Ninepoint Alternative Health Fund

March 2020 Commentary

During this time when we are faced with a very unique and contagious health risk, we want to send our best wishes for a full recovery to those who are dealing with health issues related to Coronavirus. We also want to thank all those who are on the front lines; the doctors, nurses, first responders who are treating patients. We also want to thank those people working in "essential services" that are continuing to work despite the unprecedented demands put on them.

Investment Team

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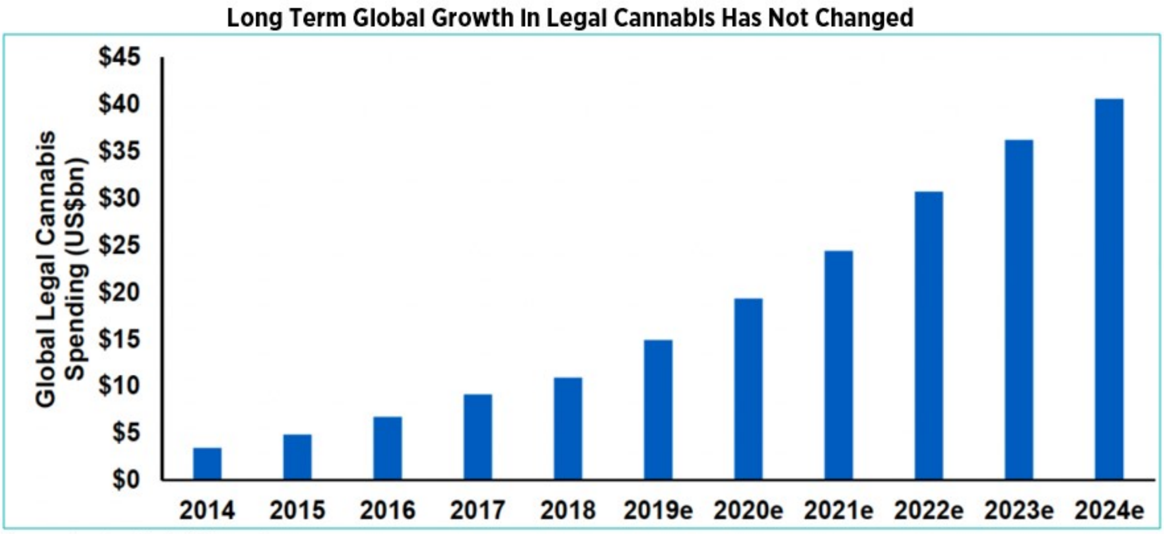
The first quarter of the year witnessed new highs for major North American indexes before abruptly changing direction mid-February. Markets began to weaken as mounting concerns over the spread of the coronavirus began to surface, impacting countries outside of Asia. It was becoming clear that this virus was not just a significant health concern, but was becoming a global economic challenge. By the middle of March, all three major benchmark indexes in the US suffered their worst weekly performances since the 2008 global financial crisis. The Dow dropped 17% for the week of March 16th, the S&P 500 sank 15% and the Nasdaq tumbled more than 12%. We have experienced several days in March when "circuit breakers" were hit on the markets, both "limit up and limit downs" creating a pause so that orders could be filled in an orderly fashion. For the first quarter, major indexes witnessed significant negative performance with the S&P 500 -12.95% (CDN$ terms) while the S&PTSX ended the quarter -20.89%.

Equity markets have been challenging this month with extremely volatile trading, offering opportunities to invest selectively while also offering short term trading opportunities. While we manage in this market, we continue to remain bullish on the long term growth that the global cannabis industry offers investors. As we allocate capital, we keep in mind that the industry is still in its infancy. In Canada, we are experiencing the second year of adult use legalization, the first quarter of derivative products that are in significant demand and offer higher margins for companies that are developing and distributing them. In the US, cannabis is still not federally legal however the number of states that have approved marijuana sales continues to grow. We see the number of countries legalizing continuing to grow. The long term growth forecast in the global cannabis sector has not changed, we continue to see the opportunity for 25% compound annual growth rate (CAGR) in terms of sales over the next 5 years. This long term growth strategy has not changed. Taking advantage of the current situation, our fund has a solid cash weighting of approximately 20% that will help us invest in companies that despite their strengths have sold off indiscriminately. We use an approach Warren Buffett has used before.

