



Ninepoint Energy Strategy

May 2018 Commentary

Forget Consensus

What we are about to lay out to you is our case for \$100/bbl oil in the next 2 years. We do so with the knowledge that this view is far, far from consensus and is perhaps so high as to lose credibility with many. As well, given that this forecast represents a 50%+ increase from current levels, which given the consensus view of ample OPEC shut in capacity and endless supply of low-cost US shale oil, it is inconceivable to most. Further, the byproduct of our oil price forecast will likely be a global economic slowdown and as such the natural bias of Bay Street and Wall Street will be to ignore what we believe to be an inevitability only until it becomes glaringly obvious. We have spent much time refining our assumptions and have spoken with 8 different oil strategists/analysts in North America in order to challenge all of our forecast variables given the extreme conclusion that our forecast draws us to. In the end, we are going where the data is taking us and in fact are using the same inventory forecasting methodology that allowed us in early 2017 to predict the end of the great "oil glut" by March 2018 when many others such as the IEA were saying it would take another two years.

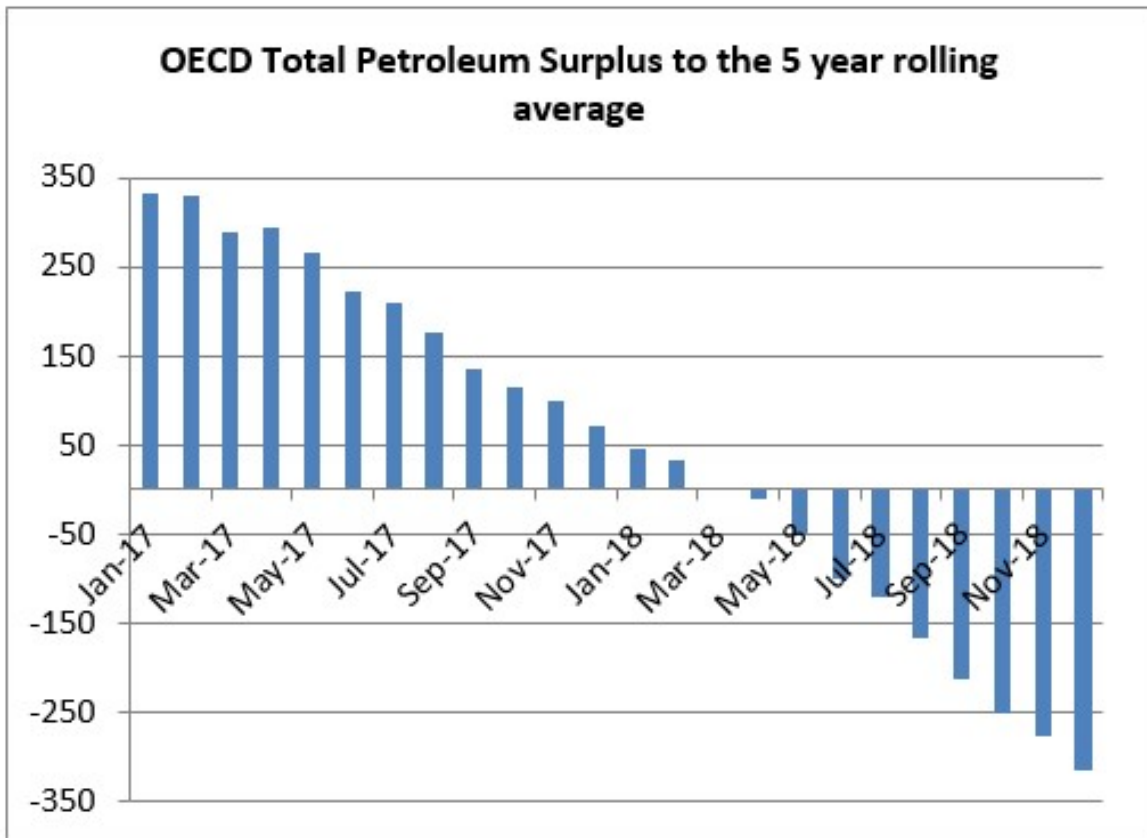
In short, while being conservative with literally every assumption in our model we predict that OECD oil inventories will continue to fall for at least the next 2 years and will reach an all-time low level last seen in February 2003 when oil demand was ~80MM Bbl/d (versus 102MM Bbl/d this time). We also forecast that days of cover (essentially a measure of inventories divided by demand) will fall from a 10 year average of 31 days to a low of ~22 by December 2020. We will make the case that supply cannot grow enough to satisfy our projected demand growth, given 4-6 year cycle times for 90% of global supply and since inventories cannot actually do what we are forecasting them to do lest they fall below the minimum operational levels of refineries, then demand must be destroyed in order to balance the market. No other firm to our knowledge has published a 2020 inventory forecast (at least that we could find and we surveyed the globe) hence why perhaps no one else is seeing what we are seeing even though it is in 2020 when the fireworks go off: OPEC runs out of spare capacity and enters into a multi-year period of tepid production growth due to no major projects coming online from 2020-2023+ and 60% of global supply growth (non-OPEC/US) begins a multi-year decline. With many oil stocks trading at half of their historical averages at \$70/bbl (basically close to where we already are) we will conclude that we see over 100% upside in energy stocks. This represents the most compelling investment opportunity that we have seen in our 15+ year career.

