Ninepoint Alternative Health Fund

December 2022 Commentary

Introduction

In this month's commentary, we present our outlook for the **Ninepoint Alternative Health Fund**. 2022 was a challenging year for most sectors, however a stand out for stability and continued strength was the healthcare sector which significantly outperformed the broader market. We continue to allocate significant capital to the healthcare space. The US cannabis sector was hampered by regulatory disappointments that contributed to equity market weakness even though the leading companies in the space generate significant cash flows and have strong balance sheets. The negative market reaction to the lack of US federal legislative changes offers an opportunity for long-term growth as many of the names have been beaten down and warrant attention.

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2022 Outperformance of SP Healthcare vs SP500

Source: Refinitiv

The Canadian cannabis sector continues to suffer from previous over building and over regulation, in addition to saturation at the dispensary level. As a result, we were underweight in Canada in 2022 and remain cautious for 2023 though we do see some opportunities, particularly in the options market.

As mentioned above, in 2023 we believe that our allocation to healthcare will be a leading area for growth and stability during this time of weaker equity markets and increased volatility. Demand fundamentals are strong, the sector is in many ways recession proof, and given the split on Congress, the threat of increased regulatory mandates has dissipated. In addition, as the world continues to adopt pro-active strategies for personal health, daily regimens involving vitamins and supplements and healthy alternatives continue to grow, leading to stronger returns in the Fund from our health and wellness names.

US Cannabis Outlook

2022 was a year where US cannabis companies felt the effects of being capital constrained with equity markets ignoring cash flow and demand strength while waiting for long-awaited US legislative changes designed to enhance banking and capital markets access for US multi-state operators (MSO's). As equity market participants were indiscriminate in selling all US names, **we continue to strongly believe that not all cannabis companies are created equal**. The Fund's performance stands out relative to other cannabis focused funds and ETF's as our approach is to be selective favouring those stronger operators that have solid execution and maintain strong margins. In addition, further differentiating certain MSO's is the leadership incumbents have in limited license states; ones that have strong balance sheets; have a lower cost of capital, that can therefor withstand price competition from weaker operators attempting to buy market share.

We witnessed once again Congress' failure to enact SAFE Banking provisions for US cannabis's companies, this last time during the lame duck session. However **SAFE is not the ultimate catalyst or reason why we continue to invest in the US cannabis sector**. Our team believes in **our multi-year view that state-level transitions from medical to recreational use has expanded the legal cannabis market significantly**, with those MSO's with strong execution consolidating market share and generating stronger cash flows and profitability similar to well known consumer packaged goods (CPG) companies such as Proctor & Gamble (PG) General Mills (GIS) Colgate-Palmolive (CL) . It must be remembered that over the last decade when this industry launched with CO announcing the first recreational state market, the US Congress has never been considered helpful. The failure of Congress allows the Dept of Justice (DOJ) to get involved, under Federal system, if there is a vacuum at the federal level and State regulates, then courts could support nullification of federal authority.

An additional lever that assists certain MSO's is the ability to utilize their own retail dispensary networks to combat inflationary headwinds that would otherwise have a more pronounced effect on margins. Verticalization, allocating more of your SKU's to your own retail dispensaries, reducing the reliance on the wholesale market results in some MSO's being able to maintain higher operating margins, while promoting unique products and brands inside a retail network. Those MSO's that have built strong retail networks should be able to generate stronger margins rather than those that have a large number of states with minimal operations or limited retail distribution.

A further differentiator in the US cannabis landscape is that certain companies have refinanced debt at more affordable rates and are coming to the end of multi-year capital expenditure programs. Over the last 2 years, many MSO's built out cultivation, retail dispensaries, made acquisitions and integrated operations. Those programs have come to a pause resulting in certain MSO's having significantly higher operating cash flow margins in 2023.

This is not to say that there will not be bad news in 2023, however the bad news will be focused amongst those less capitalized MSO's suffering from inflationary headwinds. In this market, well capitalized leaders will benefit from tuck in acquisitions or simply a reduction in competition. The consolidation will act as a self-correcting mechanism as those that survive will be able to take market share.

Upside Catalysts for US Cannabis

It is important to consider potential upside catalysts as equity markets have mispriced the US cannabis sector. Of the number of states which have legalized recreational cannabis, currently, 50% of U.S. adults live in such a state that has passed legalization measures. And that number is poised to grow over the next 2 years as additional states legalize adult use of cannabis. By the end of 2024, we estimate that 60% of adults in the U.S. will live in rec legal jurisdictions.

