



Ninepoint Alternative Health Fund

May 2021 Commentary

Executive Summary

In this month's commentary we discuss various **US federal cannabis legislative proposals** currently being debated in Congress while also looking at **state by state legalization** successes. We also review recent **M&A activity** in the US cannabis space and the investor interest in the **psychedelics** space. Given our diversified portfolio in healthcare and healthy lifestyles, we highlight **health and wellness companies** that we see offering great upside in plant based foods (STKL), supplements (JWEL) as well as new entrants to pharmacy and diagnostics (AMZN) that are dramatically changing the healthcare business.

May 2021 Report

During the month of May, it became apparent that the US is attempting to put the pandemic in the rear view mirror. About 50% of the adult US population has now received at least one dose of a COVID-19 vaccine and about 40% of the population is fully vaccinated, according to the latest numbers from the Centers for Disease Control. Based on an effective vaccination roll out, followed by authorities lifting restrictions, we have seen businesses re-open with consumers interested in resuming consumption patterns from the pre-pandemic era. This has led to a surge in demand that is pushing against supply constraints. With this backdrop in mind, sectors within the Ninepoint Alternative Health Fund are benefiting from a renewed focus on alternative strategies to health regimens and generally healthier lifestyles. The Fund is Canada's first mutual fund focussed on the cannabis sector, with the diversification that is offered currently in health and wellness, providing great opportunities for investment.

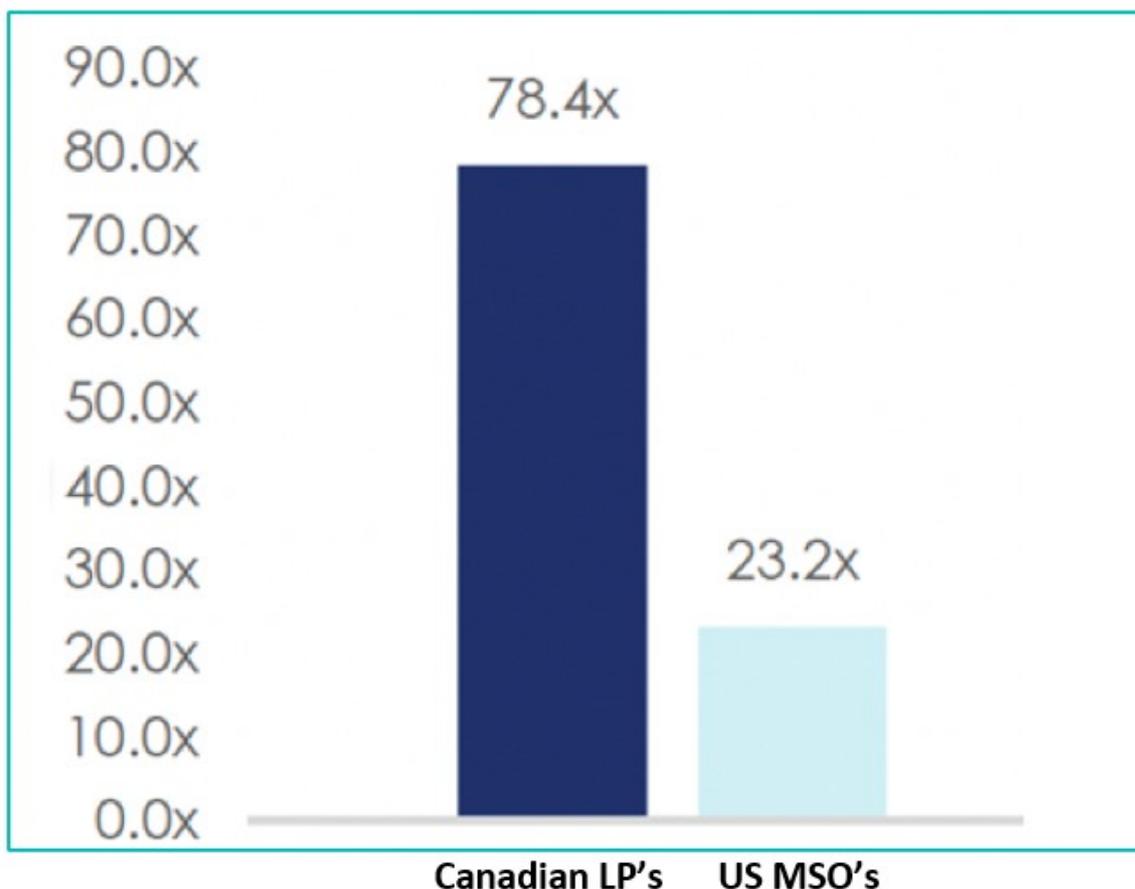
The Fund continues to focus on those companies that stand out in their various industries, either through innovation, distribution or cost leadership to capture market share and build long term value. In the cannabis sector, that results in a focus on the US market, where states continue to legalize adult use cannabis, the total addressable market continues to grow and companies continue to reach operational scale with positive cash flow and earnings to shareholders. Despite these successes, US multi-state operators (MSO's) trade at a significant discount to their Canadian counterparts when analyzing Enterprise Value to EBITDA, with the majority of Canadian companies operating non-profitability, with an oversupply of cannabis flower hanging over the domestic market. Most of Canada's largest cannabis companies still don't make money and continue to push out their estimates to future quarters on when they might turn the corner to profitability. We do see opportunities in the Canadian market, but not in the largest names.

