

Are Alternative Investments For Me?

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Alternatives have the potential to stabilize your portfolio in ways that traditional asset classes are struggling to do.

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Alternatives may contribute to more efficient portfolio construction

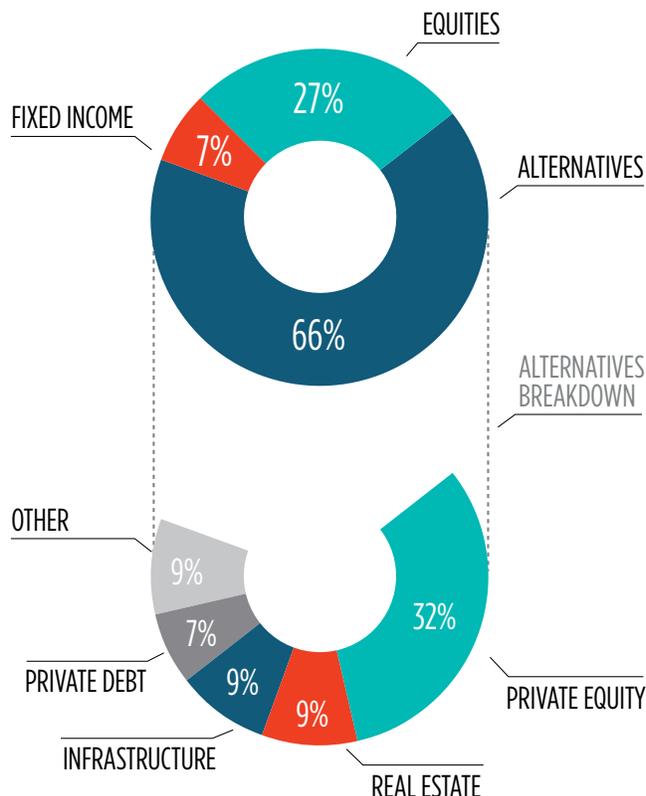
Improvements in liquidity and transparency are making Alternative Investments increasingly accessible for retail investors.

Where's the Smart Money Going?

Because of uncertain bond yields, extreme central bank intervention, and uncertainty in the stock markets, the most sophisticated investors in the world are allocating more of their assets to Alternative Investments.

They believe that Alternative Investments will give them a better chance of achieving sufficiently high returns to meet future cashflow obligations while protecting against excessive downside.

CANADIAN PENSION PLAN 2021 ALLOCATIONS



Source: Canadian Pension Plan Investment Board, Annual Report 2021.

What are Alternative Investments?

Generally speaking, Alternative Investments are any asset class that are not among the three traditional asset types (stocks, bonds and cash) and are used, among other objectives, to more fully diversify a portfolio.

ALTERNATIVE ASSETS

Commodities
Real Estate
Infrastructure

OTHER ALT INVESTMENTS

Private Debt/Credit
Private Equity

ALTERNATIVE STRATEGIES

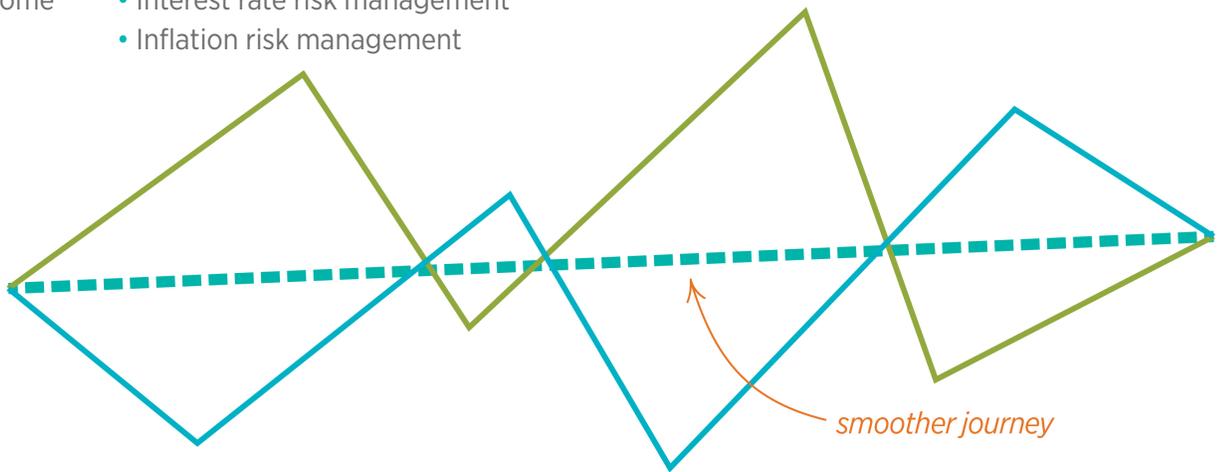
Long/Short
Event-Driven
Market Neutral
Global Macro

The Goal of Alternative Investments

Alternative Investments permit more efficient portfolio construction with the potential to deliver on a range of desired outcomes:

- Portfolio diversification
- New sources of income
- Enhanced returns
- Volatility & drawdown management
- Interest rate risk management
- Inflation risk management

Diversifying with alternative asset classes may help smooth out the volatile returns of public market investments



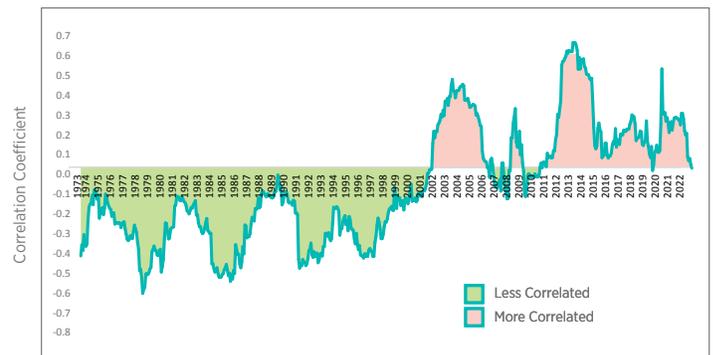
This stylized diagram is for illustrative purposes only, and does not reflect suggested performance of any type.