In addition to the growing state by state market that is poised to reach $26 billion in legal sales by the end of 2022, the demand for cannabis products continues to outpace alcohol consumption patterns. There is still strong unit volume growth (despite recessionary fears) of 12% YoY across the US. **Over the last five years, legal cannabis sales have grown at a 46% compound annual growth rate (CAGR) over while alcohol sales have grown at a 5% CAGR (through 2022).** We continue to see this growing demand leading to further

pressure on legislators to further relax federal laws as well as change the stigma attached to cannabis usage. Yes, inflation headwinds have an impact on consumers however efficient operators are able to produce value brands within their dispensary networks that cushion margin pressures.
In addition, it must be emphasized that cannabis is similar to alcohol with a significant amount of demand inelasticity, especially in recessionary periods.

President Biden's Cannabis Executive Orders

In the October commentary, we discussed in detail the Oct 6th announcement from President Biden, outlining his desire to move expeditiously to re-schedule cannabis within the **Controlled Substances Act (CSA)**. On that afternoon and over subsequent trading days, stocks rallied. We remind investors that this transition is likely to be accomplished within the next 18 months as the Biden administration attempts to bring legislative change prior to the next election cycle. We provide a note on what the implications of Re-scheduling are for the cannabis industry.

The President has directed Health & Human Services Secretary Becerra and Attorney General Garland to initiate a review of how marijuana is scheduled under federal law. Currently, marijuana is a Schedule I controlled substance, at the same level as heroin and at a higher level than fentanyl. ***We believe this announcement is an important development for US cannabis and could snowball into multiple industry tailwinds***. The President's proposal opens the door for marijuana to be re-scheduled to a less restrictive classification, which we believe could be a significant catalyst. Re-scheduling gets cannabis unlocked from a funding standpoint; it becomes accessible for universities and labs to do research and removes a federal prohibition on foundations and other large institutions to support said research.

Controlled Substances Act Listing

Schedule	Definitions	Examples
Schedule I	High abuse potential with no accepted medical use; medications within this schedule may not be prescribed, dispensed, or administered	Heroin, marijuana, ecstasy, gamma hydroxybutyric acid (GHB)
Schedule II	High abuse potential with severe psychological or physical dependence; however, these medications have an accepted medical use and may be prescribed, dispensed, or administered	Morphine, codeine, hydrocodone, hydromorphone, methadone, oxycodone, fentanyl, methylphenidate, pentobarbital
Schedule III	Intermediate abuse potential (ie, less than Schedule II but more than Schedule IV medications)	Hydrocodone/acetaminophen 5 mg/500 mg or 10 mg/650 mg; codeine in combination with acetaminophen, aspirin, or ibuprofen; anabolic steroids; ketamine
Schedule IV	Abuse potential less than Schedule II but more than Schedule V medications	Propoxyphene, butorphanol, pentazocine, alprazolam, clonazepam, diazepam, midazolam, phenobarbital, pemoline, sibutramine
Schedule V	Medications with the least potential for abuse among the controlled substances	*Robitussin AC*, *Phenergan* with codeine

Source: Recovery Research Institute, Business Insider, Federal Criminal Law Center

By requesting this review, ***the President has the ability to go around Congress*** with a request to federal agencies (HHS and DOJ) to consider the re-scheduling of cannabis. In this process, the Secretary of Health can unilaterally submit a petition for rescheduling to the Attorney General. After the AG and the Dept. of Justice review the application, it would be passed to the FDA to conduct its review. Those findings would become binding on the Justice Department's scheduling decision. Important in this calculus is that both Health & Human Services Secretary Becerra and Attorney General Garland played key roles in protecting California from federal interference while Jeff Sessions was US Attorney General.

As we have mentioned many times, despite the strong fundamentals, US cannabis equity multiples have been hampered by cannabis' Schedule I placement on the CSA which prevents listings on a US exchange in addition to creating challenges for Custodians to hold these securities. ***Once re-scheduling is complete, that would allow for a formal change to the U.S. Treasury's Financial Crimes Enforcement Network (FinCen)*** rules that has offered guidance on how to deal with marijuana related businesses **(MRBs)** based on the Cole Memo that was originally drafted during the Obama Administration in 2014. Changing FINCEN rules related to AML (anti-money laundering) would offer institutions, custodians and prime brokers the comfort needed to allow

trading in US cannabis equities which would unleash liquidity to the sector. Further, with FINCEN rule changes, banking services would be available to US MSO's that would include provisions for credit card payments as well as lower regulatory costs to do business with US plant-touching companies. ***Overall, re-scheduling is a significant opportunity that reduces cannabis' stigma; allows access to banking services for the industry; paves the way for US institutional investors to participate in the sector; allows for US listings to take place for US multi-state operators.***

There are two stages to consider when it comes to re-scheduling cannabis. Downgrading cannabis to a Schedule II drug would make cannabis equal to other medications offered through pharmacy networks, and would allow investment from US institutions while it would also allow further research. The most significant alternative would be to re-schedule cannabis to a Schedule III substance. The impact would be substantial from a cash flow perspective as the onerous levies related to IRS 280E taxation, which only applies to groups that deal with Schedule 1 & 2 controlled substances, would be removed thereby significantly increasing the operating cash flows for all US cannabis companies.