To begin, we start with where we were coming into 2018, already in a state of undersupply. Strong demand growth coupled with voluntary (100%+ compliance by OPEC members to their 2016 announced production cut removing ~1.2MM Bbl/d of nameplate capacity) and involuntary production cuts (Venezuela imploding in real time with production down 760k bbl/d since mid-2016 and Angolan production falling 200k bbl/d over the same time frame) led to the sharpest contraction in OECD oil inventories in history. As a result, the 332MM Bbl oil glut was eliminated and the oil market was 0.7MM Bbl/d undersupplied entering into 2018.

Investment Team



Eric Nuttall, CIM
Partner, Senior Portfolio
Manager



Source: IEA, Ninepoint Partners

In forecasting inventory trajectories for 2018, 2019, and 2020 (and therefore the oil price given extremely strong inverse correlation between the two) we need to evaluate 4 variables:

1. OPEC and Russia supply growth (~30% of global supply)
2. US supply growth (~10% of global supply)
3. Political supply disruptions (namely Venezuela and Iran)
4. Non-OPEC/US supply growth (~60% of global supply)
5. Demand growth

The summary of our forecasts for each of these variables and the resulting year-end level of undersupply is in the below table and we will expand on each:

| <u>Global Oil Balances</u> | | | |
|--|-------------|-------------|-------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Beginning of year undersupply | 0.7 | 1.1 | 0.4 |
| Add: Demand Growth | 1.8 | 1.6 | 1.4 |
| Total amount of required supply growth to reach balance | 2.5 | 2.7 | 1.8 |
| US Supply Growth | 1.2 | 1.2 | 1.2 |
| OPEC+Russia Supply Growth | 0 | 1.2 | 0.3 |
| Political Disruptions (Iran, Venezuela) | 0 | 0 | 0 |
| Non-OPEC/US Supply Growth | 0.2 | -0.1 | -0.2 |
| Total estimated supply growth | 1.4 | 2.3 | 1.3 |
| End of year market balance | -1.1 | -0.4 | -0.5 |
| Units: MM Bbl/d; Source: Ninepoint Partners | | | |

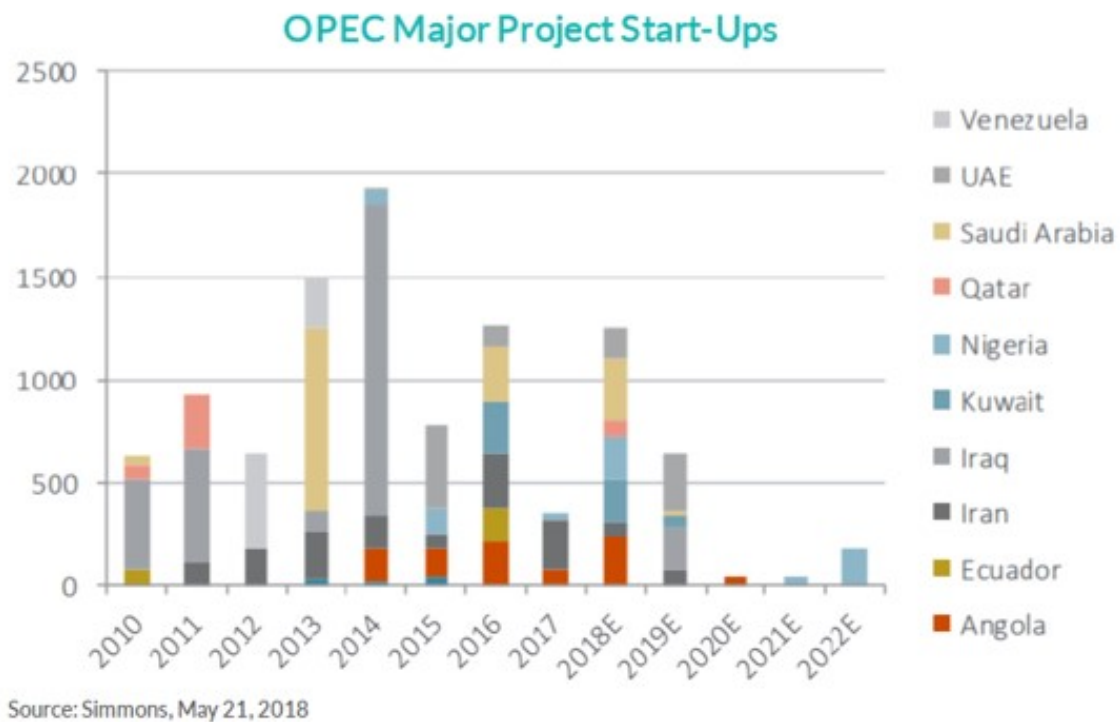
OPEC Supply Growth

OPEC compliance to its production cut announced in 2016 has been stellar consistently averaging over 100% of its nameplate cut (1.2MM Bbl/d) since the deal was struck. This has been from a combination of voluntary and involuntary reductions and has been a significant factor in the rebalancing of the oil market. As written previously we believe that OPEC has fewer barrels of shut-in volumes available to them than the advertised 1.2MM Bbl/d cut would suggest. This relates to the gamesmanship that occurred in early 2016 when the initial intent of OPEC was to freeze production levels based upon establishing a ceiling level for individual countries. It was only when the oil market looked through the de minimis impact of a freeze that the discussion then turned to an outright cut. Given that individual countries' production ceiling levels were to be determined not on production levels at the time but rather from a level in the months ahead, OPEC members were incentivized to goose production by pulling on fields harder than what good long-term production practices would allow lest they be disadvantaged to their peers (a flat rig count while production magically increased by a collective 1.1MM Bbl/d in the first six months of the year seems to corroborates this view).

