Ninepoint Alternative Health Fund

December 2021 Commentary

Investment Team

Ninepoint / Faircourt,
Sub Advised by Faircourt Asset Management

Introduction

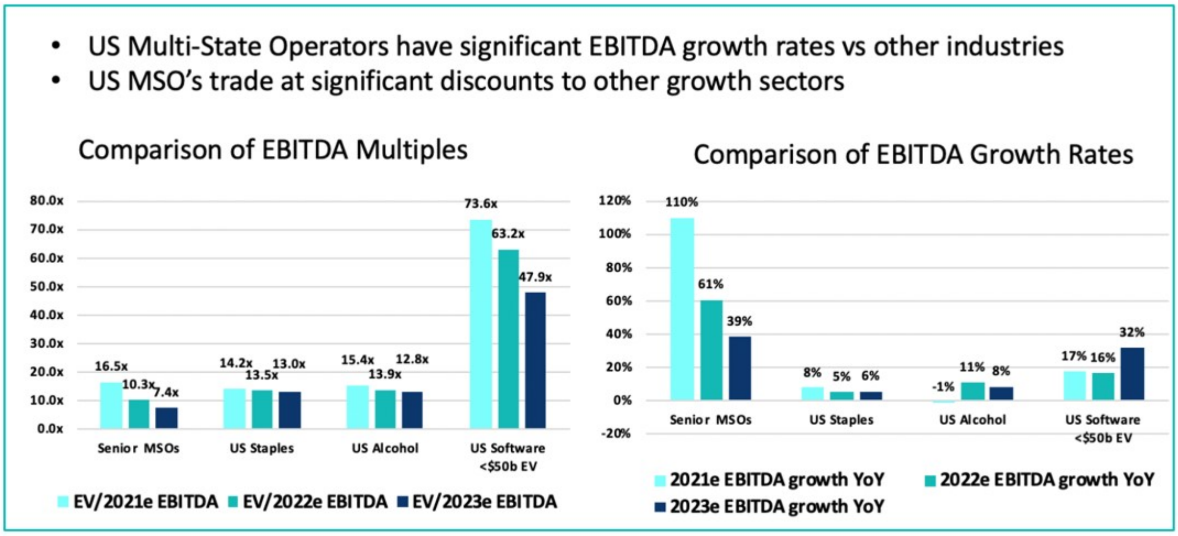
The Ninepoint Alternative Health Fund *is Canada's first cannabis focussed mutual fund. In the close to five years of operation, the Fund has significantly outperformed the various indexes that it is compared to. We continue to strongly believe in the growth of the US cannabis industry. After an early run based on the promise of federal reform, 2021 did not end up providing the growth in equity market value that retail investors had hoped for. However, the fundamental strength of the leading MSO's (in our opinion) is greatly under appreciated. The leading names continue to generate topline revenue growth of 40% year over year with EBITDA in the 35-45% range on average yet MSO's trade like value stocks, many trading at 9-10 times 2022 EBITDA. As we have recently stated, "something's gotta give!"*

THE SECTOR REMAINS DEEPLY OVERSOLD. IF YOU ARE LOOKING FOR GROWTH IN YOUR PORTFOLIO IN 2022, ADD TO YOUR POSITION IN THE NINEPOINT ALTERNATIVE HEALTH FUND

As we look at 2022, we believe that our diversified approach adding cannabis leaders to our healthcare and pharmaceutical names, wellness and new technology companies will continue to provide additional exposure to the high growth cannabis sector while managing downside risk. As the new year begins, with significant growth opportunities as detailed below, we believe that investors should add to the fund in their portfolio allocation.

Summary

2021 began with great promise for the cannabis sector. In Canada, there was excitement post pandemic that the combination of the early reopening combined with newly licensed retailers in Ontario was going to drive sales and demand with better access in the larger provinces. In the United States, early in the year, there was heightened optimism for federal legislative change because of the Democrats controlling Congress. In both cases that early enthusiasm in equity markets waned. Despite the lack of enthusiasm in equity markets, the leading US cannabis companies are fundamentally stronger than ever with the leading names continuing to generate topline revenue growth of 40% year over year with EBITDA in the 35-45% range on average. Yet despite these strong metrics equity values did not respond. While 2021 was a disappointing year in terms of equity performance, the strong financial performance in the sector opens huge opportunities for 2022!