We caution investors that this is the beginning of a process that will take up to 2 years. We believe the important impacts of this announcement near term for the sector are **i)** it brings the debate and discussion over cannabis reform to the forefront in a Congress that has many other issues to consider **ii)** it serves as a reminder to investors that federal cannabis reform is inevitable, and the positive momentum generated will help relieve some of the capital constraints being faced by the industry as investor interest has waned **iii)** it may also provide some comfort to investors that the current administration has no appetite for strict enforcement of federal cannabis laws.

State Markets to Watch

There are many states that are opening new adult use markets. In the Northeast, we have CT, RI, NY and MD all set to introduce adult use sales in the coming months. The market openings are followed by MO also opening mid-year, growing the total addressable market (TAM) from an estimated $26.5 billion in 2022 to $45.3 billion by 2027. *(Source: Cowen 12-15-22)*

New York- as mentioned in our November commentary, had a selection of State models to use to structure their market, and they have taken a heavier handed approach towards legislation, with higher taxes and fees similar to what has been established in California. The unintended result is that the NY legalization approach will enhance the illicit market, hampering the legal market from being competitive, preventing significant growth. We believe that of the new state markets mentioned, MD is poised to be the early growth leader of the pack.

New Jersey- continues to ramp and has been a very strong market for those operators with licenses. Supply is still constrained, and dispensary openings have been limited by state and local officials putting those operators in an advantageous position relative to its neighbouring state operators in PA, NY. From Q2-Q3 adult-use sales in New Jersey were up >35% and should continue to grow on a sound trajectory.

Multi-State Operators (MSO's)

In the current environment, now that the Lame Duck session of Congress has passed on the opportunity to approve SAFE Banking, we caution investors not to throw the baby out with the bathwater. ***There are MSO's that are head and shoulders better operators, in stronger markets, generating stronger cash flows that should be considered for investment in 2023.*** We agree that there are headwinds for all consumer sectors in terms of inflationary pressures eating into wallets, however, there is demand inelasticity for cannabis. Further, within the sector, we see a separation of "Haves" vs "Have Nots" that are going to become evident in 2023. There are MSO's that have strong balance sheets, lower cost of capital and are at the end of a capital expenditure phase. Then there are those that are still laying out capital for cultivation expansion, raising capital in tougher markets, without a large dispensary network to generate strong margins. ***We believe that 2023 will be a year of consolidation, with weaker players not being able to continue without merging or being acquired at discounted valuations.***

We continue to favour MSO's such as Green Thumb Industries (GTI) to lead our Fund into 2023. The company has grown more organically than other larger MSOs, winning new state licenses rather than buying into major state markets. We contrast the organic growth and tuck in acquisition strategy of GTI compared to others that have relied on major acquisitions that have led to significant integration challenges. GTI is focussed on ROI and has a strong asset base with growth market exposure to NJ, MD and with the recent announcement involving Circle K co-locations in FL, the company will see the expansion of its footprint in FL, which is the third largest overall cannabis market in the US. In addition, its home state market of IL is poised to dramatically add dispensaries in 2023, with GTI one of the incumbents in the state that will benefit from increased wholesale business. Currently, GTI operates 17 manufacturing facilities, with 77 retail locations across 15 US state markets, and trades at an EV/EBITDA multiple (based on 2023 estimates) of 6.7X vs the CPG average company multiple of 15X.

Another top holding for the Fund is Trulieve Cannabis (TRUL), we believe TRUL is another MSO that is focussed on execution. Over 18 months ago, it closed the largest (at the time) acquisition in the cannabis sector, merging with Harvest Health and has distinguished itself by closing and integrating the Harvest dispensary network and related processing and cultivation facilities efficiently, with growing sales and EBITDA margins along the way. The company is well prepared to operate in the current environment with increased verticalization, and over 3 million sq ft. of cultivation across the US which enables the company to maintain and grow margins in key markets such as FL, AZ, and PA. We see continued growth for TRUL with its MD exposure and the opening of the GA medical market. An additional strength in TRUL's favour is that is at the end of a significant Cap Exp program and 2023 will see significant cash flow from operations given the reduced requirement for new facilities, or dispensaries. They are in a great position with a strong balance sheet and efficient operations with some of the industry's highest operating margins. Currently, TRUL operates in 11 states with a total of 176 dispensaries, manufacturing facilities operating over 3 million sq ft of cultivation, and trades at an EV/EBITDA multiple (based on 2023 estimates) of 4.2X.