When adjusting for these "vapor barrels" we believe that OPEC and Russia have collectively ~0.6MM Bbl/d of real production that is capable of returning to the market; this represents a meagre 4 months of demand growth. Upon the return of this production OPEC's spare capacity will largely be depleted. The last time OPEC spare capacity as a percentage of global demand fell to such a low level corresponded with oil spiking to \$147/bbl.

Why will OPEC's spare capacity at that point be so low? During the oil collapse between 2014-2017 many countries within OPEC were quite literally staring at their imminent collapse. Oil revenues to OPEC are critical given how much of their collective state revenues are tied to it (Saudi Arabian state revenues are approximately 90% oil weighted). As oil revenues imploded so too did many OPEC countries' ability to ensure social stability as there is an unwritten social contract between many of the ruling powers and their people based upon heavy subsidizations. During this period of state revenue collapse, as many countries were forced to draw down their foreign exchange reserves to prop up social spending, the easiest thing to cut investment on was long-lead production (especially when oil was trading in the \$30's and \$40's!). As the oil price weakness was protracted and the

average cycle time (the time it takes from spending money on an oil project to production) is 4-6 years, the collapse in OPEC spending is about to lead to a 3+ year period of no major projects coming online within OPEC. The result is an extended period of limited spare capacity coupled with the inability to meaningfully grow oil production. This graph validates estimates that OPEC can only grow production by ~ 100,000Bbl/d per year from now until 2023 which is equivalent to a meagre 5% of annual demand growth. The evolution of OPEC from “carrying the hammer” in the oil market to soon becoming a passive observer is significant.



US Supply Growth

Up until a few months ago none of the challenges within OPEC would have mattered to the oil market as the narrative still revolved around the US being the global swing producer with an abundance of low cost, multi-decade long reserves in ever improving shale deposits. Two major changes have occurred over the past 9 months that have made this view outdated. First, the change in shareholder base from growth investors to value investors in the E&P space was successful at realigning management teams' focus on value creation versus growth for growth's sake. This manifested itself in changes to compensation plans that now revolve around metrics such as ROIC and ROE versus absolute production growth. As a result, management teams are no longer incentivized to repeat their prior erroneous ways of 30%-50%+ growth obsessiveness that was financed with excessive financial leverage and dilutive stock issuances; their priority is now generating free cash flow to allow for stock buybacks which naturally lowers drill bit spending and suppresses the level of production growth that one would have thought at \$65/bbl WTI.

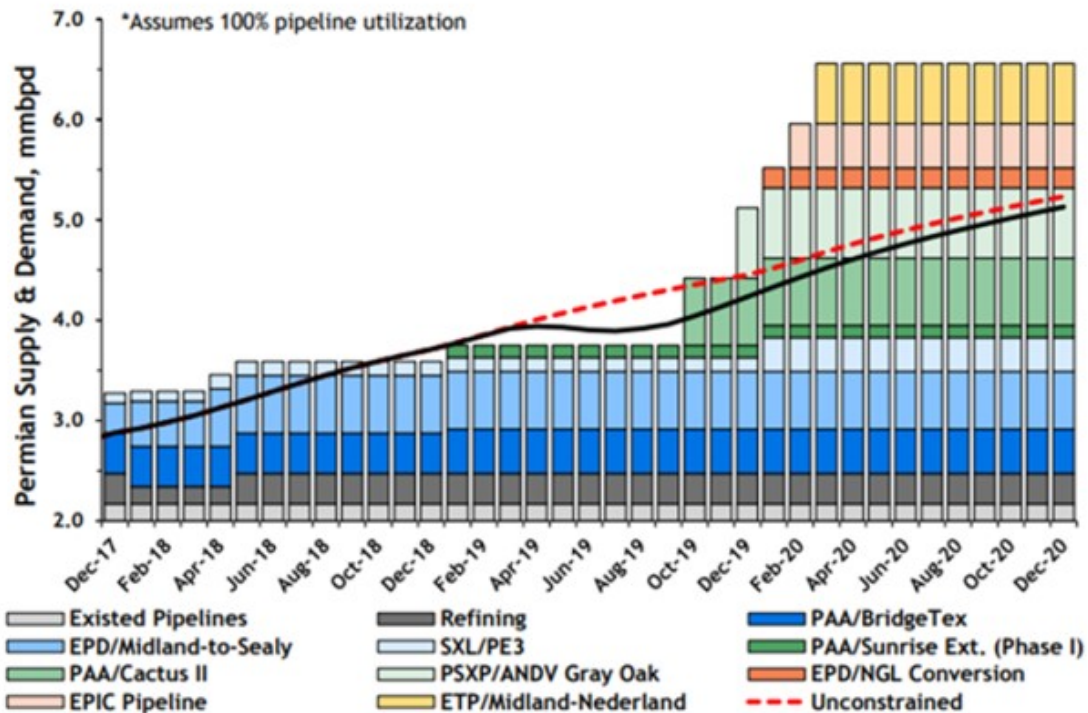
Secondly, and perhaps surprising to some Texas has essentially run out of pipeline capacity (the irony is not lost on this Canadian) in its most significant growth basin. Due to a combination of strong production growth and short sightedness of pipeline/E&P companies the Permian basin which is responsible for about 2/3 of US supply growth is nearing 100% capacity on existing pipes.