Source: Stifel November 29, 2021

With 37 states legal for medical cannabis and 19 states legal for recreational cannabis sales, and large medical markets such as PA, OH, FL on the verge of converting to recreational cannabis, our belief is that 2022 has significant upside. As a result, we continue to focus on the catalysts present in the state by state growth of the US market and the opportunities that continue to present a growing total addressable market (TAM).

Conversely, the Canadian market has weakened fundamentally throughout the year and continues to produce subpar financial performance given the cost structure of many of the key Canadian participants. In addition, an inability to establish brand loyalty has also had a major negative impact with competition being established based on price rather than quality or consistency.

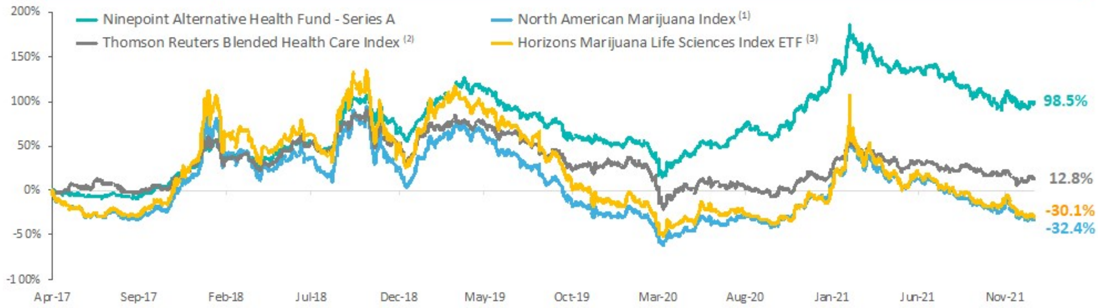
As the world continues to grapple with the effects of the pandemic and the changing variants from the coronavirus, the Fund has had strong returns from its exposure to pharmaceuticals and healthcare stocks that were stable growers providing investors with an opportunity to participate in the re-opening trade.

2021 was a year that our diversified approach provided sound downside protection with the North American Cannabis index down 25.4% while the Fund was down just 3%, as our positioning offered exposure to select global pharma leaders that continue to distribute vaccines and anti-viral pills, leading to the re-opening of the global economy. Investors also benefited from the Fund's healthcare names that are providing services central to Medicaid, Medicare, employers and employees. In 2022, we see a similar upside for the healthcare and pharma side of the portfolio as the world continues to battle variants related to the coronavirus.

Ninepoint Alternative Health Fund

Cumulative Returns (As at December 31, 2021)

Cumulative Return Comparison



Inception date: March 26, 2017. Chart shows period between April 11, 2017 and December 31, 2021

Period between April 11, 2017 and December 31, 2021	Annualized Return	Annualized Std Dev	Downside Deviation	Sharpe Ratio	Sortino Ratio	Max Drawdown
Ninepoint Alternative Health Fund – Series A	16.0%	28.1%	17.2%	0.54	0.93	-39.8%
Thomson Reuters Blended Health Care Index[1]	2.6%	36.7%	23.4%	0.05	0.11	-58.7%
Horizons Marijuana Life Sciences Index ETF	-7.5%	61.5%	35.9%	-0.13	-0.21	-71.5%
North American Marijuana Index[2]	-8.2%	55.8%	34.4%	-0.16	-0.24	-80.3%

Performance and fund statistics are based on daily observations.

Effective April 23, 2018, Ninepoint Partners became the Manager of Ninepoint Alternative Health Fund (formerly UIT Alternative Health Fund)

(1) For illustrative purposes only. North American Marijuana Index is computed by Ninepoint Partners LP based on publicly available index information.

(2) 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.

(3) HMMJ (Horizons Marijuana Life Sciences Index ETF) is computed by Ninepoint Partners LP based on publicly available index information.

US Cannabis Market Update

From a US federal legislative standpoint, 2021 was a year of challenges despite what first appeared to be federal momentum being established in cannabis reform with a change of control in the US Senate, ultimately dashed by an inability to cooperate amongst progressive and moderate Democrats. Policy initiatives including stimulus, debt ceiling, infrastructure, Build Back Better all took more time than most pundits had expected as Dems fought internally, with moderates and progressives unable to come to an agreement on several material policy initiatives. This pushing and pulling within the Dems can be seen in the lack of agreement on all of the above noted major bills in Congress including cannabis.