Investment Team



Ninepoint / Faircourt,
Sub Advised by Faircourt Asset
Management

Canadian Cannabis LPs vs US MSO's EV to EBITDA



Source: Beacon Securities

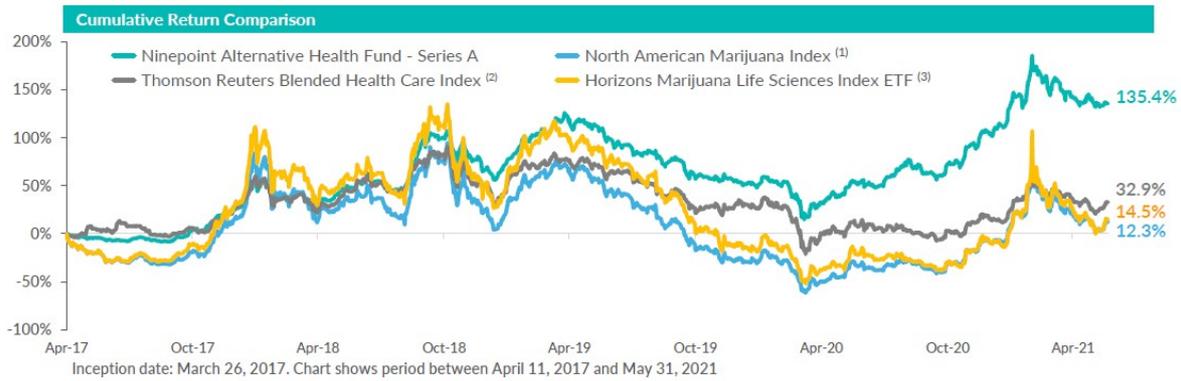
The EV "Enterprise Multiple" looks at a company's debt and cash levels in addition to its stock price and relates that to the company's profitability. A high ratio indicates that the company might be overvalued. When we consider that the US market represents over 80% of the global cannabis market, we believe that investors are not giving enough attention to the value of US MSO's. As a result, we focus on the leading MSOs, adding diversification in health and wellness companies that we believe offer stable growth for investors.

For the month of May, the Fund had contributions from different parts of the portfolio. During the period, the Ninepoint Alternative Health Fund had a return of -3.93% compared to the Canadian Cannabis Index -2.53% and the US Cannabis Index -5.13%, while the SP Healthcare Index was +.55%. Leading performance was seen from **Harvest Health & Recreation (HARV)** +33.42% aided by the announcement of the merger with **Trulieve Cannabis (TRUL)** in early May. We continue to have HARV in the top ten of the portfolio as it is still trading below the implied take out value of the merger but more importantly we believe in the combined company that TRUL and HARV will become once regulatory approvals are complete, we discuss this below. Various non-cannabis companies were contributors to performance in the month including **Nomad Foods (NOMD)**+5.1%; **Johnson & Johnson (JNJ)** +4% and **Sunopta (STKL)** +4.16%.

