



Ninepoint Energy Fund Market View

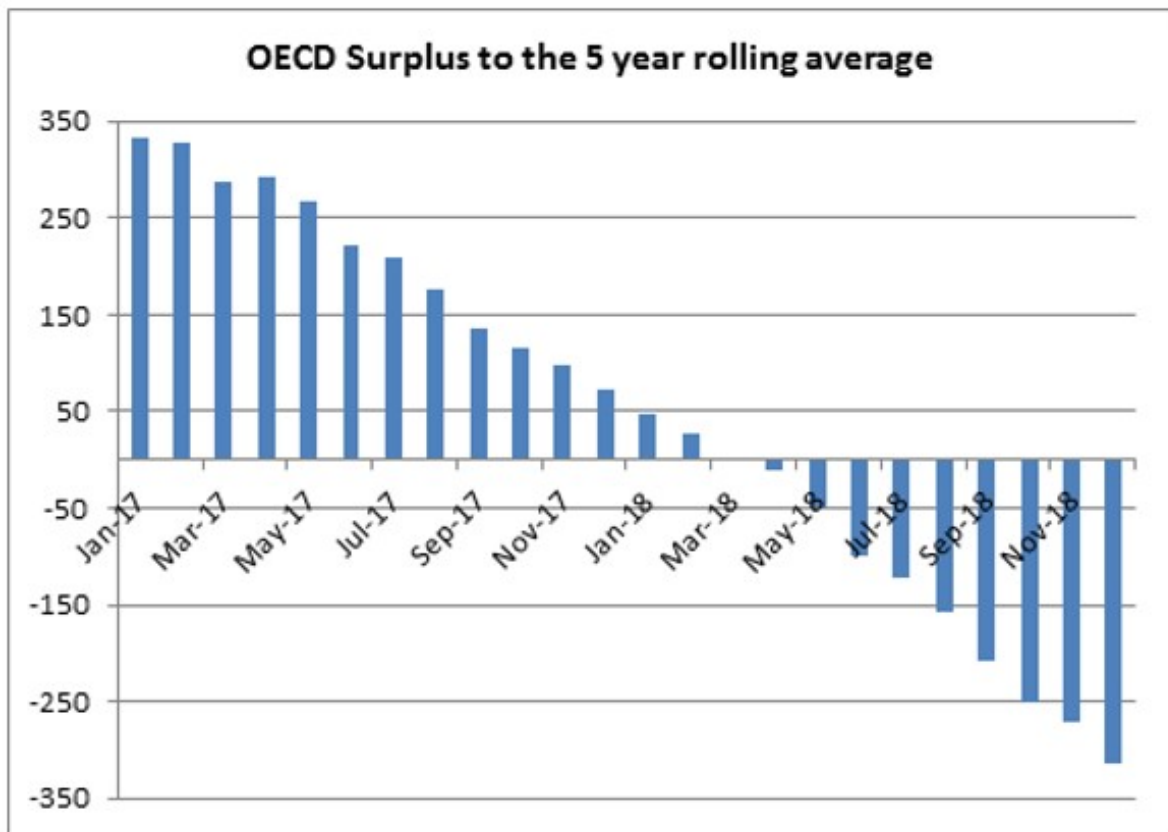
May 25 2018

Oil is down 2% this morning on headlines that OPEC production could be increased in the 2H of 2018 (to be formalized at the next OPEC meeting on June 22nd). Is this surprising? Not entirely. The production cut put into place in 2016 has been extremely effective at eliminating the 300MM bbl oil glut as of March of this year (fastest decline in inventory levels in history) and as a result the price of oil (Brent) has rallied to a recent high of \$80/bbl (still below Saudi Arabia's \$85/bbl fiscal break-even level). Is this the end of the oil rally?