The longer that federal reform takes, we remind investors that the existing moats established by incumbent multi-state operators (MSOs) only get stronger. MSOs continue to build scale, add state markets and become strong employers in various state markets, ingratiating themselves to Governors and State Legislatures of the jobs and tax revenues that are created in this industry. This makes MSO businesses harder to displace with ideas such as interstate commerce falling under the review of Governors not interested in losing state jobs.

SAFE Banking & Reformed STATES Acts

Senate Majority Leader Chuck Schumer had a challenging year and found the Senate a difficult place for Dems to cooperate. He is now faced with a challenge for his Senate seat. He has expressed a desire to pass legislation by the next 4/20, with prospects for legislation having a more focussed approach to assist businesses with access to banking, potentially fix 280E tax issues (which restricts the deductions cannabis companies can use) and allow up-listing to US Exchanges. Our view is that a weakened Democratic party now has to be more focussed and SAFE Banking would be the more likely policy this year given that there is no chance for the previous wish list Democrats had proposed in broader legislative proposals.

We are encouraged by increased Republican engagement such as the proposal from Rep Nancy Mace (R-SC) with her Reformed States Act proposal. If we think back 2 years when the Republican Attorney General held up M&A transactions for 6 months under the guise of HSR review to now see Republican legislative proposals for cannabis, the important take away is it would have been unthinkable to have a Republican put forth a legalization bill in 2019, so this is significant change, representing positive momentum for 2022.

Voter support for federal legislative action continues to build. Pew Research states that support for legalization among Republicans is more popular among younger demographics:

- 63% of Republicans aged 18 to 29 believe that marijuana should be legal for recreational and medical use
- 53% of Republicans aged 30 to 49 support legalization
- 48% of those Republicans 50 to 64 support adult-use and medical legalization as well

State by State Market Growth

2021 was a strong year in terms of growth of the state level cannabis industry with several states reporting more than $1 billion in revenues and the expectation is that more states should be part of the billion-dollar club in 2022. Over the next few years, we believe there will be a substantial increase in the number of states with a legal recreational cannabis market and believe this will prove to be a major catalyst for the entire sector.

There are only 14 states without some form of cannabis legalization. What is also interesting when one reviews the map of the US is that most adult use state markets are blue (Democrat) states. Red states (Republican) are now seeing the inevitability of change, the lack of jobs, the reduction in tax revenue forcing positive change at the state level.

States to Watch in 2022

New Jersey (Population 8.9 million)

The Northeast will see significant growth in 2022 as New Jersey recreational sales begin. Given the limited license nature of the state, only a portion of the 12 incumbent operators have their 3 dispensaries open as well as building cultivation necessary to meet the demand of both the medical and recreational markets. New licensees will serve the medical market for one year before being allowed into the recreational market. Currently, with only 23 dispensaries open and 70% of municipalities opting out of allowing recreational stores vs only 30% of municipalities in neighbouring New York opting out, incumbents are sitting in the catbird seat in NJ. Companies in the Fund with leverage to this state market include **Terrascend**, **Curaleaf**, **Green Thumb Industries** and **Verano**.

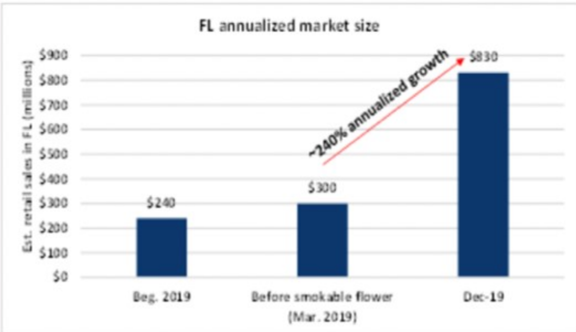
New York (population 19.2 million)

We have noted that investors have not considered the short-term growth of the NY market while it transitions to adult use. In our opinion, the recent regulatory changes allowing flower sales in NY can be a significant catalyst that unleashes growth in the medical market that has to date been more muted. With statewide medical cannabis sales of less than $200 million in a state with one of the largest populations, we see a mismatch that offers significant upside.