Performance Update

Ninepoint Alternative Health Fund

Cumulative Returns (As at May 31, 2021)



Period between April 11, 2017 and May 31, 2021	Annualized Return	Annualized Std Dev	Downside Deviation	Sharpe Ratio	Sortino Ratio	Max Drawdown
Ninepoint Alternative Health Fund - Series A	23.6%	28.8%	18.4%	0.79	1.29	-39.8%
Thomson Reuters Blended Health Care Index ⁽¹⁾	7.3%	38.1%	25.0%	0.17	0.29	-58.7%
Horizons Marijuana Life Sciences Index ETF	3.4%	63.5%	38.4%	0.04	0.09	-71.5%
North American Marijuana Index ⁽²⁾	2.9%	57.7%	36.7%	0.03	0.08	-80.3%

Performance and fund statistics are based on daily observations.

Effective April 23, 2018, Ninepoint Partners became the Manager of Ninepoint Alternative Health Fund (formerly UIT Alternative Health Fund)

(1) For illustrative purposes only. North American Marijuana Index is computed by Ninepoint Partners LP based on publicly available index information.

(2) 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.

(3) HMMJ (Horizons Marijuana Life Sciences Index ETF) is computed by Ninepoint Partners LP based on publicly available index information.

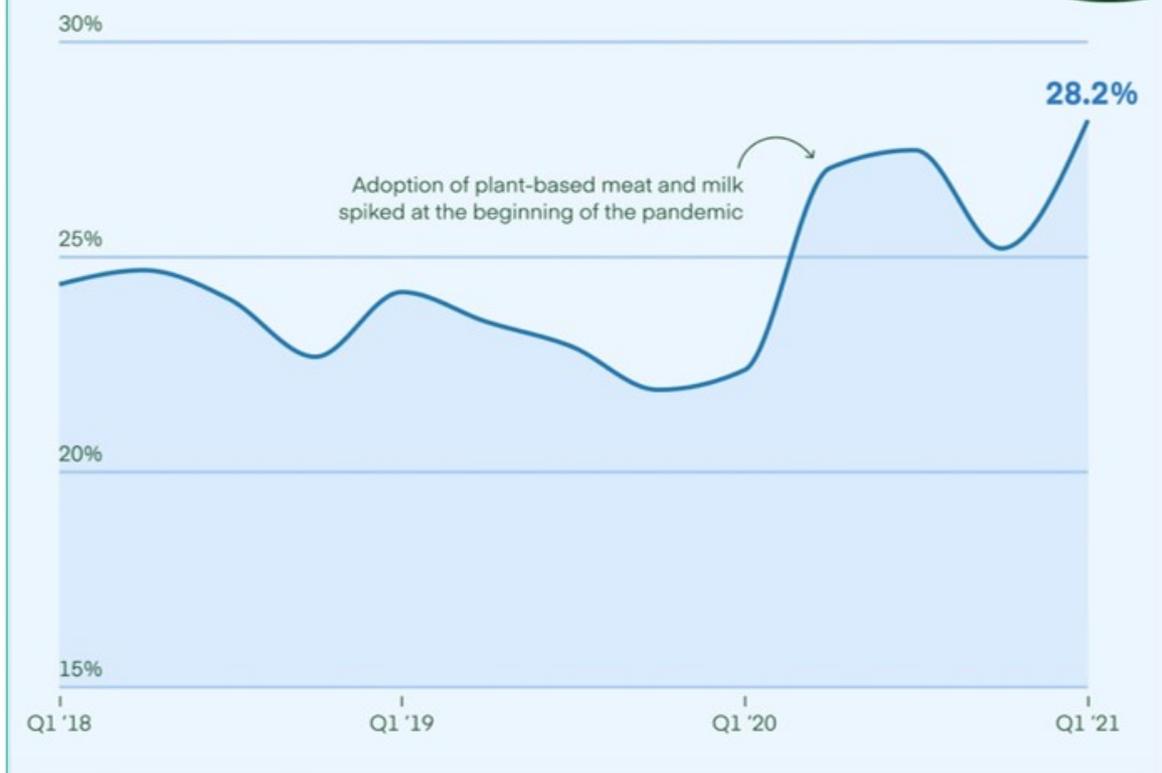
In recognition of the strong performance of the non-cannabis components of the portfolio this month we feature several companies that offer diversification and growth in addition to our cannabis holdings.