Two additional MSO's that we believe continue to sit in the upper tier of operators include Verano Holdings (VRNO) and Terrascend (TER). With respect to VRNO, the company is a leader in NJ and is the 2nd largest dispensary operator in the large FL market. In addition, the company has gone through a significant acquisition period over the last two years and is now generating strong and stable margins. The company also efficiently operates in the growing medical market of OH and IL, it will benefit from the additional 185 dispensary openings to take place over the next year. The company has recently refinanced its term-debt, and is coming to the end of its capital expenditure program, and as a result, we see stronger cash flows in 2023. Currently, VRNO operates in 14 states with over 1 million sq ft of cultivation with 115 dispensaries, and trades at an EV/EBITDA multiple (based on 2023 estimates) of 4.2X.

TER is a levered player in PA, NJ and MI with the expansion taking place in the adult market of MD. The company is a leader in the NJ market, which has a significant growth opportunity, and combined with the exclusive that TER has with COOKIES (the most well-known cannabis brand in the world) in all three states, TER is able to grow its wholesale business at a time when MSO's are losing ground in the wholesale market due to increased verticalization. Cash flow strength is also a factor with TER as its MI GAGE integration is complete and should provide positive cash flow while improved premium flower out of its PA cultivation facility will also add margin strength. Finally, the company's balance sheet has been strengthened in the last 45 days as TER has successfully deleveraged while gaining a vote of confidence from Canopy Growth (WEED) and Constellation Brands (STZ) through their exercise of warrants at a strike price representing ~86% premium to TER's closing price on the day prior to the announcement. TER announced an agreement with Canopy USA that would see Canopy's US investment vehicle increase ownership in TER to ~18.2% (from ~12.0%) through the conversion of ~C$125.5M of TER debt and will allow Canopy USA to convert its C$125.5M in aggregate loans to a series exchangeable shares, warrants, and common shares purchase options that in total could represent an ~23.4% equity interest in TER. In total, after refinancing MI related debt and converting Canopy loans TER has now reduced >US$100M of debt from its balance sheet and reduced its annual interest expense by ~US$10M which will be helpful in this next competitive phase of the cannabis industry. Currently, TER operates in 5 states (and

all 10 Canadian provinces) with 7 cultivation facilities and 32 dispensaries, with the company trading at an EV/EBITDA multiple (based on 2023 estimates) of 9X.

Canadian Cannabis

In Canada, the overall cannabis industry continues to grow from a revenue perspective reaching a national sales rate of $4.4 billion however margins of many of the leading Canadian Licensed Producers (LP's) continue to suffer. 2022 witnessed a continued focus on shutting down cultivation facilities that had been built since 2017. Over-building was caused by the massive investment by exuberant investors in the nascent industry with management teams that had little to no background in cultivation. The result was a focus (by many) on being the largest cultivator in Canada rather than becoming the most efficient. From a cultivation perspective, we believe that 2023 will see further reductions in facility operations, while also seeing some licensees running out of capital. A big difference between weaker licensed operators in Canada relative to weaker MSO license holders in limited license states in the US, there will be little to no bid for licenses in Canada. The winners in Canada will be those that continue to focus on efficient operations, rather than flooding provincial distributors with SKU's that end up sitting idle in inventories.

On the Canadian retail dispensary front, we continue to see a series of challenges for operators; inflationary headwinds causing adjustments in buyer behaviour; saturation of locations in large urban markets; retail price compression rather than product differentiation as a primary driver of demand. Given current operating market conditions and current equity market headwinds, we continue to be cautious about the Canadian market. We consider only a few investments, singling out Village Farms (VFF) as a company that understands the cultivation business, is a low-cost producer that operates in all provincial markets and continues to gain market share.

European Market

Europe is at the beginning of opening a large cannabis market, potentially larger than the combined market of Canada and the US. ***There are 560 million people*** (not including Russia) and more than ***90% of the cannabis market is currently illicit sales***. That means that if governments recognize the medical needs and recreational desires of their citizens, the growth of the market and resulting excise taxes and jobs could be substantial.

