



Ninepoint Bitcoin ETF

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 Bitcoin ETF (the “Fund”) is to seek to provide exposure to digital currency bitcoin (“Bitcoin”) through an institutional-quality platform that is cost-efficient to investors and to provide a secure, simpler and exchange-traded investment alternative for buying and holding Bitcoin. To achieve the Fund’s investment objective, the Fund invests directly in Bitcoin while using high quality service providers, including digital asset trading counterparties, trading platforms and custodians, and independent auditors, legal and valuation agents, in order to manage the assets of the Fund. By having in-house expertise, the Manager offers a cost-efficient structure to investors for ongoing management fees. The Fund invests in Bitcoin on a passive basis, and does not speculate with regard to changes in Bitcoin prices and sales of Bitcoin will generally only be undertaken by the Fund as required to fund expenses and redemptions. The Fund provides investors with the ability to invest in Bitcoin without the inconvenience and additional transaction and storage costs associated with a direct investment in Bitcoin. The Fund purchases Bitcoin through established, regulated platforms as well as in the over-the-counter (“OTC”) market using regulated counterparties. The Manager has undertaken and will undertake due diligence to ensure that all counterparties and vendors adhere to anti-money laundering rules and requirements. Generally, the Fund does not intend to borrow money or employ other forms of leverage to acquire Bitcoin for its portfolio but may borrow money on a temporary short-term basis to acquire Bitcoin in connection with a subscription for Units by a dealer. Any borrowing by Ninepoint Bitcoin ETF will be made in accordance with the borrowing restrictions applicable to an alternative mutual fund under NI 81-102.

Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus. This Fund is suitable for those investors seeking exposure to Bitcoin. This Fund is suitable for investors with a high tolerance for risk and have a medium-term investment horizon.

Recent Developments

The Fund had its initial public offering (“IPO”) on January 27, 2021 and commenced trading on the Toronto Stock Exchange under the tickers BITC.U and BITC in U.S. dollars and Canadian dollars, respectively. Gross proceeds raised from the IPO were \$179,904,910 (USD). On May 6, 2021, the Fund converted to an exchange-traded fund and began trading under the tickers BITC.U and BITC in U.S. dollars and Canadian dollars, respectively.

Results of Operations

The year of 2021 was eventful for Bitcoin and other digital assets. Bitcoin hit an all-time high of approximately US \$69,000 and closed the year with an approximate \$876 billion market cap¹. With a 60% return for the year, Bitcoin outperformed oil (+55%), the S&P500 (+29%), the NASDAQ +28%), gold (-4%) and most other asset classes².

Since the Fund passively invests in Bitcoin, there were no factors unique to Ninepoint that led to our performance. The Ninepoint Bitcoin ETF did its job and tracked the price of Bitcoin. The Ninepoint Bitcoin ETF provides investors with a cost-effective, simple and secure way to get price exposure to Bitcoin.

Beyond Bitcoin, we saw strong growth in the digital asset sector. M&A transactions for digital assets surged by 730% in 2021³. Venture capital funding topped \$25B with more than 1,700 total deals⁴. Stablecoin supply levels grew by 388% to over \$140B as annual stablecoin adjusted transaction volume crossed US \$5 trillion⁵. Bitcoin and Ethereum futures surpassed \$32T in trading volume, a 338% jump from 2020⁶. Global crypto adoption, led by Vietnam, India, Pakistan, Ukraine, and Kenya, rose by 881% in 2021⁷.

However, this rosy snapshot does not entirely capture the volatility that Bitcoin and digital assets more broadly endured. Bitcoin started 2021 at approximately \$29,000 and ended the year at approximately \$47,000. In between it reached highs over \$60,000 twice. In the summer of 2021 Bitcoin suffered from several negative catalysts. First, Elon Musk, after embracing Bitcoin, walked back his enthusiasm, and pointed out Bitcoin uses a large amount of energy. Ninepoint Partners, as manager of the Fund, understands some investors are concerned about this and took steps to make our Bitcoin ETF carbon neutral by offsetting 100% of the carbon footprint using carbon offset services. In addition, the summer of 2021 saw China more forcefully curtail Bitcoin mining in the country. As a result, we saw miners moving out of China with a drop in the hash rate (i.e. the computing power needed to secure the network). The fear, uncertainty and doubt of these various negative catalysts caused Bitcoin to suffer.

