Ninepoint Alternative Health Fund

July 2021 Commentary

Investment Team

Ninepoint / Faircourt,
Sub Advised by Faircourt Asset Management

Executive Summary

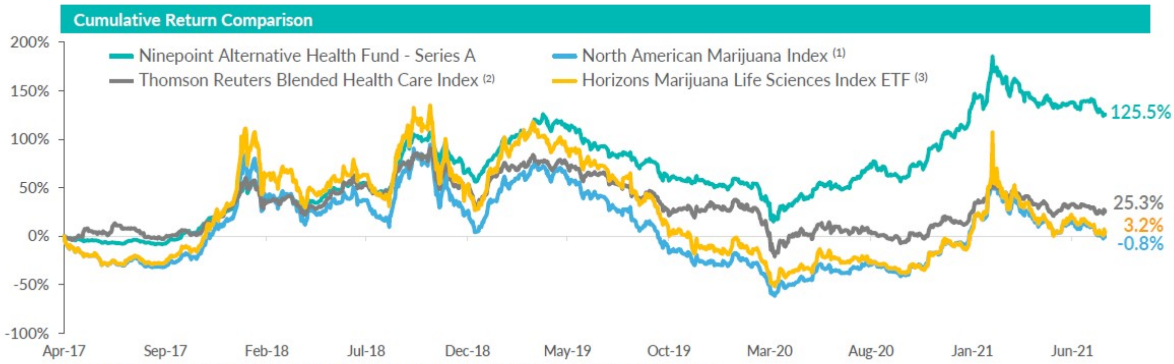
The Ninepoint Alternative Health Fund continues to outperform its benchmark and other related indexes that investors may use to compare our performance. In our commentary this month we review various US legislative proposals focussed on federal cannabis reforms from both Democrats and Republicans including the **Cannabis Administration and Opportunity Act (CAOA)** proposed by Sen Chuck Schumer, Senate Finance Chairman Ron Wyden and New Jersey Senator Cory Booker; **The Cannabis Freedom Alliance (CFA)** proposal supported by Charles Koch, Snoop Dogg and Weldon Angelos. In addition, we examine the growth of US multi state operators and the continued demand for cannabis products that are leading to upward adjustments in the US Total Addressable Market (TAM) over the next 4-5 years. We continue to strongly believe that regardless of the pace of federal legislation, the US cannabis market provides a significant opportunity for growth and should have an allocation in any growth oriented investment portfolio. Adding to the leading performance of the Fund is our focus in healthcare, health and wellness, with companies such as Pfizer (PFE), Johnson & Johnson (JNJ), Jamieson Wellness (JWEL) and UnitedHealth Group (UNH) all delivering strong Q2/21 financial results, reflecting our belief in healthcare being a key re-opening sector.

July saw muted absolute returns for the Fund as US equity markets continued to gradually sell off for most of the month as concerns about inflation and the potential for a fourth wave of COVID-19 related illness took over. A key component of the long term performance of the Fund is the diversified nature of the portfolio investing in healthcare and pharmaceuticals, along with health and wellness companies all supporting our focus in the cannabis industry while providing better risk adjusted returns.

Performance Update

Ninepoint Alternative Health Fund

Cumulative Returns (As at July 31, 2021)



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

Period between April 11, 2017 and July 31, 2021	Annualized Return	Annualized Std Dev	Downside Deviation	Sharpe Ratio	Sortino Ratio	Max Drawdown
Ninepoint Alternative Health Fund – Series A	21.4%	28.4%	18.0%	0.72	1.19	-39.8%
Thomson Reuters Blended Health Care Index[1]	5.5%	37.6%	24.5%	0.12	0.23	-58.7%
Horizons Marijuana Life Sciences Index ETF	0.8%	62.8%	37.6%	-0.00	0.02	-71.5%
North American Marijuana Index[2]	-0.2%	56.9%	36.0%	-0.02	-0.01	-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.