The legal cannabis market in Europe is a medical market with different countries having differing lists of allowances. ***Across Europe, chronic pain of moderate to severe intensity occurs in 19% of adult Europeans (106 million), anxiety in 5.4% (30 million), insomnia in over 10% (55 million) and depression in 6.4% (36 million)***. To increase adoption regulators must increase the number of indications allowed in addition to potentially reimbursable services covered by insurance to improve access. Key countries in Europe that are leading the development of the market include Germany, Switzerland, Spain, and France. Israel is at the forefront of medical cannabis research and provides enhanced access relative to other countries in Europe. ***European medical patients reached 280,000 led by Germany and Israel, by 2027 with various legalization efforts, it is estimated to reach 1.6 million patients, a 40% CAGR. Given the overall incidence of allowable ailments and the current small amount of patients, legalization would result in significant growth in the legal medical market in Europe.***

In order to remove barriers, adult use legislation can remove stigma among physicians as well as patients. According to a recent First Wednesdays poll, there is a majority (55%) of support across Europe for legal, government-regulated sales of cannabis products to over-18s. The medical cannabis movement began a decade ago and includes Italy, Germany, the UK and Spain.

Malta and Switzerland already have adult use cannabis markets with Israel, Portugal, Netherlands and Luxembourg all considering adult use reform. The most meaningful focus of cannabis in Europe is Germany. Given its population and its economic strength within Europe, Germany is a potential game changer as it examines the prospect of a licensed legal market. Unlike in the US and Canada where adult-use legalization causes some patients to shift out of the medical market, medical cannabis in Europe is likely to be covered by

health insurance such that over time there will be harmonization of regulations so the European Medicines Agency will get involved.

German Health Minister Karl Lauterbach has announced the outline of a possible cannabis law that follows the Canadian model—declassifying marijuana as a narcotic, creating a state licenced production and sales system; allowing home grows of up to 20-30 grams for personal use and creating a federal cannabis tax. Lauterbach set 2024 as a possible date for passing legislation.

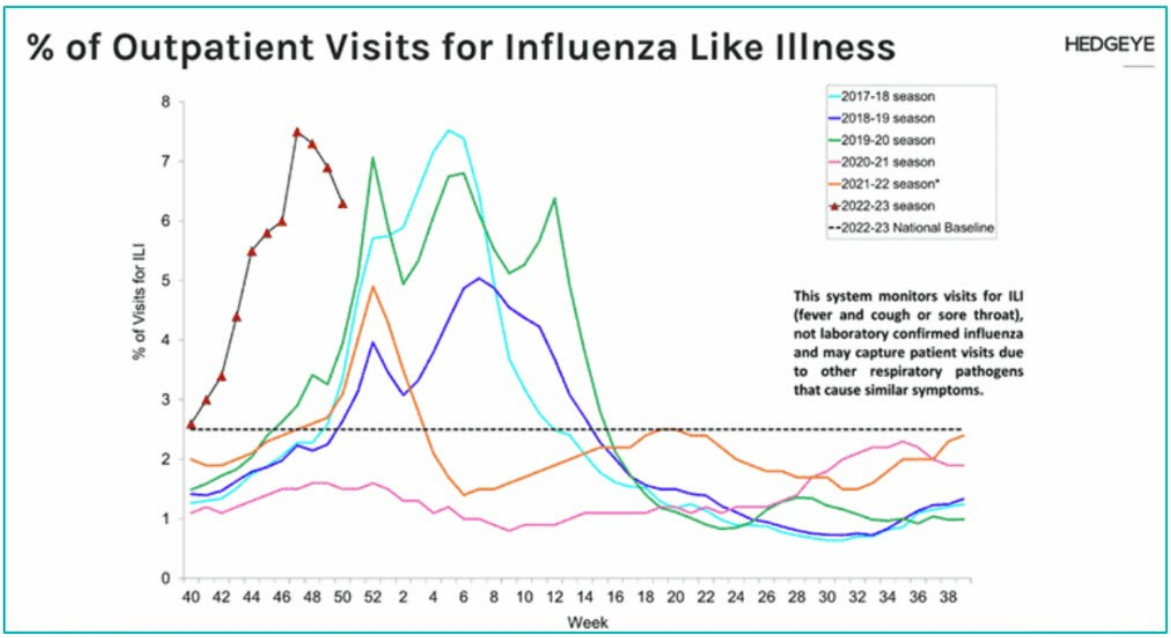
There are provisions of the plan that will likely be amended. There is a stipulation that only domestic production will be allowed, without imports from southern Europe, Israel or Canada. The challenge for Germany is that to work with indoor grow and greenhouses, significant demand for natural gas will be required, while Europe attempts to reduce reliance on Russia. We see a significant opportunity to supply this new market from outside Germany and anticipate changes to this stipulation. The estimate is that an adult use market would require 700 tons per year, while the current medical demand is 30 tons per year while importing two-thirds of its cannabis from other countries.

