



Ninepoint Convertible Securities Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2021

The annual management report of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's financial statements. This report contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-362-7172, by visiting our website at www.ninepoint.com or SEDAR at www.sedar.com or by writing to us at: Ninepoint Partners LP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario M5J 2J1. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Management Discussion of Fund Performance

Investment Objective and Strategies

The objective of Ninepoint Convertible Securities Fund (the “Fund”) is to provide investors with income and long-term capital appreciation by investing primarily in a portfolio of convertible securities. To achieve the Fund’s investment objective, the Fund will seek opportunities for the Fund to participate in the potential growth of the common stocks underlying convertible securities, while seeking to earn income that is generally higher than the income those common stocks would provide. The Fund expects to invest at least 80% of its net assets under normal conditions in convertible securities. The Fund invests primarily in U.S. securities, however the Fund may invest up to 15% of its total assets in Eurodollar convertible securities and up to an additional 20% of its total assets in other foreign securities. The Fund also may invest directly in equity securities.

As part of its investment strategy, the Fund may:

- engage in securities lending as permitted by securities regulations;
- engage in short selling in a manner that is consistent with the Fund’s investment objective and as permitted by securities regulations; and
- use derivatives instruments, such as options, futures, forward contracts and swaps, for hedging strategies, in a manner which is consistent with the investment objectives of the Fund and as permitted by securities regulations.

Columbia Threadneedle Investments is the subadvisor of the Fund.

Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus. This Fund is suitable for those investors seeking income and long-term capital growth through exposure to convertible securities. This Fund is suitable for investors with a low to medium tolerance for risk and have a long-term investment horizon.

Results of Operations and Recent Developments

The Fund, Series A returned 0.8% since its inception on March 16, 2021 to December 31, 2021.

As the period began, U.S. markets were supported by continued strength in economic growth and further improvements in corporations’ profits and balance sheets. This generally positive backdrop helped fuel investors’ appetite for risk, leading to elevated demand for higher yielding investments such as convertibles securities. As the summer progressed, however, rising inflation, continued disruptions in China’s economy, and concerns that the U.S. Federal Reserve would soon begin to taper its stimulative quantitative easing policy dampened sentiment, with the convertible market experiencing an added headwind from its tilt toward higher growth companies which were more adversely impacted by worries of rising interest rates. The growth style, after having outperformed for much of 2021, lagged in the fourth quarter amid increasing odds that the U.S. Federal Reserve would begin to raise interest rates in the year ahead. The convertible market was also hurt by COVID-19 Omicron variant-driven weakness in travel-related issuers, such as cruise ships and airlines. Companies in these areas raised capital early on in response to pressures from COVID-19, increasing their representation in the index.

The majority of the Fund’s top performers for the period were holdings in the information technology and health care sectors. In the technology space, the Fund’s holdings in a number of semiconductor companies performed well, as the sector’s robust business momentum enabled it to overcome the broader sell-off in growth-oriented investments. The Fund benefited from positions in a database software company that has been gaining market share due to its compelling value proposition compared with its larger competitors, and a cybersecurity company that has capitalized on the strengthening demand for advanced firewalls and cloud-based offerings. In the health care sector, the gains were largely driven by positions in the equipment and testing industry.

The Fund was hurt by positions in the consumer discretionary sector. Two American e-commerce companies and an online real estate marketplace held in the portfolio faced difficult year-over-year growth comparisons, leading to some underperformance even though their growth remains robust in absolute terms. In addition, the emergence of the Delta variant of COVID-19 created short-term challenges for companies related to the reopening of the economy and the Fund lost some ground in certain holdings with higher sensitivity to the reopening trade, notably a U.S. airline. We viewed this primarily as a function of the larger market rotation rather than any deterioration in the fundamentals of the underlying companies. Within health care, the Fund’s holdings in a biotech and a diagnostics and research company also weighed on Fund performance during the period.

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Convertibles experienced a quieter year in 2021 following their outsized returns of 2019 and 2020, but we view this as a constructive development since it has helped bring the market's equity sensitivity back to what we view to be more typical levels. In addition, the weak recent performance of new issues may lead to lower issuance in the months ahead—an outcome that would result in a more favorable supply-and-demand balance in the market. We also see the downturn in higher growth companies as being a potentially healthy development, as it has taken some froth out of the market. Not least, we are encouraged by the increased representation of consumer and industrial issues in the convertibles market. We think this provides some balance for the information technology and health care securities that have typically had heavy weighting in the category. We believe these trends form a stronger foundation for the market and create increasingly fertile ground for bottom-up security selection.