Investment Team



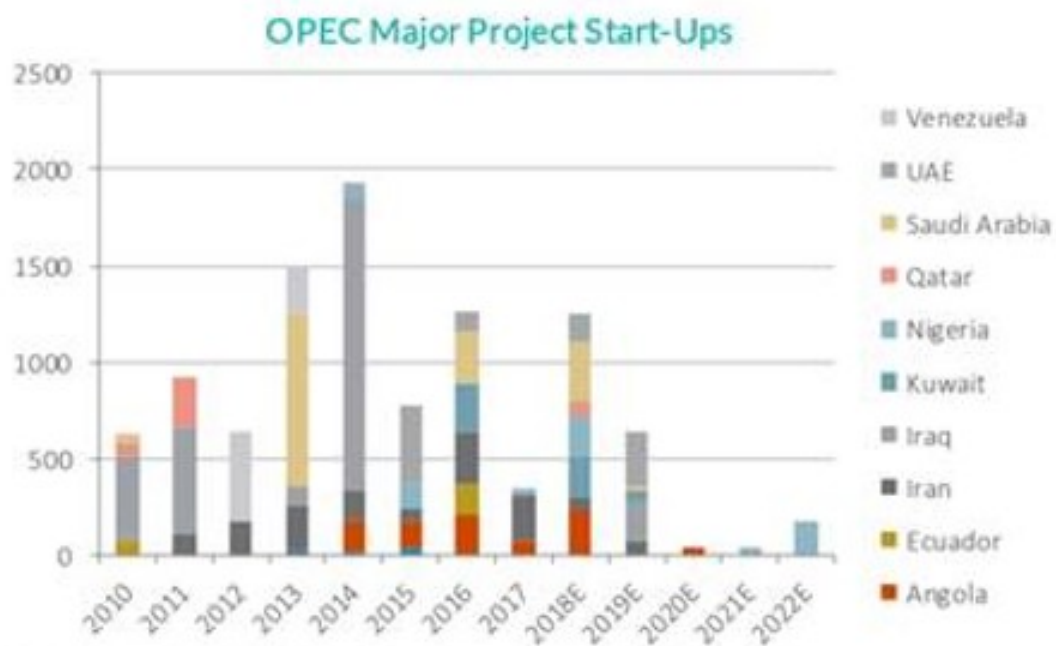
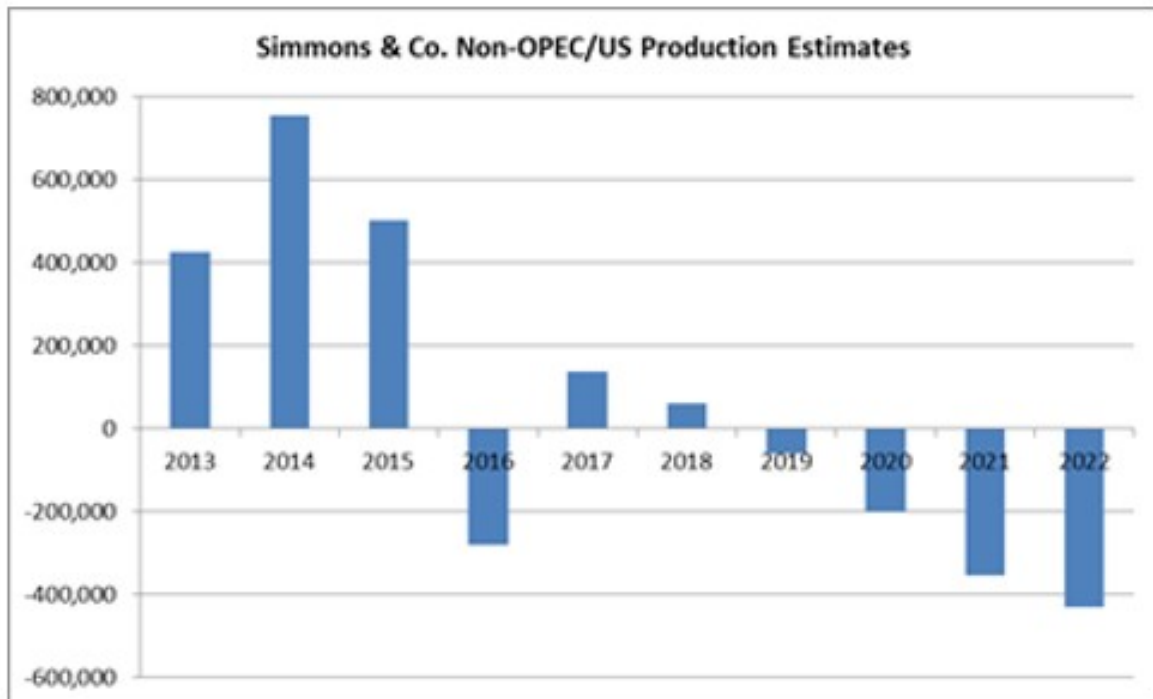
Eric Nuttall, CIM
Partner, Senior Portfolio
Manager



Source: Ninepoint Partners

We have written extensively about why oil is in a multi-year bull market (<http://www.ninepoint.com/commentary/commentaries/042018/energy-strategy-042018/>). The basic tenants to this thesis are: 1) US production growth is constrained by pipeline capacity in the Permian in 2019 and spending restraint due to a prioritization of shareholder return of capital 2) continued strong demand growth 3) non-OPEC/US production that is about to go into a multi-year decline beginning in 2019 due to a lack of investment on long-lead projects during the oil bear

market and 4) OPEC, post bringing on their shut-in production, lacks any spare capacity and has the inability to grow by more than ~ 0.1MM Bbl/d per year until 2023 due to a lack of spending on future projects (they were forced during the oil downturn to sacrifice oil industry investment in lieu of social spending lest they risk revolution).