There are also negotiations to be accomplished with international regulatory bodies.The UN Single Convention, the European Council 2004 Framework Decision and the Schengen agreements all require countries to criminalize the production, distribution and sale of cannabis. The German proposal is to resolve these international legality questions through and a “notification procedure”. Germany has sent a proposal that describes the country’s interpretation of international conventions and controls related to cannabis to the EU Commission with the goal of having the EU be on side with how Germany intends to move forward. If approved it would be the blueprint for all EU countries to legalize. This process is estimated to take 3 to 6 months.

Companies that have exposure to the burgeoning European market include Aurora Cannabis, (ACB), Tilray (TLRY), Canopy Growth (WEED) and EMAAC (Curaleaf-CURA)

Healthcare Resilience

We continue to see opportunities for growth in healthcare with several factors contributing to our view. As stated in previous commentaries, lockdowns in 2020-21 have led to significant changes in both current illness outbreak and overall demand for healthcare. Lockdowns led to a steep decrease in the transmission of a variety of common viruses including flu, colds, and respiratory syncytial virus (RSV). Some people have described this break in exposure in 2020 as an “immunity deficit”. The result is that as 2022 ends and 2023 begins we see higher than normal levels of sickness and hospitalization until a long term balance is once again achieved.



Source: CDC

Combined with the seemingly endless new **COVID variants pushing their way through most countries, we believe this will lead to a multi-year demand increase for health care services, pharmaceutical drugs, and attention from consumers towards strategies that promote proactive wellness.** In addition, most countries are still playing catch up with health care services that were delayed or postponed during the pandemic. In addition, the pandemic suppressed access to medical care over the last two years resulting in delayed or cancelled patient visits and elective surgical procedures. We have already seen a steep increase in patient visits and demand for surgical procedures during 2022. We see this trend continuing into 2023.

Also benefiting healthcare is a **strong correlation between recessionary fears and demand for health services as US employees look at the potential of losing health insurance pushing demand forward, and having elective surgeries before health insurance runs out.** There is also pressure being exerted by the potential redeterminations in the US (reduction of coverage) of Medicaid benefits when Congress finally removes COVID public health emergency funding, scheduled to take place mid-year. Patients that would no longer qualify for government funded healthcare would access private care through employers or through the Affordable Care Act and its medical exchange market.

Split Congressional control is a positive for the healthcare industry as increased regulation will not be a worry. In addition, a split congress results in less pressure on the pharmaceutical industry to adjust pricing. Concerns about "healthcare for all" supported by Democrats will not get the same level of support in the House.

In addition, as the global economy shows signs of weakness, it is important to review how healthcare related equities perform relative to broader markets. Healthcare companies are recession resistant as people still need medical attention and still get sick despite the economic environment. What this means for the companies and their stocks is that they generate solid and growing cash flows, which are considered more valuable in a weaker equity environment.

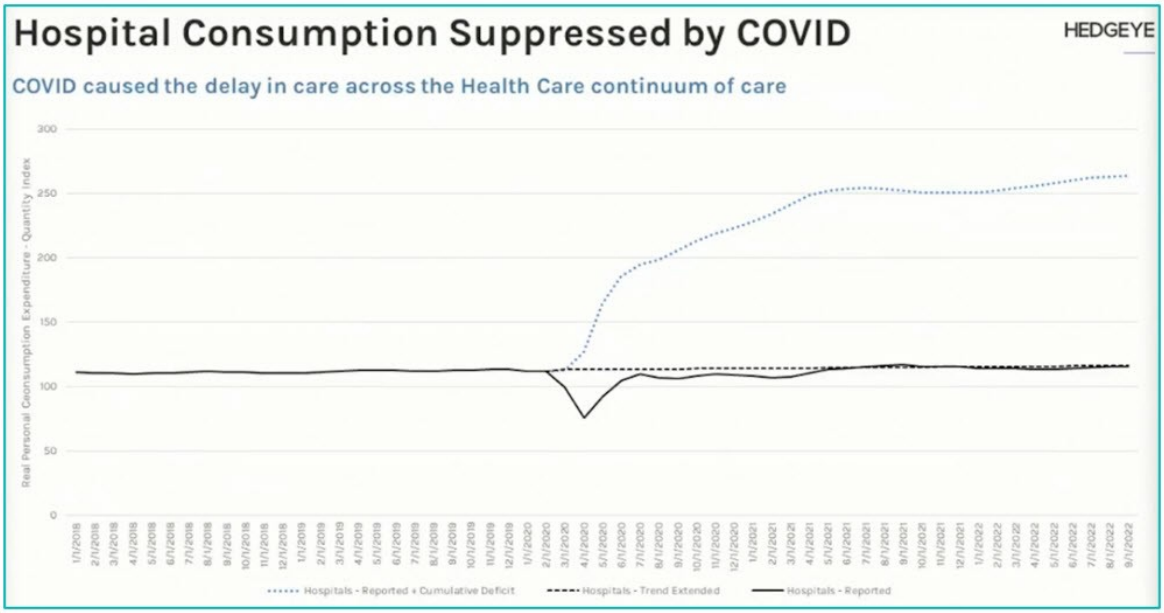
We believe that investors should have a weighting in healthcare in 2023 as the sector is well ***positioned to offset the effects of inflation*** while also being ***resilient against recessionary fears***. Another factor in being overweight healthcare at this time is that ***the sector is not sensitive to interest rates***. History has shown that the demand for medical services does not wane as the economy slows down. In addition, we have recently commented that ***the number of insured Americans is significantly higher than in the last recession of 2008***. Putting these factors together, results in the healthcare sector being resilient with dynamics for growth in the next few quarters.