Though 2.4MM Bbl/d of new capacity is currently being built, it will be Q1/2020 before the production bottleneck to be alleviated. At the same time the lowest unemployment rate in Texan history is preventing trucking from making up for any takeaway shortfalls as any person with a heartbeat who can pass a drug test is already employed in the oil and gas sector making \$100,000+ and thus the shortage of truckers was already present before the Permian bottleneck issue arose. Due to these two factors the consensus view that \$65/bbl will lead to a surge in US supply growth is quite misplaced though a recent tweet from a respected market commentator reveals that these two highly significant changes are still to be widely digested by the market:



Source: Bloomberg

Despite both the physical limitations (no physical ability to ship meaningful amounts of incremental oil) as well as the financial limitations (spending within one's means and generating excess cash flow to allow for buybacks and dividend increases) **we are conservatively assuming a constant rate of US production growth of 1.2MM Bbl/d for 2018, 2019 and 2020.**



Source: Tudor Pickering

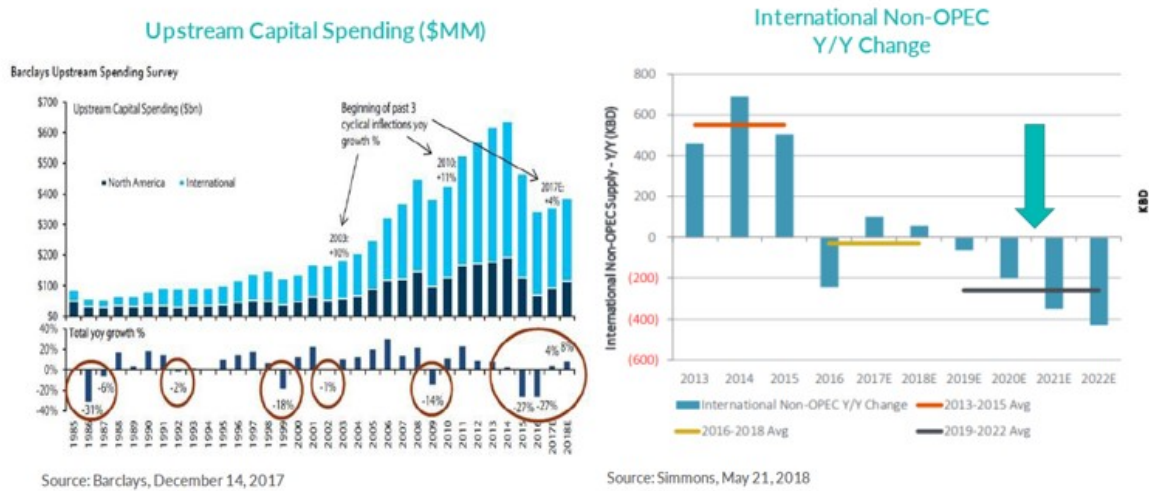
Political supply disruptions

Given what is happening in Venezuela, Iran, Libya, Nigeria, and the Middle East in general the potential for a loss of production due to a political event is the highest that it has been in several years. The two most notable risks reside in Venezuela and Iran. In Venezuela, a situation that seems to worsen with each passing month, the country is largely out of US\$, food, diluent to blend their heavy oil for exports, and now even infrastructure as ConcoPhillips recently won a \$2.0BN arbitration award against the state oil company and is expropriating midstream assets from it. Stories come out every day of PDVSA workers leaving their posts to forage for food in the jungle as a means of feeding their families, production facilities being looted by disenfranchised employees, and oil and gas companies abandoning the country due to not being paid for their work. Production is in free fall and has decreased by 70,000Bbl/d per month on average over last six months (down 760,000Bbl/d from its September 2016 high). With production still at 1.4MM Bbl/d the potential for further meaningful losses is extremely high.

Regarding Iran, Trump's decision to abandon the Iranian nuclear deal and reinstate the "highest level of sanctions" ever on the country will be imminently leading to a significant loss of Iranian exports (estimates range from 0.3-1.0MM Bbl/d in an already undersupplied market). Though the sanctions are yet to be fully implemented European refineries are already showing a reduced appetite for Iranian barrels. **In order to be conservative in our oil inventory forecast we have not accounted for a single barrel of losses from either Venezuela, Iran, or any other volatile jurisdiction** even though we could plausibly say that production could fall by a collective 1.5MM Bbl/d. In this way we are providing ourselves with a high margin for error with our other forecasted variables.

Non-OPEC/US production growth

The most important component of our multi-year oil bull market thesis is the unalterable and imminent production collapse coming from a collective 60% of global oil supply. The largest drop in the history of price of oil lead to the biggest collapse ever in spending by non-OPEC/US companies on long-lead projects.



Outside of North America (excluding oilsands) where companies drill individual wells, production growth comes from large projects (namely offshore). Rather than drilling a shale well which costs millions and takes 4-6 months to bring online in areas such as offshore Brazil, offshore Mexico, the UK North Sea, etc the cost is in the billions and cycle time is 4-6+ years. The most recent example of this was this month when Exxon vended into an offshore block in Brazil. Note that even with discoveries already made first oil is not expected until...2023/2024 resulting in a cycle time of ~ 5 years.

ExxonMobil Completes Purchase of Carcara Oil Field Interest

June 6, 2018 12:05 AM Business Wire



- Carcara field contains more than 2 billion barrels of high-quality oil
- Development planning, appraisal and further exploration underway
- ExxonMobil now holds more than 2.1 million net acres in one of the most significant oil plays

IRVING, Texas—(BUSINESS WIRE)—ExxonMobil said today it has completed the purchase of half of Equinor's interest in the BM-S-8 block offshore Brazil, which contains part of the 2-billion-barrel, pre-salt Carcara oil field.