As the chart below suggests, when flower has been introduced in other state medical markets, sales growth has been dramatic.

Estimate NY Sales based on other Medical States that brought in Flower

State	Population	Registered Patients	Estimated 2021 State Revenues
New York	19.4 million	150,000	$145 million
Penn	12.8 million	340,000	$1 billion
Fla	21.4 million	610,000	$2 billion



Source: Govt. website, Stifel GMP

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Turning to the opportunities that lie ahead in the state's transition to adult use cannabis, regulators have suggested anonymously that adult use sales could begin late in 2022 but regardless of the exact date, NY is likely to be a large adult use market. There is caution in NY as we await details from regulators that may serve to reduce enthusiasm given the discussions around social equity and employment regulations being discussed. What is important to consider is the growth opportunity given the large population, only 10 incumbent licenses that each have 4 dispensaries currently operating. We see a significant growth opportunity for those few license holders as NY considers cannabis consumption lounges for the millions of tourists that visit the big apple each year. Fund positions in this market include **Columbia Care**, **Curaleaf**, and **Green Thumb Industries**.

Rivaling the combined population of **NY** and **NJ** are three states that show great promise as key cannabis markets; **Virginia**, **Pennsylvania**, **Ohio** that combined account for close to 30 million people.

Ohio (Population 11.7 million)

This Republican state is becoming important, as more licenses are being issued, more dispensaries are opening and most importantly, the recent change in allowance of ailments that qualify for cannabis medication. The state has 132,000 patients, and with additional ailments included, we anticipate the penetration rate in the state could grow substantially reaching Arizona's 4.3% penetration rate, resulting in a patient count of 500,000. State Republicans have already provided details for adult use legislation. The proposal would legalize and regulate adult-use cannabis cultivation, manufacturing, testing and sales to adults 21 and older, as well as allow adults to grow up to six plants at home for personal use. The proposal would levy a 10% tax on adult-use cannabis sales, in addition to regular state and local taxes, to support social equity, provide substance abuse education and treatment. The proposed law also allows Ohio's existing medical cannabis operators to expand their cultivation footprint and open additional dispensaries to serve the adult-use market. The Ohio Ballot Board has officially certified the initiative as a single issue and now those in favour are collecting the necessary 130,000 signatures to present the proposed legislation to the state legislature. Companies in the Fund that operate in OH include **Cresco Labs**, **Green Thumb Industries** and **Verano**.

Pennsylvania (Population 12.8 million)

PA is a very developed medical cannabis market, with over 340,000 registered patients, expected to generate over $900 million in 2021 and likely to exceed $1 billion in sales in 2022. Although the medical market has been in operation since 2016, the state's Republican controlled legislature has until recently not shown interest in transitioning to adult use. But the efforts around the legalization of recreational use in nearby states such as New York, New Jersey, Maryland and now Ohio are forcing the legislature's hand. From our team's discussions with industry leaders, odds are good that PA will see legislative movement on adult use cannabis in 2022. Democrat Governor Wolfe has been working with the Republican legislature bringing like-minded interests together. There have been several efforts to legalize adult-use cannabis during the last 18 months. The most significant proposal has come from Sen. Mike Regan (R), a former U.S. Marshal and Chairman of the Law and Justice Committee who announced that he's seeking co-sponsorship for adult-use legislation. Regan has said the current state policy on cannabis has "benefitted and perpetuated" organized crime, gangs and cartels, and by legalizing adult use he wants to build off the success off the medical program. Fund companies in PA include **Cresco Labs**, **Trulieve** and **Terrascend**.

Virginia (Population 8.6 million)

The Democratic led administration approved adult use legislation earlier in 2021, with the state announcing the first sales to commence in 2024. In the Fall, the state flipped to Republican leadership and in a move that caught many by surprise, the Virginia state legislature's Joint Commission on Cannabis Oversight voted 7-1 (with one abstention) to allow adult use cannabis sales to launch in January 2023, one year earlier than the original timeline outlined when the law was passed earlier this year. To date, VA has not received a lot of attention but when investors consider the population, the annual tourism rates and the limited licensing regime in the state, we consider VA to be a strong market in which to invest with three health areas where dispensaries can be established. Key Fund operators in the State include **Columbia Care** with 2 licenses in two different health areas, one in the southeast of the State and one license in the south-central region; while **Green Thumb Industries** operates a license in the southwest health service area that borders southern states that do not have legal cannabis markets.