Source: Simmons, May 21, 2018

Source: Simmons, May 21, 2018

We believe that OPEC (ie. Saudi) is worried about significantly over tightening the market this year due to the ongoing implosion in Venezuelan production and impending Iranian export restrictions. These amount to 0.7MM Bbl/d of losses from Venezuela and a 0.2-1.0MM Bbl/d impending reduction

from Iran. Even without these two politically-induced production reductions we had estimated that OECD inventories would hit a 10 year low and that the market would be undersupplied by 1.1MM Bbl/d by the end of 2018. If the headlines prove to be accurate and OPEC brings on 0.3-0.8MM Bbl/d gradually to offset the Venezuelan/Iranian production loss the market will still remain undersupplied. Further, this will expedite the exhaustion of OPEC's spare capacity which we believe to only be 0.6-1MM Bbl/d.

<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
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			

The narrative of ongoing inventory drawdowns is unchanged by OPEC increasing production this year (we had estimated that the full 1.2MM Bbl/d of supposed productive capacity would come online fully in 2019). Our call for \$80/bbl oil in 2019 and the likelihood of \$100/bbl oil in 2020 stands. OPEC/Russia will not do anything stupid to have the price of oil collapse after enduring the worst sell off in the history of oil over the past several years. Weakness in energy equities should (and we think will) be bought. From current levels we estimate 41% Fund upside using \$70/bbl and 86% upside using \$80/bbl (and these number will likely increase today). We remain in a multi-year bull market for oil.

Eric

- *FALIH: LIKELY TO BE A GRADUAL OIL SUPPLY BOOST IN SECOND HALF**
- *FALIH: SMOOTH RELEASE IS NEEDED TO AVOID SHOCKING THE MARKET**
- *FALIH: LIFTING OIL SUPPLY WILL BE A GRADUAL PROCESS**
- *FALIH: 'WE WILL DO WHAT IS NECESSARY IN JUNE' OPEC MEETING**
- *AL-FALIH: LOOKING AT VARIOUS SCENARIOS FOR BOOSTING SUPPLY**
- *FALIH: ANXIETY LEVEL OF CONSUMERS NOW 'IS A CONCERN TO US'**
- *AL-FALIH: WE WILL BE CONSULTING ALL COUNTRIES IN NEXT WEEK**