"The Carcara oil field is an excellent example of the quality resources to be found offshore Brazil," said Brad Corson, president of ExxonMobil Upstream Ventures. "We'll be working with our partners to explore and develop these shared blocks, and contributing our deepwater technology and expertise to further enhance the value of this world-class resource."



Production from the field is expected to start in 2023 or 2024. ExxonMobil and its co-venturers are advancing development activities, including concept selection and finalizing all remaining commercial agreements. Exploration drilling began on the Guanxuma prospect in BM-S-8 on April 25.

Source: Company press release

Why is cycle time important? Due to the lack of investment on long-lead projects within both OPEC (~30% of global supply) and non-OPEC/US (~60% of global supply) a collective 90% of total world oil production has a total and complete inability to respond any earlier than 4-6 years to either a politically induced supply disruption or to the continued tightening as a result of demand growth. This duration gives confidence in the longevity of the bull market for oil. Due to ~50% drop in new projects coming online and the constant impact of decline rates non-OPEC/US production is estimated to go into a multi-year decline beginning in 2019. **Given cycle times there is little that can change this reality and as such we model a production decline of 0.1MM Bbl/d in 2019 and 0.2MM Bbl/d in 2020.**

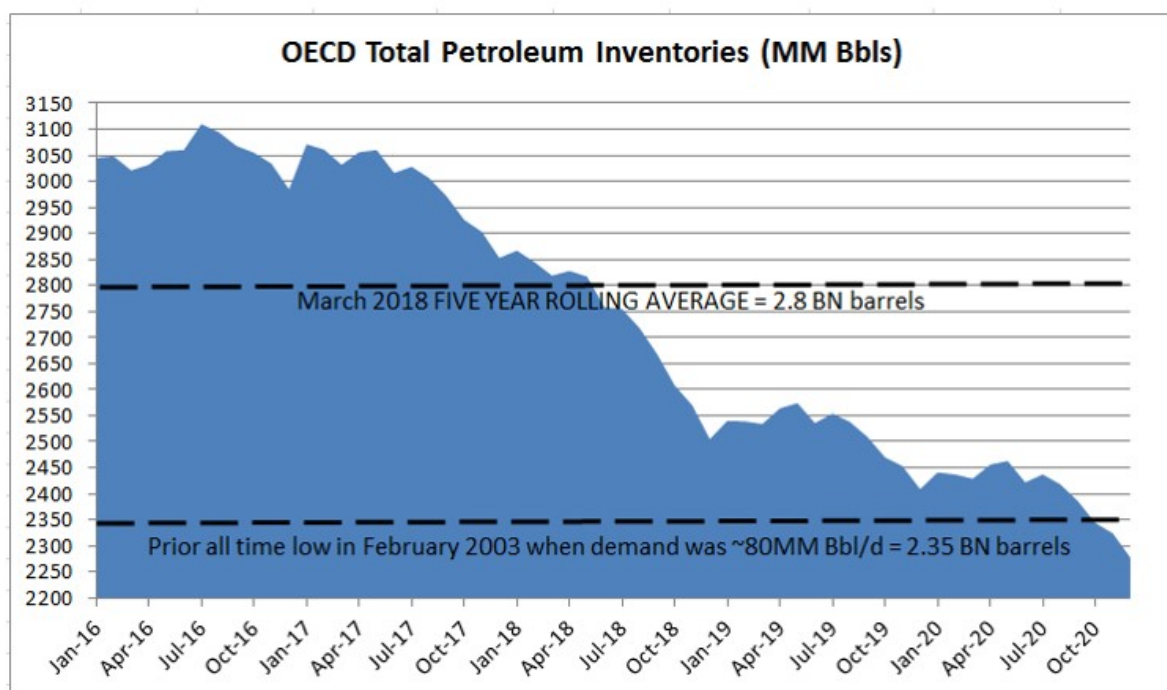
Demand growth

Oil demand growth continues to increase materially with the rate of growth accelerating in recent years. Demand grew by 1.7MM Bbl/d in 2017 and is at a run rate of 1.8MM Bbl/d of growth this year (5 year average ~1.2MM Bbl/d) and will soon eclipse 100MM Bbl/d. Despite electric car sales ramping to ~1MM in 2017 and resulting in demand destruction of ~14,000Bbl/d light passenger cars only represent 26% of global oil use. The GDP type level of growth in the remaining 74% of demand (aviation, marine, power generation, petrochemicals, freight hauling) as well as the annual incremental 80MM new internal combustion engine cars more than offset this impact and will continue to do so for the next several decades. Any remaining paranoia around demand destruction from electric cars over the foreseeable future is best left to the ignorant. **We conservatively model a decelerating growth rate in demand of 1.8MM Bbl/d in 2018 falling to 1.6MM Bbl/d in 2019 and 1.4MM Bbl/d in 2020.**