"What do you do if the market drops from here? Warren Buffett famously says 'If I see a sale in my favorite store, I go and buy some more of the stuff I like"



Source: Arcview Market Research

While this outbreak is encouraging global policy makers to work together, keep financial conditions loose and capital markets open, the difficulty for policy makers is the tougher issue of containment measures, the greater the spillover, the greater the risk for the global economy. Fiscal support and monetary stimulus can only partially counteract an economic shock such as COVID19. The reality is the global economic crisis triggered by COVID-19, and the subsequent global spread of the virus will lead to a decline in corporate earnings reported by companies with few exceptions. A sector that to date has been an exception in this month dealing with the corona virus is the cannabis sector.

In March, we continued to receive encouraging sales data from Health Canada, noting that Canadian adult-use cannabis stores recorded sales of $154.2 MM in January, up 4% from the previous month on a total sales and a sales per day basis. This implies a $2.4 billion run-rate for the legal Canadian adult use and medical market combined. This was important as January was the first full month to feature new form factors in the market including vape, and various edible products. Below we discuss the current situation as it applies to the cannabis sector during the current COVID-19 health crisis.

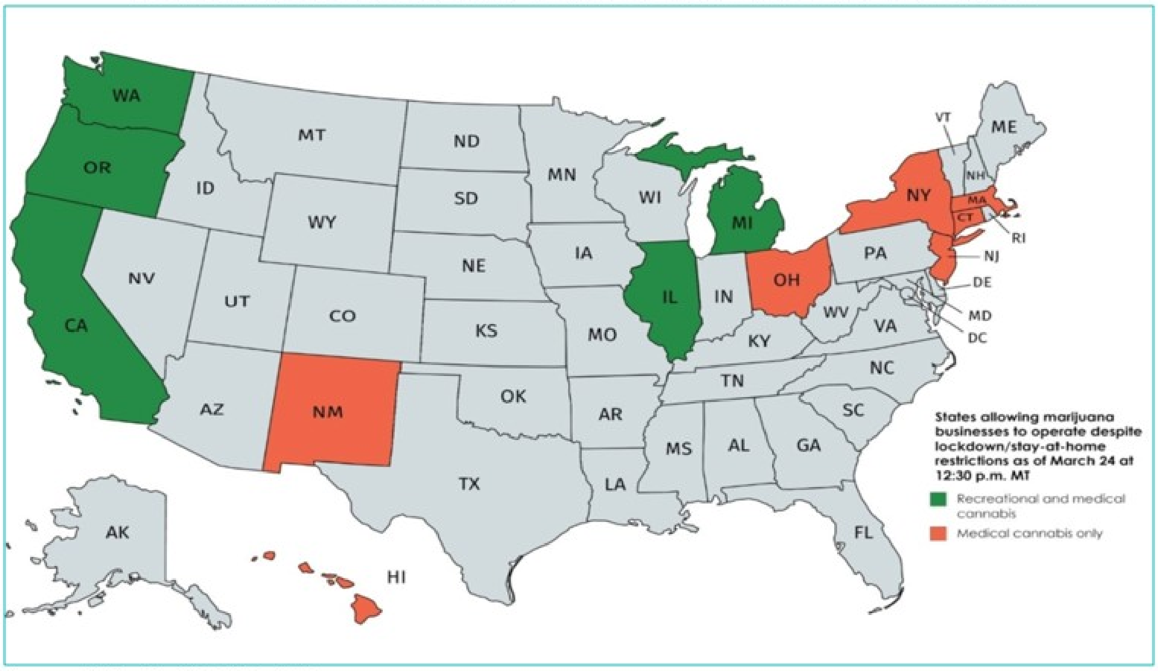
COVID-19 & Cannabis

State and Provincial governments have reacted individually to the coronavirus and as a result, some regions of North America remain relatively open while other areas have policies for shelter in place, limits on the size of gatherings and limitations on driving and shopping. In Canada, during March cannabis stores were essential services left open, while in early April, the Ontario government announced that physical stores will close while online sales will continue. In the US, at least 38 states have issued statewide orders for residents to remain home, along with corresponding directions to close “nonessential” businesses. Many of the states that have medical and/or recreational adult use have allowed cannabis companies to remain operational during the coronavirus battle leading to a strong multi-state sales picture.