However, Bitcoin once again proved resilient and managed to exceed its 2021 highs in the fall, eventually reaching \$67,000. By this time, inflation fears had whipped investors into a frenzy and many saw Bitcoin as a potential currency hedge, given it is not issued or controlled by any government and has similar properties to gold. However, the higher-than-expected inflation numbers had the opposite effect. Worried that the Federal Reserve and other central banks would hasten interest rate hikes, investors rotated out of so-called ‘risk assets’ and Bitcoin suffered as a result. In our view, Bitcoin long term will act more like an uncorrelated store of value but sometimes it does move in step with other assets, such as equities. This was one of those instances.

Volatility has been the norm historically in digital assets. As an emerging asset class, it’s in a constant state of price discovery. Through their history, digital assets have become accustomed to and therefore resilient to volatility. Even though Bitcoin has been declared ‘dead’ in the mainstream media more than 400 times⁸, it keeps coming back. Indeed, with each market cycle Bitcoin has returned to hit a new high in price and total market capitalization. If, as Nassim Taleb says “Fragility is the quality of things that are vulnerable to volatility,” than digital assets are most certainly Anti-fragile. In the short term there are many things that can cause Bitcoin to go up or down. In our view, if you focus on the long-term value proposition of digital assets, you’ll see the future remains bright and as a result we are very constructive on Bitcoin and digital assets more broadly.

The net asset value of the Fund was \$56.2 million as at December 31, 2021.

¹ CoinMarketCap

² Facset, HFR, and Goldman Sachs Investment Research

³ The Block: 2022 Digital Asset Outlook Report

⁴ The Block: 2022 Digital Asset Outlook Report

⁵ The Block: 2022 Digital Asset Outlook Report

⁶ CoinGlass

⁷ Chainalysis: The 2021 Global Crypto Adoption Index Report

⁸ <https://99bitcoins.com/bitcoin-obituaries/>

Related Party Transactions

MANAGEMENT FEES

The Fund pays a management fee to the Manager at an annual rate of 0.70%. The management fee is calculated and accrued daily and is paid monthly based on the daily net asset value of the Fund. For the period ended December 31, 2021, the Fund incurred management fees (including taxes) of \$1,092,617. 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 Bitcoin ETF	100%	0%

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 ended December 31, 2021, the Manager absorbed \$143,274 of 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.

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 ended December 31, 2021, unless otherwise indicated.

The Fund's Net Assets per Unit¹

	Dec 31, 2021⁵
	\$
Net assets, beginning of period²	9.55
Increase (decrease) from operations:	
Total revenue	0.00
Total expenses	(0.24)
Realized gains (losses)	7.76
Unrealized gains (losses)	1.75
Total increase (decrease) from operations³	9.27
Distributions:	
Total annual distributions⁴	—
Net assets, end of period	13.71

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

2 Net assets per unit were initial offering of \$10.00 per unit less agents' fees and issue costs of \$0.45 per unit. Agents' fee and issue expenses of the Offering were recorded as a reduction in partners' capital.

3 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.

4 Distributions were reinvested in additional units of the Fund.

5 Information provided is for the period from January 27, 2021 (launch date) to December 31, 2021.

Ninepoint Bitcoin ETF

December 31, 2021

Ratios and Supplemental Data

	Dec 31, 2021
Total net asset value (000's) ¹	\$56,214
Number of Units outstanding ¹	4,098,866
Management expense ratio ²	1.45%
Management expense ratio before waivers or absorptions ²	1.58%
Trading expense ratio ³	0.00%
Portfolio turnover rate ⁴	118.63%
Net asset value per Unit ¹	\$13.71
Closing Market Price	\$13.67
Closing Market Price (CAD)	\$17.27

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” is not required as the Fund has been a reporting issuer for less than a year.

Summary of Investment Portfolio

As at December 31, 2021

Portfolio Allocation

	% of Net Asset Value
Bitcoin	99.6
Cash	0.4
Other Net Assets	0.0
Total Net Asset Value	100.0

All Long Positions

Issuer	% of Net Asset Value
Bitcoin	99.6
Cash	0.4
All long positions as a percentage of Net Asset Value	100.0

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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