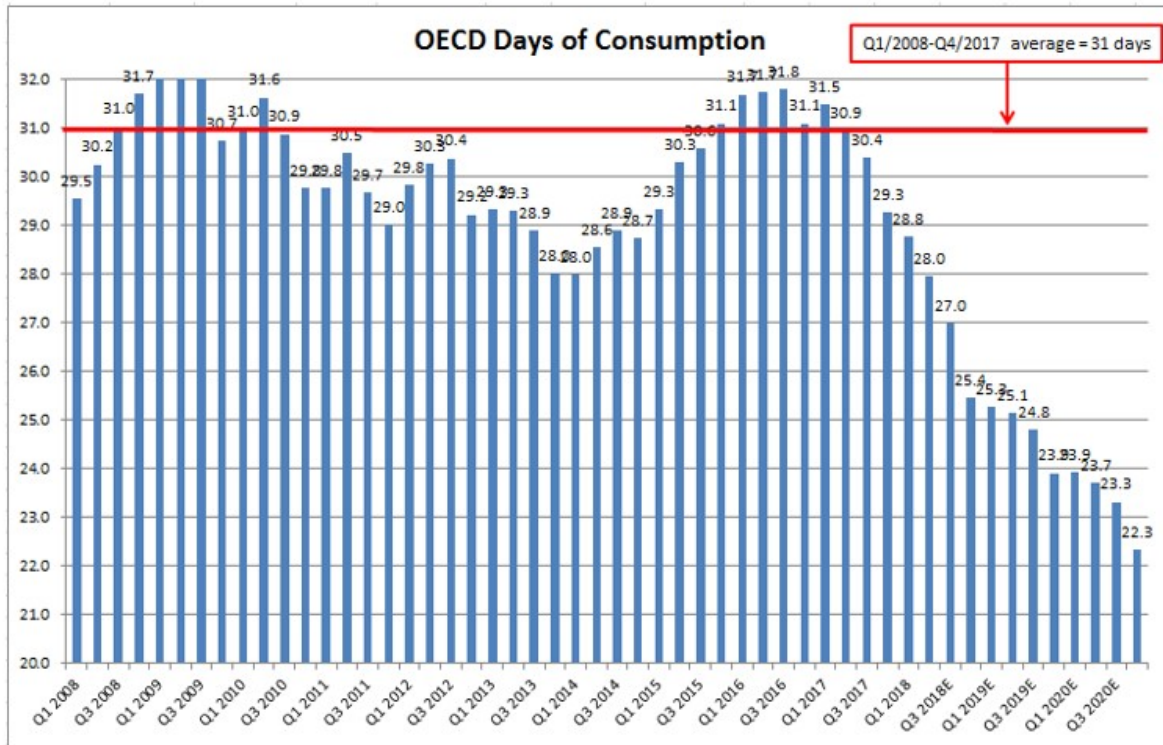
Conclusion: what does it all mean?

We believe that oil inventories will reach their lowest level in history by October 2020. The last time inventories were this low was in February 2003 when oil demand was 80MM Bbl/d. This time oil demand will be ~102MM Bbl/d. As a result days of cover compared to the 10 year average of 31 will fall to 22 days by December 2020. There is a very strong inverse relationship between oil inventories and the price of oil and using historical regression such an inventory level would imply an oil price well in excess of \$150/bbl. In our forecasting we have purposefully been overly conservative in every assumption:

1. US – we are assuming a growth rate above which is likely physically possible when accounting for pipeline, trucking, and rail capacity
2. Demand – we are assuming demand growth deceleration even though recent trends have been the opposite
3. OPEC – we are modelling all 1.2MM Bbl/d of shut-in production to return to the market even though we believe only 50% of this number is real
4. We are assuming zero production losses from both Venezuela and Iran when collectively this could amount to 1.5MM Bbl/d



Source: Ninepoint Partners



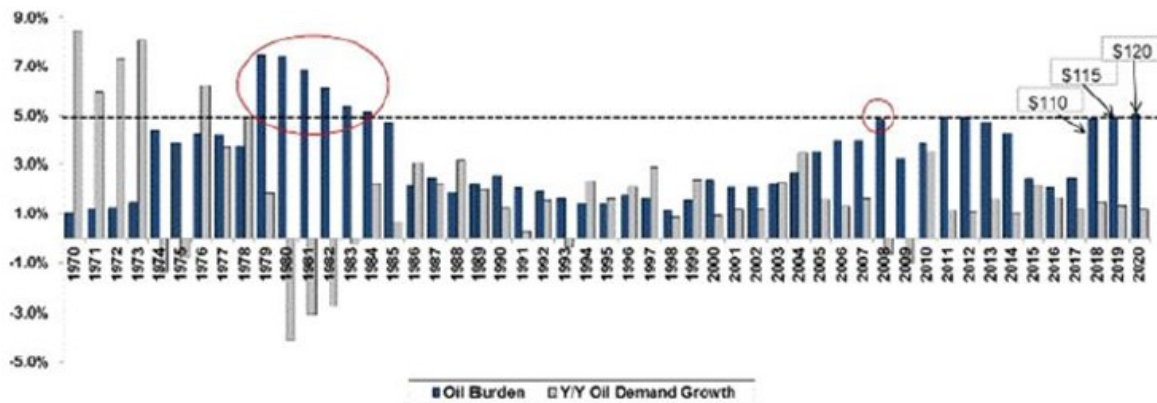
Source: Ninepoint Partners

While a 2.3BN barrel OECD inventory level and days of cover of 22 is our forecast for December 2020 we are the first to admit that this cannot actually come to pass. Before this point oil inventories will have fallen to a level below which refineries require to properly function and as a result will have had to bid oil up ahead of time. We have asked every expert available to us what this inventory level is likely to be and so far have yet to find anyone in the world that can answer this question. Frankly we think this question has never been asked before because never has such a scenario been plausibly considered. **Yet, intuitively being 33% below normalized inventory levels in a world in which OPEC will have exhausted all spare capacity and 90% of collective oil production has the inability to grow for a minimum 4 year period due to the largest implosion in spending on long lead projects in history would suggest profound undersupply.** So if oil production cannot grow enough to avoid such a scenario how can this scenario be avoided? The answer is simple: demand destruction. Oil demand must be killed by a high enough oil price. Howard Weil did excellent analysis (below) that shows oil demand growth dating back to 1970. What you can see is that in years where oil demand was negative (1980-1982, 2008-2009) it coincided with the oil burden (ie. how much the global economy spends on oil) exceeding 5% of global GDP. Using forecasted GDP levels for 2019 and 2020 this implies an oil price of \$115-\$120/bbl.