Florida (population 21.9 million)

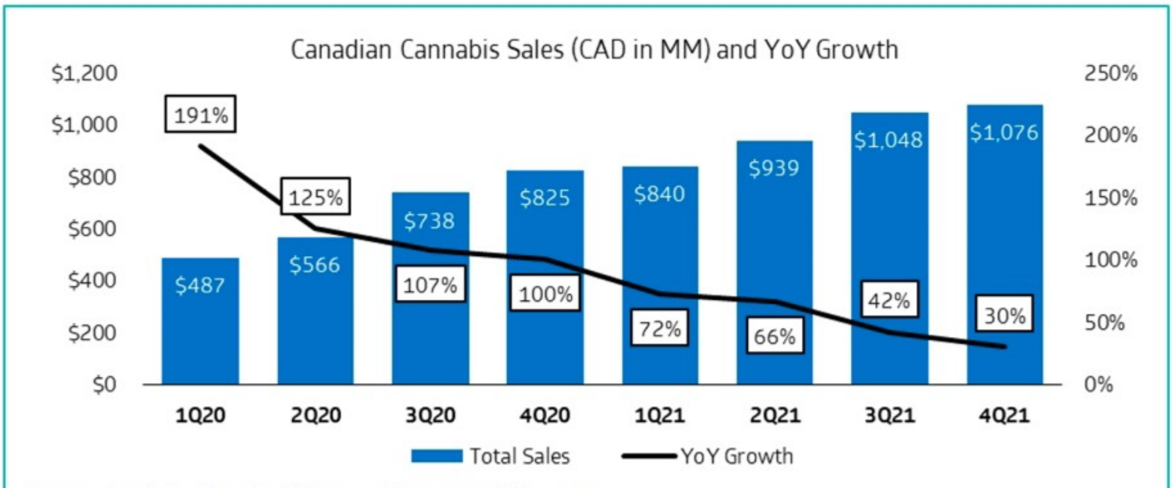
FL is one of the largest and most profitable states in which to operate a medical cannabis business. The state is unique in its regulatory structure as it mandates vertical integration for each licensee, in essence requiring each operator to provide its own cultivation, dispensaries and products. There is no limit on the number of dispensaries allowed and thus, with a strong balance sheet, leaders in the state can grow and control their destiny in the state. Given more than 610,000 registered patients, FL is a well-developed market however still only a medical market. A lobby group called "Sensible Florida" filed a proposal for a constitutional amendment that would legalize adult-use cannabis after the Florida Supreme Court struck down an earlier version of the amendment, attempting to have a ballot initiative for the 2022 election. The new proposal would legalize cannabis use for adults 21 and older and would allow adults to grow up to 18 plants at home for personal use. Unfortunately, the group only has until Feb 1 to collect the 891,000 signatures required to receive Supreme Court approval to qualify the initiative for the 2022 ballot. As politics play a significant role in the development of cannabis markets, we suggest a "wildcard" could be that Republican Gov Ron DeSantis provides a recreational framework as he gauges his national platform and a potential run for the White House in 2024. This could prove very important for his candidacy, a Republican Governor who has legalized adult use cannabis, and reaches across the aisle. Fund companies in the state include state leader **Trulieve**, **Curaleaf** and **Cresco Labs**.

M&A Will be a Catalyst in 2021

As a result of equity markets becoming dislocated from US MSO fundamentals, we see activity heating up with respect to M&A opportunities. Single state operators and other smaller licensees where capital availability is not as plentiful could be susceptible to take over discussions from larger MSO's that have access to capital. The cost of capital is dropping for the leading MSOs with recent capital raises for companies such as Trulieve and Curaleaf raising $300 million and $450 million respectively at 8%. Being able to offer a larger operating platform, access to capital and distribution to many states is becoming a great incentive for independent licensees as they witness the leaders and their ability to reach operational scale and better cash flow margins. With more than 50% of all licenses in the hands of private operators across the US, we anticipate further industry consolidation and an exciting year for M&A.

