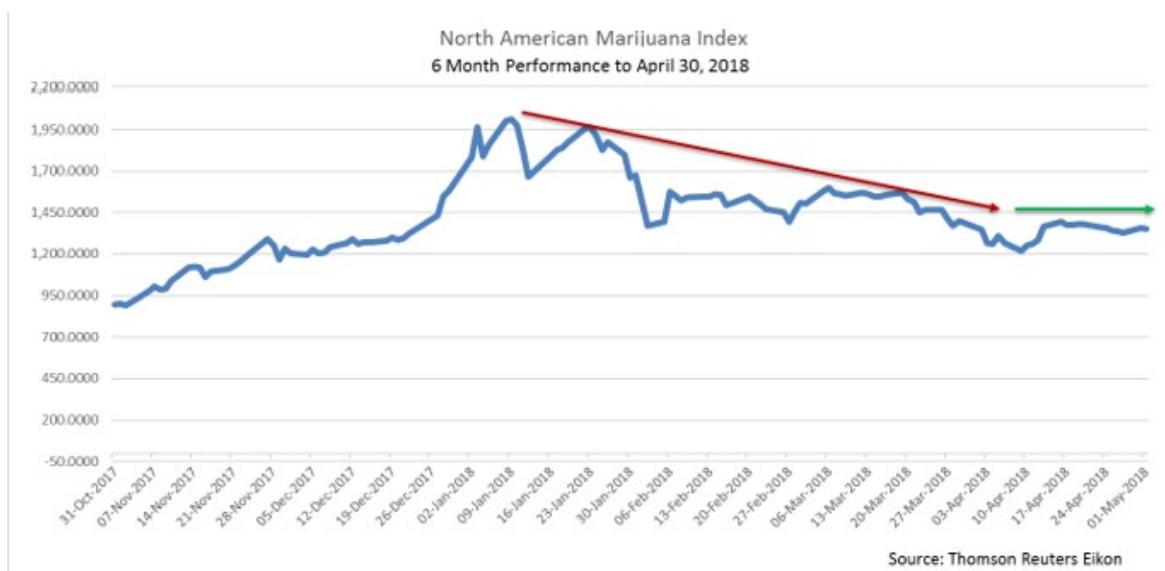
Investment Team



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News south of the border was also supportive of the sector, as political negotiations between Senator Corey Gardner of Colorado focused on getting assurances from the President that he will

not interfere with state's rights. Negotiations were ultimately successful with provisions added to legislation passed by Congress, limiting the Federal government's ability to intercede in legal cannabis businesses in states that had legal grounds to operate. These provisions will, at a minimum, preserve the status quo, leaving the cannabis industry to operate without potential interference from the Justice Department or other federal agencies.

On the global medical front, and important for the US cannabis industry, GW Pharmaceuticals PLC (NASDAQ: GWPH) a UK-based biopharmaceutical company received a positive recommendation from an FDA advisory committee on April 19th for Epidiolex, a CBD-based product. A positive committee recommendation, though not binding, is a key step towards FDA approval and is very positive for GW Pharma. An approval of Epidiolex would be significant for several reasons. First, it will be the first botanical cannabis-derived drug approved by the FDA. Second, if approved, the status of marijuana in the United States, categorized as a Schedule I Controlled Substance, may be put into question. As the Controlled Substances Act currently states "marijuana...has no accepted medicinal value in treatment in the United States...". Potential approval is significant in moving science forward with respect to medical cannabis, potentially de-scheduling cannabis and legitimizing the sector, in addition to reducing the stigma associated with marijuana use.

Several holdings in the Fund announced important breakthroughs and/or improved quarterly results. Aphria Inc. (TSX:APH), one of the country's largest greenhouse-based LP's, announced strong earnings for its Q3 fiscal 2019 ending February 28th. Revenue for the quarter was \$10 million, while adjusted EBITDA was \$2.9 million. This quarter was the tenth consecutive quarter of positive adjusted EBITDA for APH and a 238% increase from Q3 in the prior year. Cash cost/gram came in at \$0.96 while "all in" cost/gram, which takes into account costs related to packaging and shipping, was \$1.56. Organigram (CVE:OGI) reported Q2/FY18 revenues of \$3.2 million up 20% QoQ. Cost per gram harvested averaged \$1.22 during Q2, nearly \$1.00/gram lower than Q1/FY18 levels of \$2.19/gram. These cash costs are amongst the lowest cost for any indoor producer in the country. Cost improvement for OGI has been driven by improving yields, with grams per plant harvested up ~85% QoQ.

To further aid the industry in obtaining insurance coverage for medical marijuana, MedReleaf (TSX:LEAF) announced the introduction of Product Identification Numbers, or "PINs", for 57 of its unique medical cannabis products including dried flower, oils and capsules. Product Identification Numbers (PINs) are similar to traditional Drug Identification Numbers (DINs), designed to make it easier for employers and payers as they extended health benefits plans to include medical cannabis.

The sector continues to evolve rapidly, and our portfolio holdings are constantly changing to reflect this evolution. We believe key near-term success factors include product availability for the anticipated legalization of the Canadian recreational market; continued product differentiation, either through branding, innovative dosage delivery or international distribution agreements, and finally governmental supply contracts. We expect that over time, these factors will shift towards value added product mix, increased derivative products and services as well as branding.

The Ninepoint-UIT Alternative Health Fund is Canada's first mutual fund that has a focus in the cannabis sector. Launched in March 2017, the Fund is an actively managed solution for investors that want to invest in the emerging alternative health sector, while also offering investors risk-adjusted returns.

Until next month,

The Alternative Health Fund Team

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 April 30, 2018. The index is 70% Thomson Reuters Canada Health Care Total Return Index and 30% Thomson Reuters United States Healthcare Total Return Index and is computed by Ninepoint Partners LP based on publicly available index information.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: Cannabis sector risk; Concentration risk; Currency risk; Cybersecurity risk; Derivatives risk; Exchange traded fund risk; Foreign investment risk; Inflation risk; Market risk; Regulatory risk; Securities lending, repurchase and reverse repurchase transactions risk; Series risk; Specific issuer risk; Sub-adviser risk; Tax risk.

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