We now have 3 reasons for oil to trade above \$100/bbl in the next two years:

1. The last time global spare capacity dipped below 1.5% of global supply oil spiked to \$147/bbl
2. Historical regression using our December 2020 inventory forecast would imply an oil price over \$150/bbl
3. The essential demand destruction required to avoid inventory levels from falling below the minimum required operational levels for refineries requires an oil price of \$115-\$120/bbl

Oil Burden (Global Oil Expenditures / Global GDP) Impacts Demand Growth



Source: Howard Weil, May 18, 2018

As previously mentioned we have run our forecast by 8 informed oil analysts/strategists/traders. We are 0/8 in being able to have them debunk our logic and ultimate conclusion. We have been purposefully conservative with every assumption (most notably no impact from Venezuela or Iran) and still arrive at the most bullish outlook for oil in our career. It is therefore odd to us that sentiment towards energy, while improving from the lows, is still near the lowest levels in history. The negative divergence between oil and oil stocks remains with oil up around 25% since December 1, 2017 and energy stocks down materially (S&P TSX Capped Energy index -10% since January 1, 2017 while many midcaps are down 30%-40+% = 60% performance divergence). Canadian midcap oil stocks are trading at roughly 50% of their historical multiples.

We believe we are 6-9 months ahead of consensus with our oil forecast. Why is no one else seeing what we see? Frankly it is because no one else has done the work! We only encountered one strategist that had published a 2019 forecast and no one we spoke to has yet forecasted for 2020 despite that being when the crunch of OPEC capacity exhaustion + non-OPEC/US declines kicks in. To us this is somewhat mind boggling. Yet because mainstream analysts/forecasters haven't gone there yet consensus has not either. What we are describing (OPEC spare capacity exhaustion, chronic undersupply due to a lack of underinvestment, talk of "super cycles", \$100/bbl oil forecasts) will be front page news in the coming quarters. To us, and to anyone who can add and subtract and is willing to do the work, the conclusion is obvious. All we need to do then is position ourselves in those companies most exposed to our bullish oil price outlook and wait. We own stock in companies where we believe that at \$80/bbl oil (forget \$100/bbl or higher) we have over 100% upside.