In an effort to adhere to social distancing guidelines, some states are allowing dispensaries to utilize curbside pickup and mandating delivery as a method of transaction. Changes in policies occurred virtually overnight; without the sudden health risk these allowances would have taken months to get approved. In New York, medical cannabis businesses were declared an essential service by state regulators and were allowed to remain open. Massachusetts, Maryland, Michigan, Illinois and the

State of Washington took steps to encourage home delivery of cannabis products as well as to give customers the option of curbside pickup. In Massachusetts, medical marijuana treatment centers are permitted to expand their delivery service and to remind patients that they are allowed to acquire up to a 60-day supply of medical-grade marijuana. In Florida, the FL Surgeon General approved telemedicine for cannabis. FL doctors are now allowed to approve existing patients for cannabis via telemedicine consultations, for at least the next 30 days (through April), as the state supports efforts to self-isolate during the covid-19 pandemic.

Medical and Recreational Licensed States: Essential Services



Source: VIIICapital & MJ Biz Daily

The result is that sales in March have been very strong in most markets. COVID-19's early impacts to consumer behaviour, resulted in a net positive impact to sales. Purchasing behaviour for cannabis appears to follow that of any consumer good. Consumers have rushed to stock-up on product in response to fears of shortages and lack of access. Mid-March sales of recreational cannabis were up 159% in California compared to the previous year, while Washington state had a 100% increase and Colorado exhibited 46% growth, according to data from cannabis analytics firm Headset Inc.

While the early COVID-19 pandemic provides topline revenue growth opportunities, there are costs associated with the pandemic that could become a challenge for some cannabis operators should the shelter in place policies remain for a sustained period. We are seeing higher demand and tighter supply for personal protective equipment (PPE) such as masks and gloves, which are used in the cultivation process. Depending on each company's inventory of PPE, we could see added costs and resulting lower margins from cultivation. There is also the potential for decreased capacity utilization and higher labour costs in the event of an increase in sick days by workers. We anticipate that those companies that are not well capitalized and without operational scale will become more exposed to higher cost related challenges. We believe that well capitalized operators that have negotiating leverage with suppliers, provide an ability to carry increased levels of inventory and absorb rising component costs. In our portfolio, we see operational strength with companies like Aphria Inc. (APHA) that recently added $100 million in capital to its balance sheet, with total capital over $600 million. In the US, we continue to see operational strength with Curaleaf (CURA), that has a large multi-state footprint in addition to having a well-capitalized balance sheet.

Another area where we see competitive advantages within the cannabis industry is in the number of products offered and the number of markets within which one company operates. Operators with more diversified product lines provide the flexibility to service customer demands in the event of any supply disruptions. Replacement products assisted companies during the vape crisis back in the Fall, where a temporary drop in vape sales was met with increased demand for pre-rolls in Canada and other convenience focused form factors in the US. In Canada, we continue to hold Organigram (OGI) in the Fund as it has a diversified 2.0 strategy which currently includes vapes and chocolates with a beverage expected to launch in CQ2/20. In the US, we see Green Thumb Industries (GTII) another of the Fund’s Top Ten holdings, with its strong distribution network (in 700 stores) and diversified brand portfolio in various product categories that include leading brands such as Dogwalkers (pre-roll), Dr. Solomon's (topical) and Incredibles (edible).

COVID-19 & Pharma

A part of the portfolio that has aided recent performance is our weighting in Pharmaceuticals and Healthcare related companies. Our philosophy with respect to our Pharma allocation has been to own large cap pharma companies, rather than ones that are focussed on single drug development as we look to this sector to provide stability along with growth.

Johnson & Johnson (JNJ) is in our top 15, and recently announced its research has led to the selection of a lead COVID-19 vaccine candidate from constructs it has been working on since January 2020. The company expects to initiate human clinical studies of its lead vaccine candidate at the latest by September 2020 and anticipates the first release of a COVID-19 vaccine could be available for emergency use authorization in early 2021, a substantially accelerated timeframe in comparison to the typical vaccine development process.

Source: Rifinitiv

JNJ is working in cooperation with BARDA, part of the Office of the Assistant Secretary for Preparedness and Response (ASPR) at the U.S. Department of Health and Human Services. Together the venture has committed more than $1 billion USD to fund vaccine research, development, and clinical testing.

Abbott Laboratories (ABT) a Top Ten holding, is launching a COVID-19 test designed for doctor's offices, urgent care centers and smaller hospitals that don't currently have complex testing labs. According to the Illinois-based company, the test can give positive results in as little as 5 minutes, and negative results in about 13 minutes. This is a key new element in the mobile and drive up tests being implemented in the US. This system received emergency clearance for use by the U.S. Food and Drug Administration. The small size and rapid test results mean it can be deployed and utilized more quickly than other methods.