Market Factors Driving Interest in Alternatives

Several factors are driving interest in Alternative Investments among sophisticated investors:

- **Higher correlations** between traditional asset classes, exposing a portfolio to greater risk in a drawdown.
- **Uncertain interest rates.** Yields remain historically low and income is harder to come by.
- **Creeping portfolio risk.** As investors have sought to replace income in their portfolios due to falling government bond yields, substitutions have included longer duration bonds, high yield bonds, dividend paying equities, and preferred shares – all which may increase portfolio risk.
- Uncertainty concerning the **market cycle.**

Monthly Rolling Correlation of S&P 500 vs 10-Year US Government Bonds



Source: Morningstar and St. Louis Fed (FRED), September 2022.

Common Risks and Offsets for Retail Investors

While the definition of Alternative Investments has broadened, “Alts” still suffer from the perception of being high-stakes, high-torque hedge funds.

Today’s hedge funds are more focused on risk management, while the broader set of Alternative Investments to which they belong are designed to provide stability to a portfolio through better diversification.

That said, for retail investors interested in Alternative Investments, there are some important considerations:

Access: In the past, investing in Alternatives required significant investment minimums. Today, a range of funds are available to give retail investors exposure to Alternative asset classes, with varying degrees of risk that a financial advisor can best assess.

Liquidity: Some Alternative Investments, such as Private Debt and Private Equity, are best-suited to investors who can support an allocation of less-liquid investments in their portfolios. That said, investors may want to explore Liquid Alts which provide many of the benefits of Alternatives, but offer daily liquidity.

Transparency: Many Alternative Investments are privately traded, so there is limited information available on pricing, track records, and comparability (benchmarks). Good manager selection can help here, as can the visibility offered by Liquid Alt products.

In all cases, please consult the applicable product offering documents for full disclosure of risk factors.

Alternative Investments	Private Investments	Mutual Funds	Exchange Traded
Real Estate	<ul style="list-style-type: none"> • Direct Investment • Private REITs 	<ul style="list-style-type: none"> • REIT Funds • Real Estate Sector Funds 	<ul style="list-style-type: none"> • Public REITs • Closed-End Funds
Infrastructure	<ul style="list-style-type: none"> • Direct Investment • Direct Investment Funds 	<ul style="list-style-type: none"> • Infrastructure Sector Funds 	<ul style="list-style-type: none"> • Infrastructure ETFs • Closed-End Funds
Commodities	<ul style="list-style-type: none"> • CTAs • Managed Futures • Direct Investment Funds 	<ul style="list-style-type: none"> • Resource-Focused Sector Funds • Precious Metals Funds 	<ul style="list-style-type: none"> • Resource ETFs • Precious Metals ETFs
Private Debt	<ul style="list-style-type: none"> • Direct Investment • Private Debt Funds 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • BDCs
Private Equity	<ul style="list-style-type: none"> • Direct Investment • Private Equity Funds 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Listed Holding Companies
Marketable Securities	<ul style="list-style-type: none"> • Traditional Hedge Fund Strategies 	<ul style="list-style-type: none"> • Liquid Alt Funds 	<ul style="list-style-type: none"> • Hedge Fund Indexed ETFs • Closed-End Funds

The Role Alternative Investments May Play in a Portfolio

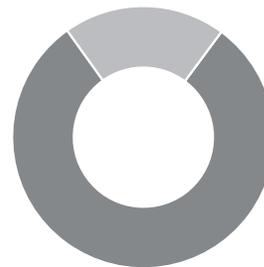
When well-managed, Alternatives have the potential to complement core equity and fixed income allocations by improving diversification, managing risk, providing income, and enhancing returns.

A professional asset allocator can help determine if Alternative Investments will help a portfolio achieve its investment goals.



CORE STRATEGIES

Seek to provide exposure to asset classes that are broadly representative of the market, such as stocks and bonds.



DIVERSIFYING STRATEGIES

Have the potential to deliver consistent returns and enhanced risk management. Institutional investors frequently make use of alternative investments to this end.



RESULT

More efficient portfolio construction with potential investment outcomes (risk/return) better suited to an investor’s needs.

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Alternative Investment Funds are generally exposed to the following risks. See the offering memorandum of the Fund for a description of these risks: general investment risk; limited operating history; class risk; changes in investment strategy; limited ability to liquidate investment; capital depletion risk; redemptions; number of units redeemed may vary; unitholders not entitled to participate in management; reliance on the manager; dependence of the manager on key personnel; reliance on the sub-advisor; dependence of sub-advisor on key personnel; the sub-advisor and manager receive management fees and performance fees on the net asset value of the fund, which includes payment in-kind payments that may never be recovered; taxation of the fund; no ownership interest in the portfolio; distributions; potential indemnification obligations; liability of unitholders; lack of independent experts representing unitholders; no involvement of unaffiliated selling agent; not a public mutual fund; charges to the fund; general economic and market conditions; credit risk and default in repayment obligations by borrowers; liquidity of underlying investments; fixed income securities; equity securities; decline in the industries in which the fund invests; inability to realize on or dispose of security granted by borrowers on a defaulted loan; currency risk; foreign investment risk; options; short sales; market call; leverage; concentration; liquidity; hedging; indebtedness; suspension of trading.

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