Source: Bloomberg

OPEC Monthly Production (MBpd)														
	Algeria	Angola	Ecuador	Iran	Iraq	Kuwait	Qatar	Saudi Arabia	U.A.E	Venezuela	OPEC Production ex. Libya and Nigeria	MOM Difference	Libya	Nigeria
Apr-18	990	1,500	520	3,750	4,430	2,700	610	9,900	2,860	1,550	28,810	-63	990	1,810
Mar-18	1,000	1,570	513	3,810	4,430	2,700	610	9,870	2,860	1,510	28,873	-150	990	1,850
Feb-18	1,040	1,600	513	3,830	4,430	2,700	620	9,880	2,800	1,610	29,023	-220	1,050	1,800
Jan-18	1,020	1,620	513	3,830	4,430	2,710	600	9,960	2,850	1,710	29,243	-107	980	1,800
Dec-17	1,030	1,640	520	3,800	4,420	2,690	610	9,950	2,880	1,810	29,350	-40	970	1,820
Nov-17	1,010	1,610	520	3,820	4,390	2,700	600	9,970	2,910	1,860	29,390	-130	1,000	1,750
Oct-17	1,020	1,710	530	3,810	4,350	2,750	570	10,010	2,910	1,860	29,520	-230	980	1,750
Sep-17	1,040	1,640	540	3,830	4,470	2,720	610	10,000	2,930	1,970	29,750	10	920	1,770
Aug-17	1,060	1,660	530	3,790	4,490	2,710	610	10,000	2,920	1,970	29,740	-40	890	1,750
Jul-17	1,060	1,680	530	3,790	4,500	2,700	610	10,030	2,910	1,970	29,780	60	1,010	1,710
Jun-17	1,060	1,670	530	3,760	4,480	2,710	620	10,020	2,900	1,970	29,720	240	840	1,750
May-17	1,040	1,630	530	3,760	4,420	2,710	620	9,930	2,860	1,980	29,480	-85	760	1,700
Apr-17	1,040	1,660	530	3,760	4,410	2,700	615	9,950	2,900	1,980	29,545	(40)	550	1,600
Mar-17	1,040	1,630	530	3,785	4,430	2,705	610	9,940	2,915	2,000	29,585	(150)	620	1,550
Feb-17	1,040	1,690	535	3,780	4,440	2,710	620	9,940	2,950	2,030	29,735	30	700	1,680
Jan-17	1,040	1,670	530	3,800	4,490	2,710	615	9,870	2,950	2,030	29,705	(1,095)	690	1,640
Dec-16	1,110	1,670	550	3,730	4,630	2,860	620	10,480	3,070	2,080	30,800	(170)	630	1,500
Nov-16	1,120	1,690	550	3,750	4,620	2,910	620	10,530	3,080	2,120	30,970	60	580	1,850
Oct-16	1,130	1,520	560	3,660	4,590	2,960	620	10,580	3,130	2,140	30,910	(150)	520	1,600
Sep-16	1,110	1,730	560	3,630	4,540	2,940	640	10,600	3,110	2,200	31,060	80	340	1,500
Aug-16	1,110	1,770	550	3,620	4,480	2,930	660	10,640	3,030	2,190	30,980	240	260	1,390
Jul-16	1,080	1,760	550	3,560	4,410	2,860	660	10,660	3,000	2,200	30,740	280	300	1,570
Jun-16	1,080	1,750	550	3,530	4,350	2,900	660	10,470	2,920	2,250	30,460	400	320	1,590
May-16	1,090	1,740	550	3,500	4,370	2,830	650	10,260	2,860	2,210	30,060	(10)	280	1,440
Apr-16	1,100	1,800	560	3,500	4,420	2,770	670	10,200	2,800	2,250	30,070	509	310	1,610
Mar-16	1,100	1,780	551	3,200	4,150	2,860	650	10,190	2,760	2,320	29,561	(52)	330	1,720
Feb-16	1,110	1,801	551	3,100	4,200	2,850	650	10,200	2,820	2,331	29,613	(128)	370	1,889
Jan-16	1,100	1,751	534	2,860	4,510	2,860	650	10,200	2,930	2,346	29,741		370	2,028
Avg. of first 6 months of 2016	1,097	1,770	549	3,282	4,333	2,845	655	10,253	2,848	2,285	29,918		330	1,713
First 6 month avg vs. peak month	13	(40)	11	348	207	95	(15)	347	262	(85)	1,143		10	(213)
Diff. now vs. peak month	(120)	(230)	(40)	120	(110)	(240)	(30)	(700)	(250)	(650)	(2,250)		650	350

Source: Bloomberg

COMPOUNDED RETURNS (%) AS AT APRIL 30, 2018

	1MTH	YTD	3MTH	6MTH	1YR	3YR	5YR	10YR	ANNUALIZED INCEPTION
Ninepoint Energy Fund, Series F ¹	13.5	-0.1	4.4	4.8	-6.0	-11.7	-0.6	-5.9	3.5
Ninepoint Energy Opportunities Trust	14.6	1.4	5.8	5.9	-7.1	-	-	-	-27.9
S&P/TSX Capped Energy TR	12.3	3.9	8.3	4.2	4.1	-3.1	-1.4	-3.8	3.8 [†]

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 April 30, 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 April 30, 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.

The opinions, estimates and projections (“information”) contained within this report are solely those of Ninepoint Partners LP and are subject to change without notice. Ninepoint Partners makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, Ninepoint Partners assumes no responsibility for any losses or damages, whether direct or indirect, which arise out of the use of this information. Ninepoint Partners is not under any obligation to update or keep current the information contained herein. The information should not be regarded by recipients as a substitute for the exercise of their own judgment. Please contact your own personal advisor on your particular circumstances. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any investment funds managed by Ninepoint Partners. Any reference to a particular company is for illustrative purposes only and should not to be considered as investment advice or a recommendation to buy or sell nor should it be considered as an indication of how the portfolio of any investment fund managed by Ninepoint Partners is or will be invested. Ninepoint Partners LP and/or its affiliates may collectively beneficially own/control 1% or more of any class of the equity securities of the issuers mentioned in this report. Ninepoint Partners LP and/or its affiliates may hold short position in any class of the equity securities of the issuers mentioned in this report. During the preceding 12 months, Ninepoint Partners LP and/or its affiliates may have received remuneration other than normal course investment advisory or trade execution services from the issuers mentioned in this report.

Ninepoint Partners LP: Toll Free: 1.866.299.9906. DEALER SERVICES: CIBC Mellon GSSC Record Keeping Services:
Toll Free: 1.877.358.0540