We remind investors that healthcare, pharmaceuticals and wellness stocks are part of the re-opening trade to which investors should have exposure. We recall last year when elective surgeries and hospital visits were postponed, that 2021 represented a great break out year. In addition, with mass vaccinations, the pharmaceutical companies are growing their bottom line as investors appreciate the value of the IP that created the vaccines under emergency approvals from various governments around the world. During the month portfolio names that performed well include **UnitedHealth Group (UNH)** +2.94% in July while **Pfizer (PFE)** was +9.32%, while **Johnson & Johnson (JNJ)** was + 4.5% for the month. If investors are searching for growth in the healthcare or pharmaceuticals sectors, yet frustrated with the few names they have selected, the Fund's diversified approach as seen in its long-term performance (below) provides a great alternative for those investors that want exposure to healthcare, pharma as well as cannabis. Also, it is important for investors to know, that given the conviction we have in the names in our portfolio, in a period when markets are weaker such as what we have witnessed recently, we have been selectively adding to the names we believe in, such as **PFE** & **JNJ**.

Turning to the cannabis focus of the portfolio, we note that since the Feb 10 peak, when investor exuberance in the cannabis space anticipated short term significant US federal regulatory change multi state operators (MSOs) on average are down ~35%. This has created a compelling investment opportunity as the sell-off has occurred despite continued strong financial results as well as NY, VA and CT all passing REC legislation; NJ is starting its adult use program potentially in Q4 representing the beginning of a significant market for the MSOs operating in the state. This is after a very strong early trajectory from AZ adult use sales, all while company fundamentals across the US continue to improve. We continue to remain very bullish on the US cannabis space.

July 14th was a significant day for the cannabis industry as it marked the first time that a US Senate Majority Leader presented sweeping cannabis reform on the floor of the Senate. The tabling of the **Cannabis Administration and Opportunity Act (CAOA)** brings important positive momentum to federal cannabis reform from the leadership of the Senate and presents a road map for an important voter-supported issue. The proposal has many aspects to it, and that is what may have caused the negative reaction to the announcement in equity markets. We need to remember that politicians are not embracing cannabis as much as they embrace the benefits of cannabis (meaning jobs and tax revenue). As a result, even though cannabis legalization is not actively supported by the White House, cannabis legislation may be less of a challenge relative to other WH proposals such as infrastructure spending, climate change or voter rights, and could become easier to pass. The issue though is that passing any legislation, even on areas where there is broad agreement, has become extraordinarily challenging in the current highly partisan environment.

Investors have been focused on the fact that this proposal does not have the votes in the Senate to pass but what is interesting is the silence from the other side of the aisle (Republicans) that is intriguing and should be considered. Given the benefits of the proposal, Sen. Mitch McConnell (R-KY) may appreciate the CBD/hemp provisions, while Sen Joe Manchin (D-WV) is likely aware of the growing state medical program in his state as well as the research showing opioid usage has declined significantly in his state. These are all positives that are under the radar but form the calculus of getting legislation passed, important in getting votes.

Our view is that a more business friendly proposal that involves reduced federal excise tax, de-scheduling of marijuana from the Controlled Substances Act thereby allowing the removal of IRS 280E could be the combination that gets Republican votes. If de-scheduling occurs, that could be led by the AG/DOJ and it could mean that the new law would likely include safe harbor language that would open the door for banks with a federal charter to service the cannabis industry and trigger US exchanges to up-list US cannabis companies from the CSE.

Already, a pair of congressional Republican lawmakers are urging President Biden to keep his campaign promise and reschedule marijuana under the Controlled Substances Act (CSA). Reps. Dave Joyce (R-OH) and Don Young (R-AK), both co-chairs of the Congressional Cannabis Caucus, sent a letter to the president suggesting the modest reform is “a matter of public health.”