Health & Wellness

According to Instacart's "Plant Power" report, one in three of its customers has purchased plant-based meat or milk products. Plant-based milk sales grew 27% in 2020. To capture the expansion of this theme in health and wellness, the Fund has a position in **Sunopta (STKL)** a global company focused on plant-based foods and beverages, and organic ingredient sourcing and production. It has an extensive private label business supplying many of the leading plant based milk brands across the US and select markets around the world. For over 20 years, the company has been involved in the production of non-GMO and certified organic soybeans to create a proprietary soybase, the key ingredient in a variety of soy beverages including coffee and smoothies. Early this year, the company launched SOWN, one of the first organic oat coffee creamers on the market. We are excited by the potential for STKL, especially in light of the recent IPO of Oatly which came out at a valuation of \$10B and surged another 30% on its first day of trading. Sunopta is well positioned in the Oat beverage business, with capacity set to expand 4X in 2021. Oat milk is expected to surpass almond as the top alternative to dairy.

Adoption of Plant-Based Meat and Milk is Growing

The share of Instacart customers who purchased at least one plant-based item skyrocketed beginning in 2020



Source: Winsight Grocery Business Instacart

Another food based investment is **Nomad Foods (NOMD)** the largest frozen food company in Europe that owns a portfolio of leading niche brands such as Birds Eye, Findus and Igloo with distribution across 13 European countries with the United Kingdom, Italy, Germany, Sweden and France representing its five largest markets.

Jamieson Wellness (JWEL) continues to experience a rise in sales as seen in Q1 results. Drivers for increased demand include increasing healthcare costs, the growing geriatric population, food innovation, changing lifestyle and medical discoveries have all assisted product demand as well as global market growth. The demand for vitamins is expected to continue long after the pandemic. JWEL expects to double its size within five to seven years with several opportunities for significant growth including launching innovative new products, organic growth in Canada, expansion in the United States & China, in addition to potential acquisitions.

Another position that warrants attention in the consumer health space is **Amazon (AMZN)**, with its ambitions focussed in the \$3.5 trillion health care industry. AMZN has proven to be a competitive force in virtually every market it has chosen to enter. Covid-19 lockdowns allowed **AMZN** to gain a foothold in medical diagnostics with its Diagnostic Development Initiative, positioning AWS as the computing backbone for genetic research. **AMZN** has also been aggressive in the pharmacy field, where it is

competing to provide “better selection, better convenience, and better prices,” according to TJ Parker, the vice president of pharmacy at **AMZN**. It is also building a presence in telemedicine with Amazon Care, offering services to both corporations and individuals.

By combining health and wellness companies with cannabis companies in one portfolio solution, our focus is to deliver strong risk adjusted returns by investing in sectors exhibiting sustained positive long term global trends as key drivers.

US Cannabis Market & Regulatory Updates

The SAFE Banking Act

The act to provide federally chartered banking access to cannabis companies in the US has gained a new supporter bringing it closer to approval in the Senate with Senator Susan Collins (R – Maine) becoming a co-sponsor of the legislation. The SAFE Act now has 38 sponsors in the Senate, including 8 Republicans, just 2 Senators short of the minimum number of supporters required to have a positive vote. This is an important endorsement for the bill as Sen. Collins has opposed similar protections in previous legislative debates as those protections would have extended to adult-use legislation. As background, the state of Maine legalized adult-use in November 2016. We have stated that as more states legalize adult-use, the pressure on Washington to support adult-use at the federal level continues to build.