The net asset value of the Fund was \$38.6 million as at December 31, 2021.

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Related Party Transactions

MANAGEMENT FEES

The Fund pays a management fee to the Manager at an annual rate of 2.25% for Series A units, 1.75% for Series D and Series F units, 1.65% for Series PF, 1.55% for Series QF units and as negotiated by the unitholders for Series I. The management fee is calculated and accrued daily and is paid monthly based on the daily net asset value of that series of the Fund. For the period since its inception to December 31, 2021, the Fund incurred management fees (including taxes) of \$668,269. The breakdown of the services received in consideration of the management fees, as a percentage of management fees, is as follows:

	Portfolio Advisory	Trailing Commissions
Ninepoint Convertible Securities Fund – Series A	77%	23%
Ninepoint Convertible Securities Fund – Series D	100%	-
Ninepoint Convertible Securities Fund – Series F	100%	-
Ninepoint Convertible Securities Fund – Series QF	100%	-

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$9,117 during the period since its inception to December 31, 2021, to Sightline Wealth Management, an affiliate of the manager.

INCENTIVE FEES

The Fund also pays the Manager an annual incentive fee, equal to a percentage of the average net asset value of the applicable Series of the Fund. Such percentage will be equal to 20% of the difference by which the return in net asset value per unit of the applicable Series from January 1 to December 31 exceeds the percentage return of the ICE BofA US Convertibles Index in Canadian dollar terms (or any successor index to such index) for the same period. If the performance of a Series of the Fund in any year is less than the performance of the Index (the “Deficiency”), then no incentive fee will be payable until the performance of the applicable Series, on a cumulative basis, has exceeded the amount of the Deficiency. For the period since its inception to December 31, 2021, the Fund did not accrue incentive fees.

OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, filing and administrative expenses as well as shareholder reporting costs. The Manager pays certain of these expenses on behalf of the Fund and then is reimbursed by the Fund. At its sole discretion, the Manager may waive or absorb a portion of the operating expenses of the Fund. Amounts waived or absorbed by the Manager are reported in the Statements of Comprehensive Income. Waivers or absorptions can be terminated at any time without notice. For the period since its inception to December 31, 2021, the Manager did not absorb expenses.

OTHER RELATED PARTY TRANSACTIONS

The Fund relied on the approval, positive recommendation or standing instruction from the Fund’s Independent Review Committee with respect to any related party transactions.

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Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period since its inception to December 31, 2021, unless otherwise indicated.

The Fund's Net Assets per Unit¹

	Dec 31, 2021 ⁴
Series A	\$
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.10
Total expenses	(0.23)
Realized gains (losses) for the period	(0.10)
Unrealized gains (losses) for the period	0.31
Total increase (decrease) from operations²	0.08
Distributions:	
Total annual distributions³	-
Net assets, end of period	10.08

	Dec 31, 2021 ⁴
Series D	\$
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.10
Total expenses	(0.19)
Realized gains (losses) for the period	(0.11)
Unrealized gains (losses) for the period	0.31
Total increase (decrease) from operations²	0.11
Distributions:	
Total annual distributions³	-
Net assets, end of period	10.14

	Dec 31, 2021 ⁴
Series F	\$
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.10
Total expenses	(0.19)
Realized gains (losses) for the period	(0.02)
Unrealized gains (losses) for the period	0.37
Total increase (decrease) from operations²	0.26
Distributions:	
Total annual distributions³	-
Net assets, end of period	10.11

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	Dec 31, 2021⁴
Series QF	\$
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.10
Total expenses	(0.17)
Realized gains (losses) for the period	(0.07)
Unrealized gains (losses) for the period	0.28
Total increase (decrease) from operations²	0.14
Distributions:	
Total annual distributions³	–
Net assets, end of period	10.14

1 This information is derived from the Fund's audited annual financial statements.

2 The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. Net asset and distributions are based on the actual number of units outstanding at the relevant time. This table is not intended to be a reconciliation of the beginning to ending net assets per unit.

3 Distributions were reinvested in additional units of the Fund.

4 Information provided is for the period from March 16, 2021 for Series F (launch date), March 20, 2021 (first issuance) for Series A and Series D and March 24, 2021 (first issuance) for Series QF, to December 31, 2021.