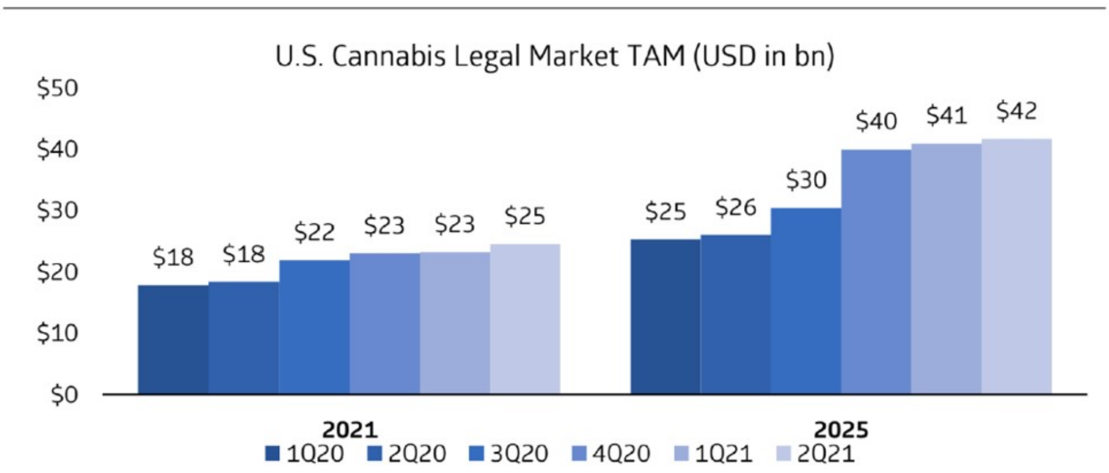
There is yet another and possibly more coordinated effort for legislation led by a coalition of prominent national advocacy and business organizations seeking to end the prohibition and criminalization of cannabis in the United States. The group called **The Cannabis Freedom Alliance (CFA)** recently released a white paper that provides general recommendations to help guide the effort toward federal legalization of cannabis. Leadership of the group includes right-wing billionaire Charles Koch, Snoop Dogg and criminal justice reform advocate Weldon Angelos. In our opinion, the involvement of Charles Koch is particularly notable given the Koch brothers deep involvement in the political process over many years. Some of the key elements of the proposal from the CFA include recommendations on criminal justice reform; how to federally-regulate interstate trade of cannabis products as well as establishing a regulatory framework that promotes public safety, innovation and research. Finally, the proposal provides guidance on federal, state, and local taxes so that the country reduces and eliminates the continuation of the illicit market. By examining the components of the various proposals, there is the potential for political deal making, and in that light, we can better understand the significance and the potential for reform in the not too distant future. So, it isn’t all negative, it’s just going to take some political will on both sides of the aisle.

<u>The Fund’s Investment thesis does not require federal cannabis reform:</u> Regardless of the timing of

federal legislative change, we believe that US cannabis companies maintain strong fundamentals combined with a growing state by state market, yet still not achieving the valuation metrics that this sector should attract. US MSO's trade at a fraction of the bloated valuations seen in the Canadian cannabis producers where most of the leading names are not generating positive cash flows. In terms of catalysts, the continued demand in first half of 2021 leading to positive adjustments in our estimates on the total addressable market ("TAM") and annual growth of the legal cannabis industry. We must also look at the addition of adult use markets with NY, NJ, VA, CT and NM all having passed legislation in 1H21, with further positive momentum continuing to lead other States to legalize. DE and RI could also be added to the states legalization. 2022 mid-term elections could also be a force for change with other states adding ballot initiatives including OH, MO and OK.

As a result of the state level changes already afoot, previous estimates from analysts are getting raised. Cowen & Co has recently raised its estimates to 2025. In addition, Cantor has also upgraded its sales forecasts in the US, with a doubling of cannabis revenues in the US from $17.5 billion in 2020 to $35 billion by 2024. Regardless, what the exact amounts related to these forecast upgrades, what is clear is growth in demand, acceptance at the consumer level and the MSO's ability to meet this market demand in a profitable way.