Republican Cannabis Reform Bill

A pair of congressional Republican lawmakers have introduced a bill in the US House of Representatives, The Common Sense Cannabis Reform for Veterans, Small Businesses, and Medical Professionals Act. The key sponsors are Reps. David Joyce (R-OH) and Don Young (R-AK). Their bill seeks to de-schedule marijuana from the Controlled Substances Act, allowing states to enact their own legalization. The bill suggests that cannabis could be imported and exported across state lines, though transporting to states where it is not legal would remain federally prohibited. Rep. Joyce stated that his bill “answers the American people’s call for change and addresses our states’ need for clarity by creating an effective federal regulatory framework for cannabis that will help veterans, support small businesses and their workers, allow for critical research and tackle the opioid crisis, all while respecting the rights of States to make their own decisions regarding cannabis policies that are best for their constituents.”

Although the bill goes a long way to promote a federal framework, it will likely face opposition for its lack of provisions promoting social equity or reinvesting in communities most impacted by cannabis criminalization. Concurrent with this bill is the work being done by Senate Majority Leader Chuck Schumer (D-NY), Senate Finance Committee Chairman Ron Wyden (D-OR) and Sen. Cory Booker (D-NJ) whose rumoured bill contains elements that should more fully address social equity provisions, reinvesting in communities most impacted by cannabis criminalization in addition to provisions on expungement.

US Senate Hemp Bill

A new Senate bill has been brought to the floor of the US Capital that would allow CBD-Infused foods, drinks and dietary supplements to be produced and distributed nationally across the US. Sen. Ron Wyden (D-OR), Rand Paul (R-KY) and Jeff Merkley (D-OR), have brought the bill to the floor of the Senate that would exempt “hemp, hemp-derived cannabidiol, or a substance containing any other ingredient derived from hemp” from certain restrictions that have blocked the emergence of legal consumable hemp products. The goal is to eliminate a log jam that was created when the Farm Bill of 2018 passed, but did not exempt hemp based CBD products from FDA rules. With safety data lacking (due to the history of illegality), the FDA has not given the green light to CBD as an ingredient. As a result, many large distributors are not willing to take the risk of stocking these products. The FDA has also initiated

enforcement proceedings on some manufacturers and distributors, though many of these instances are the result of misleading claims. With this confusion, CBD infused ingestibles have stagnated relative to the cannabis industry that although not federally legal has flourished in a state by state manner.

Chart: 2020 US Cannabis Tax Revenue

State operated legal adult-use cannabis programs are generating billions of dollars in tax revenues for state governments supporting the economic and equity case for legalization in other state markets across the US as well as at the federal level. The economic case resonates for Republican lawmakers who are in favour of industries that are leading to economic growth vs support for federal funding of other industries. States with legal adult-use markets have generated nearly \$8B in tax revenue since 2014, including \$2.7B in 2020, according to a new report by Washington DC-based Marijuana Policy Project (MPP). California generated an estimated \$1B in tax revenue in 2020 alone, while Washington State produced over \$2.6B in tax revenue since 2014. The tax revenue report from MPP as the organization is involved in adult-use legalization advocacy efforts in Connecticut, Delaware, Maryland and Rhode Island with similar positive efforts being achieved in New York and New Mexico. As a reminder it is estimated that adult use cannabis in New York could generate \$350M a year in tax revenue that can be the backbone of state run social equity programs.