| | Target | | | | | | Target | | | | | |
|-----------------|----------|-----------|----------|----------|---------|--------|----------|-----------|----------|----------|---------|--------|
| | \$70 | EV/EBITDA | D/EBITDA | Multiple | Price | Upside | \$80 | EV/EBITDA | D/EBITDA | Multiple | Price | Upside |
| Oil Company #1 | \$415 | 2.8 | 0.7 | 5.0 | \$3.43 | 107% | \$564 | 2.1 | 0.5 | 5.0 | \$4.88 | 194% |
| Oil Company #2 | \$2,275 | 3.3 | 0.9 | 6.0 | \$32.47 | 116% | \$2,650 | 2.8 | 0.8 | 6.0 | \$38.74 | 158% |
| Oil Company #3 | \$742 | 3.9 | 2.2 | 5.0 | \$8.89 | 63% | \$959 | 3.0 | 1.7 | 5.0 | \$13.48 | 148% |
| Oil Company #4 | \$4,935 | 4.9 | 1.7 | 7.0 | \$21.27 | 64% | \$6,281 | 3.9 | 1.3 | 7.0 | \$28.93 | 123% |
| Oil Company #5 | \$207 | 4.1 | 1.5 | 6.0 | \$28.18 | 73% | \$252 | 3.4 | 1.2 | 6.0 | \$36.23 | 122% |
| Oil Company #6 | \$2,804 | 3.4 | 1.5 | 5.0 | \$17.99 | 81% | \$3,230 | 3.0 | 1.3 | 5.0 | \$21.89 | 120% |
| Oil Company #7 | \$239 | 3.5 | 1.0 | 6.0 | \$10.49 | 101% | \$300 | 2.8 | 0.8 | 5.0 | \$11.07 | 113% |
| Oil Company #8 | \$14,965 | 4.8 | 1.2 | 7.0 | \$70.76 | 62% | \$18,528 | 3.9 | 1.0 | 7.0 | \$91.10 | 109% |
| Oil Company #9 | \$1,040 | 5.7 | 3.1 | 6.0 | \$10.31 | 12% | \$1,455 | 4.1 | 2.2 | 6.0 | \$18.78 | 104% |
| Oil Company #10 | \$1,093 | 4.4 | 1.1 | 6.0 | \$12.86 | 47% | \$1,290 | 3.8 | 0.9 | 6.0 | \$15.69 | 79% |
| Oil Company #11 | \$3,585 | 5.4 | 1.1 | 7.0 | \$22.04 | 37% | \$4,419 | 4.4 | 0.9 | 7.0 | \$28.10 | 75% |
| Oil Company #12 | \$5,113 | 4.4 | 0.6 | 6.0 | \$27.59 | 42% | \$6,115 | 3.7 | 0.5 | 6.0 | \$33.57 | 73% |
| Oil Company #13 | \$302 | 5.8 | 0.8 | 8.0 | \$11.78 | 44% | \$342 | 5.1 | 0.7 | 8.0 | \$13.52 | 65% |
| Oil Company #14 | \$196 | 5.9 | 3.3 | 6.0 | \$0.94 | 3% | \$246 | 4.7 | 2.7 | 6.0 | \$1.48 | 62% |
| Oil Company #15 | \$289 | 4.0 | 0.5 | 5.0 | \$5.66 | 30% | \$342 | 3.4 | 0.4 | 5.0 | \$6.82 | 56% |
| Oil Company #16 | \$347 | 5.0 | 0.9 | 6.0 | \$9.03 | 24% | \$418 | 4.2 | 0.7 | 6.0 | \$11.19 | 54% |
| Oil Company #17 | \$450 | 4.1 | 0.6 | 5.0 | \$8.58 | 25% | \$534 | 3.5 | 0.5 | 5.0 | \$10.40 | 51% |
| Oil Company #18 | \$729 | 4.2 | 1.2 | 5.0 | \$20.65 | 28% | \$824 | 3.7 | 1.1 | 5.0 | \$24.20 | 50% |
| Oil Company #19 | \$1,432 | 5.8 | 1.0 | 6.0 | \$47.60 | 4% | \$1,673 | 5.0 | 0.8 | 7.0 | \$68.30 | 50% |
| Oil Company #20 | \$16,492 | 6.0 | 0.7 | 7.0 | \$63.12 | 20% | \$19,915 | 4.9 | 0.6 | 7.0 | \$77.78 | 47% |
| Oil Company #21 | \$253 | 4.5 | 1.6 | 5.0 | \$1.70 | 16% | \$299 | 3.8 | 1.4 | 5.0 | \$2.15 | 46% |
| Oil Company #22 | \$6,137 | 6.2 | 0.5 | 7.0 | \$48.71 | 15% | \$7,713 | 4.9 | 0.4 | 7.0 | \$62.11 | 46% |
| Oil Company #23 | \$920 | 4.7 | 0.3 | 6.0 | \$21.27 | 30% | \$1,018 | 4.2 | 0.3 | 6.0 | \$23.67 | 45% |
| Oil Company #24 | \$50 | 3.9 | 2.7 | 4.0 | \$1.34 | 7% | \$53 | 3.7 | 2.5 | 4.0 | \$1.59 | 26% |
| Oil Company #25 | \$196 | 4.2 | 1.3 | 4.0 | \$2.30 | -6% | \$238 | 3.4 | 1.1 | 4.0 | \$3.03 | 24% |
| Oil Company #26 | \$133 | 4.4 | 1.0 | 4.0 | \$1.19 | -11% | \$158 | 3.7 | 0.8 | 4.0 | \$1.49 | 12% |
| Oil Company #27 | \$253 | 4.5 | 3.1 | 4.0 | \$0.93 | -36% | \$266 | 4.3 | 2.9 | 4.0 | \$1.14 | -22% |

Source: Ninepoint Partners

Again, in order to be conservative we have assumed that energy stocks will not regain historical multiples but rather trade at 5x for a midcap stock, 6x for a very high quality mid cap, and 7x for a large cap. Even in making this assumption on trading multiples and only using \$80/bbl (though our forecast would suggest a significantly higher oil price) the upside offered in oil equities is highly compelling. Don't believe in \$80/bbl oil? For stocks to even just to begin to reflect the current oil price we see in excess of 50% upside due to the widest divergence in performance in history that happened in 2017 between oil and oil stocks.

Eric Nuttall

Senior Portfolio Manager

Ninepoint Energy Fund / Ninepoint Energy Opportunities Trust

COMPOUNDED RETURNS (%) AS AT MAY 31, 2018¹

| | 1MTH | YTD | 3MTH | 6MTH | 1YR | 3YR | 5YR | 10YR | ANNUALIZED INCEPTION [†] |
|--|------|------|-------|-------|-------|-------|-------|-------|-----------------------------------|
| Ninepoint Energy Fund, Series F ¹ | 6.4 | 6.3 | 25.58 | 10.08 | 4.67 | -8.78 | 0.18 | -7.78 | 3.92 |
| Ninepoint Energy Opportunities Trust | 6.57 | 8.03 | 27.16 | 11.57 | 4.30 | - | - | - | -23.15 |
| S&P/TSX Capped Energy TR | 1.56 | 5.57 | 19.00 | 7.37 | 11.92 | -0.24 | -1.62 | -4.69 | 3.89 |

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 May 31, 2018; e) 2004 annual returns are from 04/15/04 to 12/31/04. The index is 100% S&P/TSX

Capped Energy TRI and is computed by Ninepoint Partners LP based on publicly available index information.[†] Since inception of fund Series F.

The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: concentration risk; credit risk; currency risk; cybersecurity risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; interest rate risk; liquidity risk; market risk; regulatory risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; specific issuer risk; tax risk.

Ninepoint Partners LP is the investment manager to the Ninepoint Funds (collectively, the "Funds"). Commissions, trailing commissions, management fees, performance fees (if any), other charges and expenses all may be associated with mutual fund investments. Please read the prospectus carefully before investing. The indicated rate of return for series F units of the Fund for the period ended May 31, 2018 is based on the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Fund may be lawfully sold in their jurisdiction.

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