Canadian Cannabis Market Update

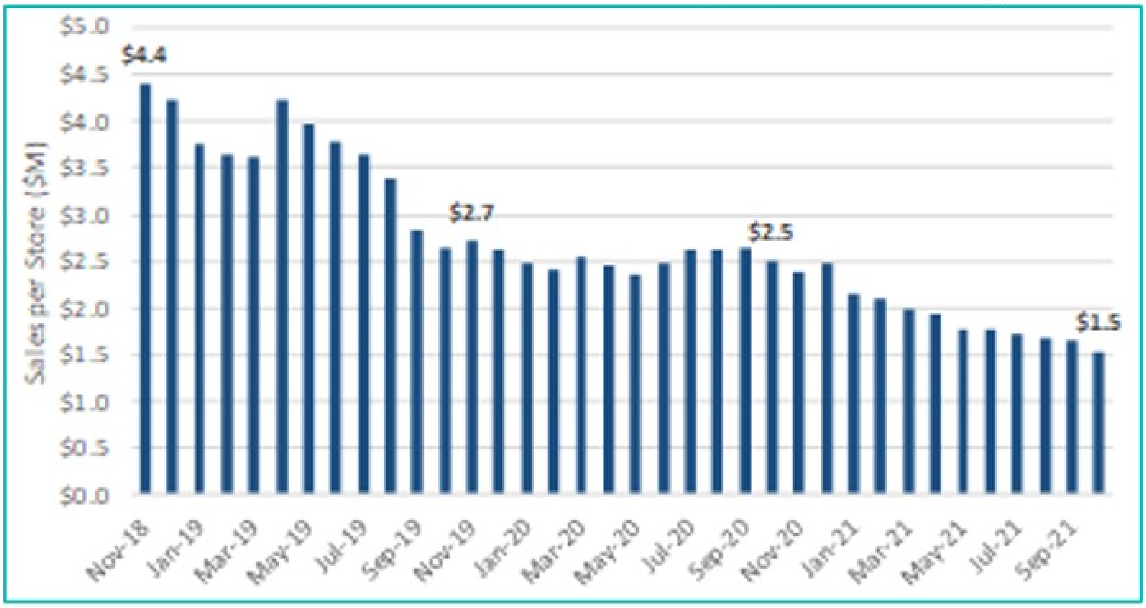
We continue to be underweight in Canadian Cannabis. Canadian cannabis sales are trending at $3.5 - $4 billion, however, Q4/21 sales show continued deceleration for the Canadian market, with the largest LP's hardest hit. HiFyre data that tracks sales across major provincial markets show a deceleration in Q4 resulting in YoY growth of 30%, down from YoY growth of +42% earlier in the Fall. In addition, we note that total sales in Canada have contracted 6% MoM.



Source: Statistics Canada, Hifyre and Cowen and Company.

Another challenge for the Canadian market is the pace of new store openings with Ontario having over 1,100 stores many of which are competing with lower priced offerings that continues to exceed market growth in Canada with compression in the average sales-per-store metric indicating a tough retail environment.