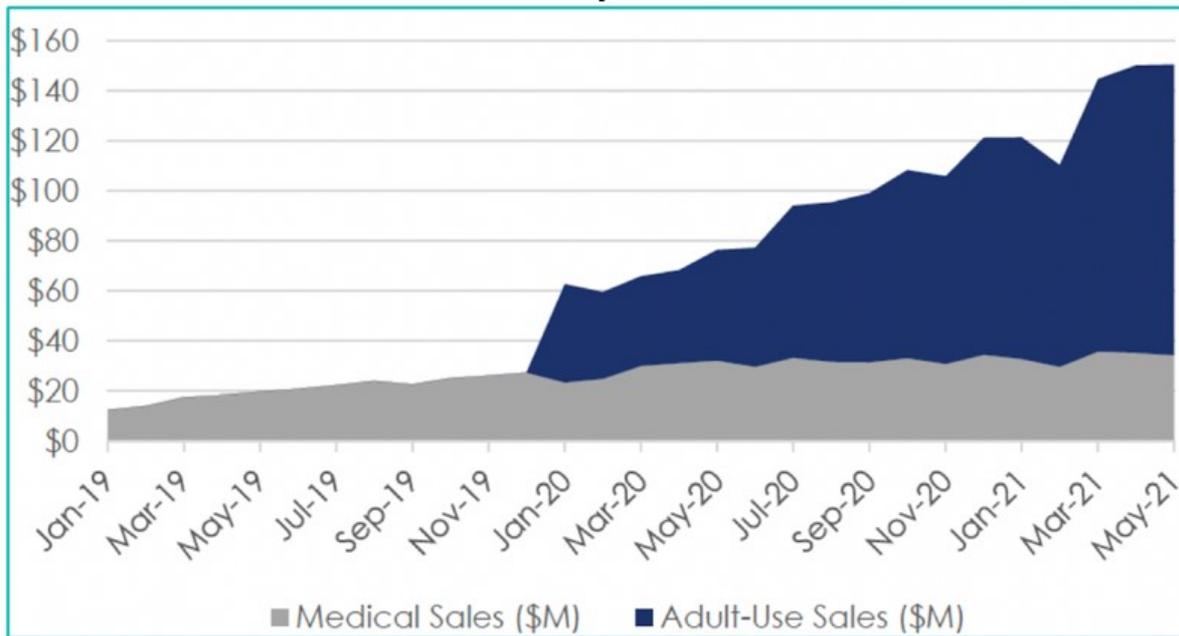


Source: Marijuana Policy Project MJBiz Daily

Illinois

The Illinois Department of Public Health (IDPH) has reported that medical sales totaled \$34M in May, down 3% MoM. However, the state continues to witness increased overall cannabis sales as total legal market cannabis sales for the month of May reached \$151M, slightly up from \$150M in April, and up 97% YoY from \$76M in May 2020. On a quarter-to-date basis, legal market sales reached \$301M, up 30% from \$232M for January/February, which bodes well for Q2 earnings for those MSO's with operations in the state. The leading MSOs in the Fund with operations in Illinois include CL, CURA, GTI and VRNO.

Illinois Monthly Sales Growth



Source: Beacon Securities

Connecticut

On June 7th, the CT Senate passed a cannabis legalization bill making CT the 18th state to legalize adult use cannabis. The bill, endorsed by Governor Ned Lamont has gone to the State House for a vote. House Speaker Matt Ritter (D), pledged that the House will pass a bill legalizing recreational marijuana in a special session by month end, after failing to negotiate a limit to the debate that might have allowed passage before the annual session reached its adjournment deadline June 9th. Although CT is not the size of its neighbours such as New York or New Jersey with a combined adult use market estimated at \$15B, but its position in the northeast US adds another piece to the puzzle of creating a large northeast hub that could include CT, NY, NJ, MA, ME, PA, with a combined population of 55M people and potential market size of approx. \$7-10 billion at maturity. By creating this large group of connected northeast states, further pressure may be put on PA and MD to legalize in order to maintain tax revenues and job growth that the industry provides. This small state that currently generates approximately \$175M in annual medical cannabis has the capability to generate over \$1B in adult use cannabis at maturity. Sales are expected to start in mid-2022. The companies that could benefit most from this change in legislation include Curaleaf (CURA), Green Thumb Industries (GTI) and Trulieve Cannabis (TRUL), all with current medical operations. Overall, this is another positive illustrating how state-by-state cannabis reform is a primary driver for the industry as opposed to potential federal legislation.