Health Insurance Coverage of the Total Population

United States	Employer Plans	Non Group Coverage	Medicaid	Medicare	Military	Uninsured
2008	53.50%	5.70%	13.40%	10.90%	1.40%	15.20%
2021	48.50%	6.01%	21.10%	14.30%	1.30%	8.60%

Source: Census Bureau's American Community Survey (ACS) by KFF (Kaiser Family Foundation)

As we move into 2023, there is still a large portion of the population in the US that put off surgeries or hospital visits during COVID/post pandemic. There has been an increased willingness to stay home. Combined with that is the fact that the baby boomers are a large percentage of the population and given the years of lockdowns have left other ailments unattended, leading to surges in treatment demand. Issues that face boomers increasingly include cardiology, diabetes and various forms of cancer. ***Demographic tailwinds remain as the baby boomer generation ages and require more treatments.***



Source: HedgEye

The Fund has a solid weighting in US healthcare and global pharmaceuticals that we believe will provide an upside to the NAV in 2023.

UnitedHealth Group (UNH) is a large provider of medical and dental insurance solutions to both corporations and individuals. In addition, it continues to add services to its list of offerings including telehealth, pharmacy as well as data analytics for healthcare providers. UNH is an efficient provider of health insurance and given macro issues affecting many global equities, UNH does not have US FX risk as it is a domestically focussed name, it does not have an interest in or benefit from international geo-political events or commodity price swings. The company has had a 14-year streak of ongoing earnings and equity price improvement and given recessionary fears combined with the vast array of services it provides. We continue to believe that UNH will be a marquee name in US healthcare.

Johnson & Johnson (JNJ) continues to be a top holding of the fund. JNJ has a fantastic portfolio of products and services in pharmaceuticals, med-tech products and services such as surgical specialty products and orthopedics like joint replacements, which are all experiencing significant demand increases. JNJ is also going through a corporate action to create a separate consumer business for its leading consumer health brands

such as Johnson's Baby, Neutrogena, Tylenol and Band-Aid. This transaction will create a higher growth vehicle as JNJ's med-tech, pharma and healthcare solutions business will trade at a more appropriate multiple given the upside in its business. Another catalyst we see for JNJ lies in its announcement in November that it intends to acquire ABIOMED, which makes heart pumps. JNJ's revenue mix was approximately 65% pharma and 35% MedTech prior to the announcement. With this transaction, JNJ is signaling its desire to increase its exposure to the higher growth MedTech sector. We continue to believe that JNJ represents a highly desirable product portfolio, with a reasonable valuation and growth potential.

We see multiple catalysts for Merck (MRK) sales growth and share price in 2023. These include potential new drug approvals (Lynparza + abiraterone for prostate cancer) as well as study data releases on several new drugs targeting conditions such as pulmonary artery hypertension. MRK is also continuing to advance studies that could further expand the use of its blockbuster immunotherapy drug Keytruda ($17.2 billion of sales in 2021).

The chart below illustrates the growth of Keytruda over the next multi year period. When pharma companies lose their exclusivity (LOE), revenues tend to moderate. However, what we have seen with significant breakthrough drugs such as Humira (Abbvie) and Keytruda (Merck), the cash flow strength can be seen well after the loss of exclusivity.