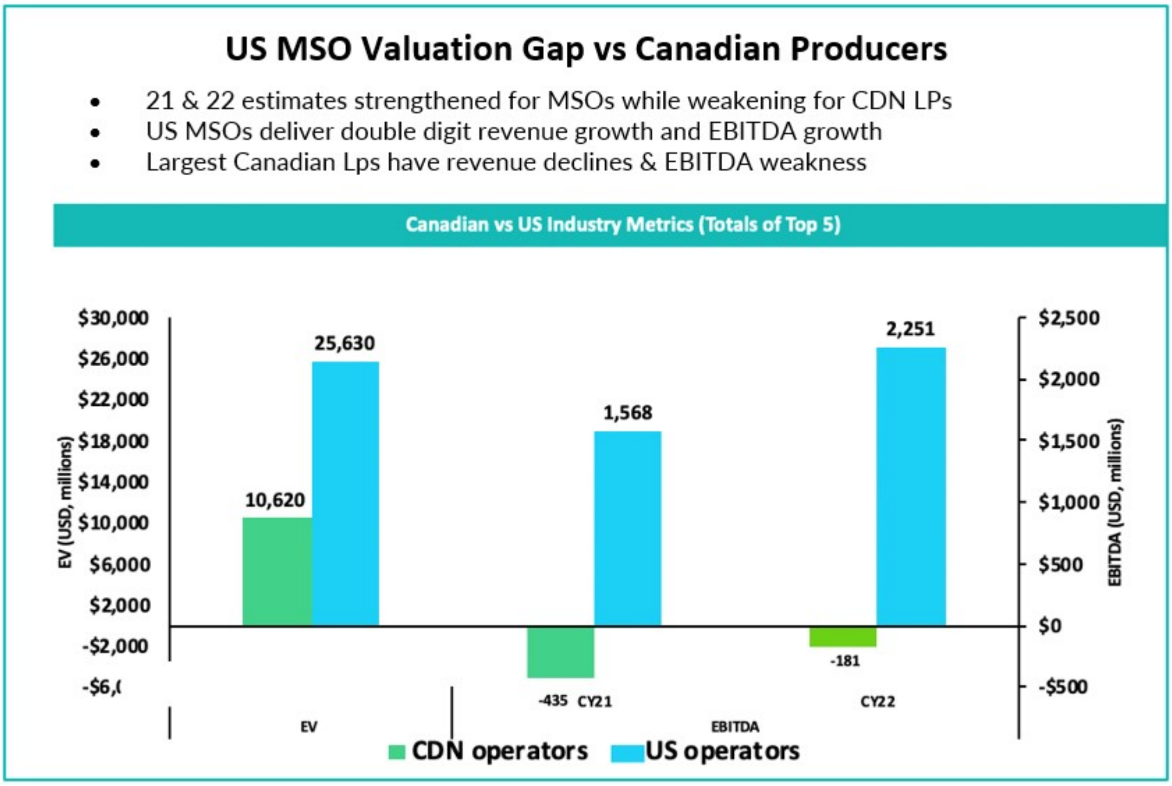
Est. Sales per Store in Canada ($M, Annualized)



Source: Cannabis Benchmarks, New Leaf Data, Statistics Canada, Echelon Capital Markets

Since 2018, the Canadian market leaders have had lofty if not unrealistic market valuations that have been trending negatively with many of the leaders such as **Canopy Growth**, **Aurora Cannabis** and **HEXO** find themselves pushing back timelines to profitability, while also slashing workforces and shutting down massive cultivation sites. More concerning for investors should be the valuation multiples for many of these Canadian leaders, that despite their operational challenges still trade in line with technology names listed on NASDAQ.

It is important for investors to compare and contrast the Canadian results and the pressure on supply exceeding demand growth with what is taking place in the US where 2020 legal sales were $17.5 billion and reports suggest 2021 legal sales are trending towards $24 billion. Even without a change in the federal legislative situation, analysts at Bernstein expect the legal American market will be worth $40 billion a year by 2026. Yet investors don't consider the strength of the US market and the leading MSO's. This is a time when, in our opinion, investors are not appropriately valuing MSO's and should have an increased weighting towards this market.



Source: Stifel GMP, Factset | Priced as of November 29, 2021 | Exchange rate 1.28 CAD/USD

Our belief leads us to continue to focus on the significant upside related to state by state additions and potential federal legalization in the US combined with the more profitable U.S. operating model that has been established.

Healthcare & Pharmaceuticals Update

In 2021, as the Biden Administration came to office, the market was concerned with the new administration's healthcare agenda that considered additions to the Affordable Care Act to discussions of single payor health coverage to drug pricing adjustments. As the year progressed, it became clearer that the fears were overdone as Congress became mired in the budget, infrastructure as well as debt ceiling negotiations. With the focus for all parties now shifting to the 2022 midterm elections, we think the window for legislative changes is likely closing, which we estimate will be a stronger environment as regulatory concerns fade. We expect to see a tight Senate race at the mid-terms with neither party able to win a supermajority (60 seats needed to pass sweeping legislation) while we estimate the Republicans potentially winning the House. With that scenario in mind, the regulatory risk for the healthcare and pharma sectors should be low. As midterm elections get close and consensus proves elusive, major healthcare reforms appear stalled in Washington. Managed care multiples could expand as a result.

We continue to allocate the funds' capital to the healthcare and pharma industries as the continued re-opening of the economy will see continued growth and adoption of digital technologies that enhance the delivery of healthcare services. In 2021, one of the fund's top positions was UnitedHealth Group. Its Optum health marketplace is a new business initiative focused on consumers' access to discounted prescriptions and virtual visits in partnership with Optum Virtual Care. Another provider that stands to differentiate itself in terms of the provision of digital health services is GoodRx a healthcare consumer name that we believe has promise.