Source: Rifinitiv

GILEAD Sciences (GILD) another Top Ten holding has been working on a promising drug, **Remdesivir**, an anti-COVID-19 treatment. The World Health Organization (WHO) has suggested it is "the most promising" antiviral during the early days of the outbreak. There are global clinical trials underway with WHO, with the first expected from China in the coming weeks. The company has initiated two phase 3 studies in the UK to evaluate the safety and efficacy of its investigational treatment in patients with moderate to severe COVID-19 (coronavirus). The two studies which have been given urgent public health research (UPHR) status by the Chief Medical Office will initially involve 15 centres in the UK.

Source: Rifinitiv

We also maintain investment in companies that have strong brands that are off their highs, offering great opportunities to invest and are crucial at this time in the battle against coronavirus. **Procter & Gamble (PG)** has a strong stable of consumer brands that include Ivory soap, Pampers and Luvs diapers, Bounty, Dawn, and Mr. Clean (and many other personal hygiene and cleaning supplies,) as well as OTC drugs such as Vicks, Metamucil, Pepto-Bismol, Crest and Oral-B. These brands will allow P&G to get through the coronavirus with earnings largely intact.

Source: Rifinitiv

Finally, we have been long term investors in **UnitedHealth (UNH)** that may benefit during 2020 as a number of procedures are going to be postponed or cancelled either by patients worried about exposure or because hospitals are preparing for a possible wave of coronavirus patients. Some of their contracts are fixed price group plans and without surgeries, UNH won't have to cover costs associated with procedures from hernias to hip replacements. These postponements could offset any higher costs that UNH experiences from COVID-19 hospitalizations and treatments. Longer term (and more importantly), UNH may also benefit as its skill at leveraging technology and remote communication in health care (telehealth) becomes a differentiating factor following the massive dislocation caused by coronavirus.

Source: Rifinitiv

Financials

In early April, Top Ten holding **Trulieve Cannabis (TRUL)** reported Q4 and FYE 2019 financial results that continue to illustrate the strength of TRUL's operations. TRUL reported Q419 revenue of $79.7 million up 13% QoQ while EBITDA in Q4 reached $45.0 million ~40% ahead of consensus estimates of $32 million, and representing an impressive 56% margin. EBITDA generated in Q4 represented a 22% increase compared to TRUL Q3/19 results. FYE19 revenue was $252.8 million while the company generated EBITDA of $133 million (52% margin for the year) results well ahead of the company's guidance for 2019 of $220 million in revenue and $95 million in EBITDA.

Important at this time in a capital constrained environment, that TRUL ended the year with $92 million in cash, leaving it well positioned to address near-term operational issues. On its earnings call, management discussed its preparedness as the COVID-19 epidemic grips the world. Given its primary operations in Fla, at inception the company's management team established a preparedness plan related to natural disasters (hurricanes). As COVID19 became an operational issue, the plan was set into place that protects employees and patients, while continuing to deliver products and services to its expanding network of 49 dispensaries throughout Florida. On the call, CEO Kim Rivers discussed recent sales stats with sales of oil products up 17% from Q4 and flower up 37% during COVID19. This results in market share in the state of 50% of all oil sales and 58% of all flower demand recently in Fla. With 49 dispensaries in FL, they represent 19% of dispensaries and yet 50% of market share. With its strong operational execution, its financial results lead the entire cannabis space. TRUL continues to leverage its supply chain to defend its top position despite new entrants into the State.

March witnessed some key financial results for companies in the Fund. Top Ten holding **Curaleaf**

(CURA), the leading vertically integrated MSO in the US, operating in 19 states, reported strong Q419 and 2019 FYE results. Fiscal year 2019 Managed Revenue (includes operations in the states of New Jersey and Maine awaiting regulatory corporate changes) came in at $250.6 million USD with adjusted EBITDA $25.9 million USD. For Q4 CURA had record quarterly Managed Revenue of $81.7 million USD and its highest level of quarterly recorded adjusted EBITDA of $13.8 million. The strength in cash flow was driven by better than expected operating leverage, as CURA's SG&A expenses only increased by ~$2m sequentially to $28 million vs 26% sales growth. This represents CURA's 3rd consecutive quarter where its adj. EBITDA beat consensus. At quarter end, the company had cash/equivalents of $42.3 million and $105.0M in debt, not including the $300 million proceeds of a debt offering that closed in January. We believe that CURA's operational scale and capital position are key differentiators that provide the company with the ongoing flexibility to respond to the current operating environment.