Source: Raymond James (01-04-23)

Pfizer (PFE)- we continue to see excellent mid to longer term potential for PFE, due to its promising drug pipeline, continued Cominraty (covid vaccine) sales, increased interest in Prevnar related (pneumococcal) vaccines and the longer term potential of the mRNA platform for oncology and other disease treatments. Near-term we see some headwinds for the stock including foreign exchange and moderating COVID related sales. As a result, we have chosen to reduce our weighting during Q4 but we would add to the name if equity market weakness provides an entry point.

Health & Wellness- we continue to see positive reaction to the pandemic when it comes to consumers and their interest in proactively looking after their health. Whether it is through daily intake of vitamins, minerals and supplements or through alternative dietary intake, significant demographic changes are taking place that supports key Fund allocations.

Jamieson Wellness (JWEL)- a key driver for JWEL is strong consumer demand and point of purchase growth reflecting consumers' prioritization of health and wellness in the post COVID era. Double digit domestic growth in its domestic (Canadian) branded business and 20-30% growth in its China business segment continues to improve financial results. JWEL's recent acquisition of Nutrawise Health builds the company's presence in the US with Nutrawise being a leading manufacturer and marketer of premium supplements under the 'youtheory' brand in the United States. The acquisition provides JWEL with a platform for expansion in the U.S. vitamin, and minerals supplements (VMS) market through added brand and product offerings that are complementary to JWEL's branded portfolio. JWEL believes it can leverage its CPG relationships to drive more product listings, leading to quick up-take for certain retail partners. JWEL continues to gain traction operationally with organic growth in the range of high single digits while holding an above 25% market share in Canada, which is 2 times greater than the next largest competitor. Despite its strength, the stock is trading near a two-year low and is at

a five year low of 11x forward EBITDA.

Sun-Opta (STKL)- is a top-ten holding and is one of the strongest players in plant based foods. It is a manufacturer of various dairy alternatives including oat, soy, rice, coconut, almond and hemp, producing alt-milk under its own brands, co-manufacturer for CPG companies, in addition to private label brands. Its largest client is Starbucks. Demand for the category continues to be driven by consumers' dietary changes, perceived health benefits, environmental reasons against cows' milk, lactose intolerance, and changing taste preferences. The company is building the only US national network in a sector where demand outstrips supply. An important driver for STKL is the efficient utilization of its increased capacity for oat milk production, resulting in its ability to meet soaring demand in oat milk sales that grew 68% in 22-Q3, outpacing the overall alt milk category's 29% growth with new products or new customers accounting for 15% of the revenue growth.

Statistics from Insights Sales Data and the Plant Based Foods Association show that approx. 62% of American households are buying plant based products, and STKL has been able to lever its production facility and private label business to provide retailers including Albertson's, CostCo, Walmart, Starbucks, Whole Foods, Jamba, IHOP Kroger, Dollar General and Sams Club with plant based products. For STKL, oat milk is now the company's largest plant-based milk although both almond and soy milk also saw sales growth. Gross margin increased 190 basis points to 13.7% from 11.8% in the third quarter of the prior year, despite approximately 140 basis points of margin dilution in pass-through pricing to cover cost inflation. Bottom line, in a quarter that saw many companies miss estimates, STKL reported Q3 EPS of $.02 vs. the consensus estimate of -$.01 while management also raised the low-end of its guidance for both revenues and EBITDA.

Total Plant Based Market Growth

The Ninepoint Alternative Health Fund, launched in March of 2017 is Canada's first actively managed mutual fund with a focus on the cannabis sector and remains open to new investors, available for purchase daily.

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 December 31, 2022 (Series F NPP5421) | Inception Date - August 8, 2017

	MTD	YTD	3MTH	6MTH	1YR	3YR	5YR	INCEPTION (ANNUALIZED)
FUND	-14.6%	-36.9%	-5.1%	-7.9%	-36.9%	-5.9%	-1.6%	6.1%
TR CAN/US HEALTH CARE BLENDED INDEX	-9.5%	-41.4%	-3.8%	-6.7%	-41.4%	-20.4%	-13.9%	-8.2%

Statistical Analysis

	FUND	TR CAN/US HEALTH CARE BLENDED INDEX
Cumulative Returns	37.5%	-37.2%
Standard Deviation	28.60%	30.3%
Sharpe Ratio	0.2	-0.3

[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 December 31, 2022. 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; Concentration 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.

Ninepoint Partners LP is the investment manager to the Ninepoint Funds (collectively, the "Funds"). Commissions, trailing commissions, management fees, performance fees (if any), and other expenses all may be associated with investing in the Funds. Please read the prospectus carefully before investing. The indicated rate of return for series F shares of the Fund for the period ended December 31, 2022 is based on the historical annual compounded total return including changes in share 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.

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