



Alternative Health Fund Market View

March 31, 2021

With the legalization of adult use cannabis in New Jersey, it was widely expected that New York leaders would find a way to reach agreement on a legalization bill. This proved to be the case as on March 31st, Governor Cuomo signed into law the rules and regulations for adult use cannabis in the state of New York.

Investment Team



Ninepoint / Faircourt,
Sub Advised by Faircourt Asset
Management

It is estimated that given its population and the amount of tourism that NY attracts each year, that the state could become a \$4 billion cannabis market in the next few years. Given news like that, we would have expected that US cannabis names would have finished Q1 strong, however that was not the case. We offer our views on the drivers of this weakness below.

The Short Answer

- Hedge fund deleveraging
- Bank/Compliance/Custodian driven liquidations
- Impatience with the pace of federal legalization efforts
- Spurious short report

Our view: We were buyers on the weakness

The Longer Answer

As the year began, the US Senate changed hands to the Dems and investors saw investment opportunities de-risk in US cannabis. By the middle of March though, the sense euphoria had changed. Federal legalization had not happened quickly. The threat of higher interest rates began to slow "growth stocks" including cannabis and tech because of a perceived weakness during rising rate environments. Then a major family office hedge fund fiasco caused further weakness in growth stocks as the Archegos collapse caused a ripple effect as US prime brokerage desks and related firms had to adjust books and force liquidations. Shortly thereafter, Credit Suisse issued a directive to all its clients stating that they would no longer accept trades or holdings of US cannabis companies. And then the Chicago Tribune printed a story negatively portraying Green Thumb Industries and its executives. Interesting note about the short report that was issued on GTII, it came from a hedge fund that also owns the Chicago Tribune. Putting further pressure on cannabis stocks at the quarter ended, was a suggestion that many compliance departments weren't as excited with US cannabis holdings and asked fund managers to remove names from top holdings, avoiding quarterly financial statement disclosure.

These combined pressures on US cannabis stocks all took place while the legislation creating the 2nd largest cannabis market in the US, New York state adult use cannabis was unveiled. And to that story, what was the response; crickets!

We remind investors that federal legalization is not the short term driver, the state by state legalization of new markets is a significant driver as the TAM increases while non-US companies suggest they are well positioned to enter the US market. US MSOs and SSOs are taking advantage of the growing market, building brands, cultivation and distribution as now over 300 million Americans live in a state where there is some form of medical and or adult use legal cannabis industry.

While we doubt that the last few days will be the last volatile period in the sector, we continue to believe the environment for cannabis is improving. With NY moving to adult use, soon most of the population of the northeast will reside in adult use states. The momentum and the direction are clear. The only question is timing. Stay invested. And be rewarded.

Charles Taerk & Douglas Waterson

The Portfolio Team

Faircourt Asset Management

Sub-Advisor to the Ninepoint Alternative Health Fund

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 February 28, 2021. 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: commodity risk; concentration risk; credit risk; currency risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; interest rate risk; liquidity risk; market risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; small capitalization natural resource company risk; small company 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 February 28, 2021 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.

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 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: RBC Investor & Treasury Services: Tel: 416.955.5885; Toll Free: 1.877.874.0899