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Ratios and Supplemental Data

	Dec 31, 2021
Series A	
Total net asset value (000's) ¹	\$19,751
Number of Units outstanding ¹	1,959,001
Management expense ratio ²	2.84%
Trading expense ratio ³	0.00%
Portfolio turnover rate ⁴	69.31%
Net asset value per Unit ¹	\$10.08

	Dec 31, 2021
Series D	
Total net asset value (000's) ¹	\$51
Number of Units outstanding ¹	5,071
Management expense ratio ²	2.31%
Trading expense ratio ³	0.00%
Portfolio turnover rate ⁴	69.31%
Net asset value per Unit ¹	\$10.14

	Dec 31, 2021
Series F	
Total net asset value (000's) ¹	\$5,643
Number of Units outstanding ¹	558,153
Management expense ratio ²	2.29%
Trading expense ratio ³	0.00%
Portfolio turnover rate ⁴	69.31%
Net asset value per Unit ¹	\$10.11

	Dec 31, 2021
Series QF	
Total net asset value (000's) ¹	\$13,179
Number of Units outstanding ¹	1,300,168
Management expense ratio ²	2.11%
Trading expense ratio ³	0.00%
Portfolio turnover rate ⁴	69.31%
Net asset value per Unit ¹	\$10.14

1 This information is provided as at December 31, 2021.

2 Management expense ratio ("MER") is based on total expenses (including incentive fees, if any; excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The Manager may waive or absorb a portion of the operating expenses of the Fund. Waivers and absorption can be terminated at any time.

3 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

Past Performance

In accordance with National Instrument 81-106, Investment Fund Continuous Disclosure, “PAST PERFORMANCE” disclosure consisting of “Year-by-Year Returns” and “Annual Compound Returns” are not required as the Fund has been a reporting issuer for less than a year.

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Summary of Investment Portfolio

As at December 31, 2021

Portfolio Allocation

	% of Net Asset Value
Long Positions	
Convertible Bonds	75.7
Convertible Preferred Equities	17.6
Equities	4.5
Total Long Positions	97.8
Cash	1.9
Other Net Assets	0.3
Total Net Asset Value	100.0

Portfolio Allocation by Geographic Region

	% of Net Asset Value
United States	91.8
Canada	2.7
Ireland	1.6
Countries less than 1%	1.7
Total Positions	97.8
Cash	1.9
Other Net Assets	0.3
Total Net Asset Value	100.0

Top 25 Long Positions

Issuer	% of Net Asset Value
NextEra Energy Inc., Preferred Shares, 6.219%	2.7
Broadcom Inc.	2.6
Palo Alto Networks Inc., 0.375%, Jun 1, 2025	2.5
Danaher Corporation, Series A, Preferred Shares, 4.750%	2.2
Cash	1.9
Royal Caribbean Cruises Limited, 4.250%, Jun 15, 2023	1.7
Square Inc., 0.250%, Nov 1, 2027	1.4
Dexcom Inc., 0.250%, Nov 15, 2025	1.4
Etsy Inc., 0.250%, Jun 15, 2028	1.4
Akamai Technologies Inc., 0.375%, Sep 1, 2027	1.3
Live Nation Entertainment Inc., 2.500%, Mar 15, 2023	1.2
Okta Inc., 0.375%, Jun 15, 2026	1.2
Match Group Financeco 3 Inc., 2.000%, Jan 15, 2030	1.2
Ford Motor Company, 0.000%, Mar 15, 2026	1.1
Insmed Inc., Callable, 0.750%, Jun 1, 2028	1.1
Snap Inc., 0.750%, Aug 1, 2026	1.1
Zillow Group Inc., 2.750%, May 15, 2025	1.1
NiSource Inc., Preferred Shares, 7.750%	1.0
NCL Corporation Limited, 5.375%, Aug 1, 2025	1.0
Lumentum Holdings Inc., 0.500%, Dec 15, 2026	1.0
Shift4 Payments Inc., 0.500%, Aug 1, 2027	1.0
Avalara Inc., 0.250%, Aug 1, 2026	1.0
DTE Energy Company, Preferred Shares, 6.250%	1.0
Southwest Airlines Company, 1.250%, May 1, 2025	1.0
<u>Liberty Broadband Corporation, Callable, 2.750%, Sep 30, 2050</u>	<u>1.0</u>
Top 25 long positions as a percentage of Net Asset Value	35.1

The Fund held no short positions as at December 31, 2021.

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available on the Internet at www.ninepoint.com.

Corporate Information

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