Top Ten holding **Green Thumb Industries (GTII)** also reported strong Q4 results with revenue of $75.8 million, up 11% over the prior quarter. Its branded products are available in over 700 locations. Gross margin in the quarter was 54% slightly ahead of consensus of 53%. For the third quarter in a row, GTI delivered a gross margin of 50% or better. Also important was that it outperformed in terms of adj EBITDA, generating $14.5 million beating consensus of $12.2 million. Green Thumb has averaged 20% adjusted EBITDA margins in the last two quarters. For FYE 2019, the company generated over $216 million in annual revenue, growth of 246% YoY, with adj EBITDA for the year at $28 million USD.

As we have stated in previous months, capital position is important in differentiating the "haves' vs "have nots" in the cannabis industry. GTII is a company with a stronger capital position, ending the quarter with $46.7 million in cash and $91.3 million in debt and when we add the proceeds from two sale leaseback transactions post quarter end, GTII is adding an additional $50 million in available capital as it continues to grow. We believe that GTII has has established a head start by building brands, value-added products, and infrastructure across its operations. GTI is well positioned, as it should have enough capital to fund its organic growth expansion of the 96 retail licenses it holds, and it has no pending acquisitions.

We were disappointed however not surprised by Q4/19 results from one of our Canadian Top Ten holdings **Village Farms (VFF)**. For Pure Sunfarms (PSF), its 58% owned JV, generated revenue of $4 million with minimal EBITDA for the first time since its entrance to the Canadian cannabis market. Top line revenues were anticipated to reach close to $20 million for the quarter, however large orders shipped to provincial distributors missed the quarter. The company average sales price/gram was $3.59, while it continues to have the lowest cost per gram at $0.66 of any cultivation company in Canada. Gross profit was $3.07 million while and Adj. was EBITDA $0.09 million.

VFF was in a transition period during Q4 as it expanded distribution in the REC channel and continued to settle its ownership dispute with Emerald Health Therapeutics (EMH). We believe Q4 is not representative of the company's outlook. On the positive front despite its later entry to the retail market, VFF has captured an impressive 13% market share in Ontario, with the top selling dried flower in the province and continues to grow its brands in other provinces. Subsequent to Q4/19, we note PSF expanded distribution to Alberta, and with that contract PSF represents ~60% of industry sales, up from ~35% previously. We also see the opportunity with companies such as VFF, as well as APHA and OGI to take advantage of the right-sizing exercises that other large Licensed Producers are going through, cutting cultivation, reducing headcount and delaying the rollout of Cannabis 2.0 products. We see an opportunity for low cost producers such as APHA, OGI and VFF to gain market share in this environment while the likes of Canopy Growth (WEED), Aurora Cannabis (ACB), Hexo Inc, (HEXO), and Cronos (CRON) all deal with self-inflicted challenges.

Option Strategy

During March the Fund continued using its option strategy to enhance risk adjusted returns. With the above average volatility in the cannabis and associated health care sectors, we are able to generate significant option premium, while lowering the overall volatility of the Fund relative to its underlying benchmark. Since inception of the option writing program in September 2018, the Fund has generated significant income from option premium of over $2.70 million.

During the month we used our option strategy to assist in rebalancing the portfolio in favor of names we prefer while generating $61,000 in option income. We 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 GW Pharma (GWPH), United Health (UNH) and Pfizer (PFE). During the month, we were able to write covered calls and strangles on names we feel are range bound near term and from which we could receive above average premiums. Examples of such trades include Gilead (GILD), GW Pharma (GWPH) and Village Pharm (VFF), with covered calls on VFF having been especially rewarding since they announced a bought deal mid-month that may limit near term upside.

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 on a daily basis. Utilizing our actively managed approach we are able to generate industry leading risk adjusted returns.

Thank you for your support
The Portfolio Team at Faircourt Asset Management

Compounded Returns[1]

	1MTH	YTD	3MTH	6MTH	1YR	INCEPTION
FUND	-5.47	-14.85	-14.85	-17.70	-39.08	13.63
INDEX	-15.23	-27.37	-27.37	-28.08	-46.30	-3.76

Statistical Analysis

	FUND	INDEX
Cumulative Returns	40.45%	-9.66%
Standard Deviation	30.14	32.88
Sharpe Ratio	0.41	-0.15

[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 March 31, 2020. 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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