Figure 1- We Raise Our 2025 Legal Cannabis TAM Estimate to $45B



Source: State Reports, Company Reports and Cowen and Company

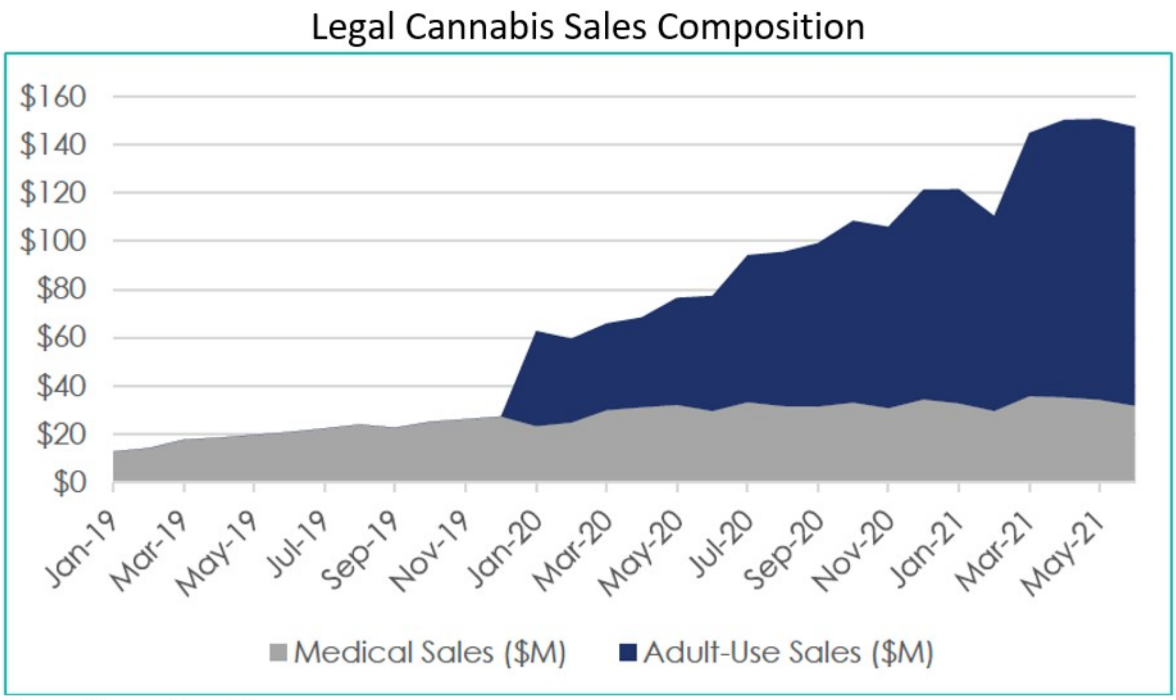
Regulatory

Arizona, a state that started legalized rec sales early this year has released figures illustrating growth well ahead of expectations in year one with sales estimates over $1 billion in marijuana while the state could take in more than $150 million in taxes. The pace of growth in Arizona sales is faster than in mature market Colorado, which, like Arizona, had an active medical-marijuana program when CO recreational sales launched in 2014. In its first year CO sold under $685 million in cannabis in 2014, its first year of recreational sales, and didn't break $1 billion in annual sales until 2016, its third year after legalization. To date AZ has collected about $75 million in taxes this year from both medical and recreational sales through May, according to the Department of Revenue.

Illinois

Illinois under the leadership of Governor Pritzker, IL brought HB 1443 into law, the establishment of a lottery system to increase the retail license base in Illinois. The lotteries planned for the next few months will result in the issuance of 185 dispensary licenses, a significant expansion of the retail base from current levels of 110 adult-use locations. As these are retail-only licenses, we see increased demand for wholesale supply from the state's existing MSO producers. The new dispensaries and resulting increased demand from wholesale production would likely start mid-2023 before all dispensaries are open, so it allows the incumbent cultivation licensees such as **GTI**, **CL**, **VRNO**, **CURA** time to build necessary capacity for the oncoming demand. Given the large increase in dispensaries without a corresponding increase in the number of cultivators, we anticipate strong wholesale revenues from the incumbent operators.

Illinois Sales Growth



Source: Beacon Securities

Illinois regulators reported July adult-use sales reached approx. $128 million, up 11% MoM with growth all volume driven, while sales per day climbing 7% to over $4.1M. Sales to out-of-state residents improved 16% M/M to $42M, taking this category's share of revenue to a new high of 33% from 31% last month, and 27% a year ago. We attribute this growth to improved tourism that helps Chicago-area stores, as well as continued growth in cross-border activity.

Ohio

Ohio Democrats Casey Weinstein and Terrence Upchurch of Cleveland have introduced a bill to legalize recreational cannabis sales and cultivation. Under the newly introduced bill, adults aged 21 and older could possess and buy up to five ounces of cannabis and grow up to 12 mature plants for personal use. A 10% excise tax, as well as state and local sales tax would be collected on cannabis products. The proceeds would primarily go to education, road and bridge repair and local governments. Ohio's tax rate would be in line with that of Michigan and would be lower than those of Illinois, Colorado, and other states. According to Weinstein, the proposal is modeled after Michigan's cannabis market.