In the managed care sector, we see promise in 2022 with UNH. However not all managed care businesses though are equal in our opinion. In early December, we exited Humana after a strong performance for the fund, however, we are concerned with the company's outlook for 2022. Political uncertainty and increased competition made the company less attractive. Subsequent to year-end, the company announced significantly weaker 2022 guidance causing the stock to fall 20%. A name that continues to hold significant upside for the Fund is **AMN Healthcare**. AMN is the leader in healthcare talent solutions providing a network of healthcare professionals with AMN helping providers optimize their workforce, reduce complexity and improve patient outcomes.

Our view is that contract staffing in the healthcare industry looks poised to have another exceptional year as COVID-19 continues to impact both staffing supply and demand in the U.S. With record COVID cases creating the need to fill more positions, staffing shortages from people leaving the sector due to burnout, and the backdrop of pent-up demand for healthcare, AMN looks to have a strong tailwind for 2022.

In the pharmaceutical sector, the Fund has benefited from our top ten positions in **Pfizer Inc (PFE)** with its continued development and distribution of both its COVID-19 vaccines for all age groups, as well as recently announcing it had received U.S. FDA Emergency Use Authorization (EUA) for its novel COVID-19 oral antiviral treatment (Paxlovid). This breakthrough therapy, which has been shown to significantly reduce hospitalization and death and can be taken at home, will likely change the way COVID-19 is treated. PFE is ready to begin delivery in the U.S. immediately. This follows the UK's EMA (European Medicines Agency) approval earlier in December. PFE has the best-in class COVID-19 franchise, and yet we still see upside as its COVID-19 solutions are still somewhat under-appreciated.

Options

During December the Fund continued using its options strategy to enhance risk adjusted returns. With the above average volatility in the cannabis sector, we are able to generate option premium, while lowering the overall volatility of the Fund relative to its underlying benchmark. Since the inception of the option writing program in September 2018, the Fund has generated significant income from options premium of approximately **$4.15 million** of which **$0.80 million** has been earned in 2021. We will continue to utilize our options program to look for attractive opportunities given the above average volatility in the sector as we strongly believe that option writing can continue to add incremental value going forward.

During the month we used our options strategy to assist in rebalancing the portfolio in favor of names we prefer while generating approximately **$90,000** in options income. We continue to write covered calls on names we feel are range bound near term and from which we could receive above average premiums. Examples of such trades include **AstraZeneca PLC (AZN)** and **Plby Group Inc. (PLBY)**. We also continue to write cash secured puts out of the money at strike prices that offered opportunities to increase our exposure, at more attractive prices, to names already in the Fund including **Innovative Industrial Properties Inc. (IIPR)**, **Plby Group Inc. (PLBY)**, **Goodrx Holdings Inc. (GDRX)** and **AMN Healthcare Services (AMN)**.

The Ninepoint Alternative Health Fund, launched in March of 2017 is Canada's first actively managed mutual fund with a focus in the cannabis sector and remains open to new investors, available for purchase daily. An ETF version **(NAHF)** of the fund is also now available for investors. Utilizing our actively managed approach we are able to generate industry leading risk adjusted returns.

Charles Taerk & Douglas Waterson
The Portfolio Team
Faircourt Asset Management
Sub-Advisor to the Ninepoint Alternative Health Fund

Ninepoint Alternative Health Fund - Compounded Returns[1] as of December 31, 2021 (Series F NPP5421) | Inception Date - August 8, 2017

	MTD	YTD	3MTH	6MTH	1YR	3YR	INCEPTION(ANNUALIZED)
FUND	0.1%	-5.0%	-5.0%	-16.5%	-5.0%	7.6%	19.3%
TR CAN/US HEALTH CARE BLENDED INDEX	2.9%	0.1%	-6.1%	-14.1%	0.1%	-6.1%	1.6%

Statistical Analysis

	FUND	TR CAN/US HEALTH CARE BLENDED INDEX
Cumulative Returns	118.1%	7.3%
Standard Deviation	28.2%	31.2%
Sharpe Ratio	0.6	0.3

[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 December 31, 2021. 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 • 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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