Canada

The growth that is being witnessed in the US state markets is not being replicated north of the border. Canadian sales growth hovers around 3-5% MoM vs the double digit growth that is occurring in most markets in the US. Cannabis sales in Canada grew modestly between April and May, reaching $313.3 million Canadian dollars up by 2.3% over April's record figure, according to Statistics Canada. Sales in the largest provincial market of Ontario increased by 2.8% on a month-over-month basis to $111.2 million. Ontario accounted for more than 35% of Canada's total legal cannabis sales in the month while Alberta posted $59.7 million worth of cannabis sales, 1.4% higher than April. Quebec, the third-largest cannabis market, grew by 1.6% over April to $49.6 million while British Columbia retail sales was $46 million, a gain of 6.9% the top performing province in May.

A further negative note on the Canadian market was released during the month with a report from Health Canada disclosing that 19% of all cannabis cultivation in 2020 was destroyed (unsold) which was higher than the 15% of cultivation destroyed in 2019 or 11% in 2018. The trend is not positive as it illustrates that there is more unsold cultivation at a time when more stores are opening, yet provinces are reducing the number of SKU's due to lack of sales demand. In addition, the OCS (Ontario Cannabis Store) that runs purchases for the province has announced the cancellation of its October product call, with August being the last call for product until April 2022. The OCS is attempting to structure a new program where producers will have more dialogue with category managers at the OCS to plan for new product launches. We take the moderate sales growth, destruction of unsold cannabis as well as provincial SKU rationalization plans as medium term negative risk for many of the Canadian LP's that are unable to produce products that sell well and generate positive cash flow.

Company Announcements

Trulieve Cannabis (TRUL) announced that the Georgia Access to Medical Cannabis Commission awarded TRUL with a Class 1 production license, allowing the company to produce medical cannabis in the state of GA. TRUL is one of only two companies to be granted a Class 1 production license in GA and the company plans to build an indoor cultivation and manufacturing facility in the town of Adel. Under the terms of the license, TRUL can cultivate medical cannabis in a 100,000 square foot facility. The GA medical market is in the early stages of development and only allows the manufacture of low-THC oil, with allowable conditions that includes terminal cancer, Parkinson's, MS, ALS, and seizures however at this point excludes chronic pain. However, with a population of 11 million, we believe the GA license award offers years of significant growth for TRUL while strengthening TRUL's southeastern hub in the US. TRUL is based out of Florida and operates dispensaries in that FL, CT, MA and PA.

Verano Holdings (VRNO) announced it is expanding its NV footprint through the acquisition of Sierra Well for $29 million, of which $23.4 million is payable in stock and $5.6 million is in cash. The acquisition adds two dispensaries in Reno & Carson City. Sierra Well also operates 10k sq. ft. of cultivation capacity in Reno that complements VRNOs expansion in Las Vegas. VRNO believes that the NV market should rebound strongly post COVID with strong tourism, with data continuing to indicate the return of tourism has already begun. VRNO will now have four dispensaries in LV with a 5th to be open in the coming months. VRNO was previously based with operations focused on two states (IL, FL), however recent acquisitions have broadened its state footprint to include AZ, MD, NJ, PA, and now NV.

Financials

During July Q2/21 financial results for the leading healthcare and pharma names in the portfolio were released with all the names generating results above analyst expectations.

UnitedHealth Group Inc (UNH) reported Q2/21 results, which were above our expectations and consensus. UNH's Q2/21 revenue was $71.3 billion compared with consensus of $69.5 billion. UnitedHealthcare (UHC) revenue grew about 13.8%. UHC posted strong growth in Medicare Advantage (+13.9%) and Medicaid membership (14.8%) vs. year ago levels. Optum revenue grew 17%, with OptumHealth (urgent and surgical care to 99 million consumers) growing 45.5% and OptumInsight (data, analytics, research, consulting, technology and managed services solutions to hospitals, physicians) growing 12%. OptumHealth benefited from improving healthcare utilization levels vs. year ago levels. In addition the company increased its 2021 adjusted EPS guidance and increased its adjusted EPS outlook to $18.30-18.80 from $18.10-18.60. While management increased its 2021 adjusted EPS guidance, COVID-19 continues to be an uncertainty. However, given the realities of the healthcare market and UNH positioning, we continue to see upside for UNH given the company's diversified business model. Stable growth and free cash flow generation continue to demonstrate strength in operations.

Pfizer Inc. (PFE) reported strong Q2 results beating top and bottom-line expectations and raising its guidance for the balance of 2021 to $78 to $80 billion, which would represent 86 to 91% year-over-year growth. PFE reported net profit of $5.56 billion on revenue of $18.98 billion in the quarter. PFE reported Q2/21 adjusted diluted EPS of $1.07, $0.10 higher than consensus. PFE reported Q2 revenues of $19.0 billion versus consensus of $18.7 billion exceeding consensus for drugs such as Ibrance (metastatic breast cancer) and Prevnar (pneumonia) as well as other key products. PFE raised its 2021 sales and EPS guidance to $78.0-$80.0 billion from $70.5-$72.5 billion and $3.95-$4.05 from $3.55-$3.65.

BNT162b2 (the Pfizer vaccine) as the drug is officially called, accounted for 41% of PFE's revenue in the quarter, dwarfing any other drug in Pfizer's vast portfolio. In addition, for the second half of the year, with additional supply agreements signed since Q1, PFE now expects to deliver 2.1 billion doses of the vaccine this year, assisting in raising revenue from the vaccine from $26 billion to $33.5 billion. During the quarter the company also released the results of its clinical trial for its COVID-19 Booster that evidenced 100% efficacy in Phase 2b
trials of the RSV adult vaccine candidate. The increasing likelihood of the need for booster shots driven by growth in COVID-19 variants bodes well for PFE's revenue outlook.

Johnson & Johnson (JNJ) also reported strong Q2 results with revenues of $23.3 billion, an increase of 27.1% vs Q2/20 and EPS growth of + 44.9%. As we have suggested, the resumption of more normal activity has led to increased demand in the device and elective surgery sectors and JNJ is well positioned. The wound care division delivered strong growth of 13.4%, driven by U.S. market growth with increased consumer behaviors focused on preparedness and infection prevention and seasonal stocking versus prior-year COVID-19 destocking dynamics. JNJ pharmaceutical sales were $12.6 billion reflecting growth of 13.6% while immunology sales growth was 17%, driven by strong double-digit performance of STELARA (Crohn's) and TREMFYA (psoriatic arthritis) that was up 36.8%. On the medical device side of the business strong results were seen in JNJ's trauma business with growth of 24.8%; hip replacements +68.1%; knee surgery up 94.6%; spinal devices increased 51.7%, all reflecting market recovery dynamics that we anticipate continuing in the second half of the year.

Options Strategy

During July 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 inception of the options writing program in September 2018, the Fund has generated significant income from options premium of approximately $3.91 million. 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 options 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 $55,000 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 Johnson & Johnson (JNJ). 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 Amazon (AMZN), and AMN Healthcare (AMN). Two companies we have established positions and have been actively writing cash secured puts to accumulate further shares is JAZZ and AMN. AMN Healthcare is a healthcare staffing company located in the United States. Clients include acute-care hospitals, government facilities, community health centers and clinics, and physician practice groups. AMN is well positioned to capture long term U.S secular trend changes arising from the aging population, job turnovers, and rising health care spending. Earlier in the year Jazz Pharmaceuticals acquired one of our top 10 holdings, GW Pharma, and our investment process identified an opportunity to become shareholders. JAZZ is a biopharmaceutical company active in neuroscience and oncology with an existing portfolio in sleep disorders and epilepsy. It is also active in cannabinoid research and innovative delivery technologies.

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 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 July 31, 2021 (Series F NPP5421) | Inception Date - August 8, 2017

	MTD	YTD	3MTH	6MTH	1YR	3YR	INCEPTION(ANNUALIZED)
FUND	-5.6%	7.4%	-6.7%	-3.3%	37.4%	16.8%	25.4%
TR CAN/US HEALTH CARE BLENDED INDEX	-4.5%	11.3%	-6.9%	-8.3%	18.2%	-4.5%	4.5%

Statistical Analysis

	FUND	INDEX
Cumulative Returns	146.6%	19.2%
Standard Deviation	29.0%	32.4%
Sharpe Ratio	0.8	0.1

[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 July 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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