Montana

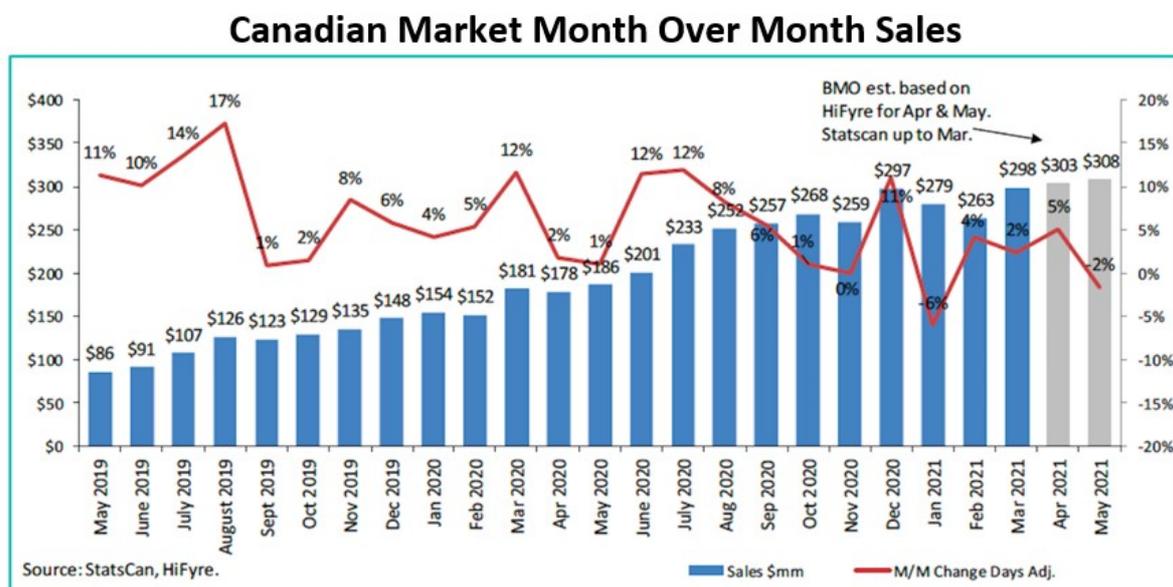
Gov. Greg Gianforte (R) signed House Bill 701, legislation that implements and regulates the adult use recreational cannabis program that state voters had approved in a ballot initiative during the November national elections. An interesting aspect of the State regulation is that there was a split of county support for legalization. As a result, the half of Montana counties that voted for the initiative will have recreational sales within their county lines by default, while the other half of counties will have to take affirmative action to bring recreational marijuana in their boundaries if so desired. Retail sales for adults 21 and older will begin in January 2022.

Alabama

Gov. Kay Ivey (R) signed a medical marijuana legalization bill into law stating that "it is certainly a sensitive and emotional issue and something that is continually being studied. As research evolves, it is critical to continue finding ways to work on this to ensure we have a productive, safe, and responsible operation in Alabama." The Alabama House passed the legislation in a 68-34 vote. This is an interesting development for the national push to legalize cannabis as the bill was led by Republicans and passed by a comfortable margin. The Alabama Senate approved the changes made by the House, and the bill advanced easily to Gov. Ivey. The bill's list of accepted medical conditions is lengthy and includes such indications as autism spectrum disorder, epilepsy, other seizure conditions, HIV or AIDS-related nausea or weight loss, PTSD, a terminal illness, chemotherapy.

Canadian Cannabis Market Update

We provide the chart below from HiFyre data that estimates May retail sales across Canada of approx. \$304M, with better supply chain dynamics and new product launches beginning to generate consumer momentum. HiFyre is a good proxy for the overall market with retail sales data from a total of 30% or 320 stores reporting. It is no surprise that store traffic has been negatively impacted in recent months by Covid-19 restrictions, only recently starting to ease. As a result, market growth has been muted with May sales up only 1% MoM and 1Q/21 sales up only 2% QoQ after +12% in 4Q/20. A big impediment to growth has been Ontario store closures due to Covid-19 restrictions. Of the ~650 stores approved to open in the province, 125 of them have been approved during lockdowns however have not had a customer set foot inside any of those locations. There are also ~150 stores ready to open but are waiting for a more conducive time to open. We expect these stores to add a tailwind later this year, perhaps in the fall, depending on health related restrictions.



Mergers & Acquisitions

Recap: Trulieve Cannabis (TRUL) Acquires Harvest Health & Recreation (HARV)

Trulieve Cannabis (TRUL) announced the acquisition of Harvest Health & Recreation (HARV). Some have questioned the value of the acquisition at \$2.1B for HARV which implies a value of 14x 2022 EBITDA, while TRUL trades around 10.5x 2022 EBITDA. Our belief is this transaction positions TRUL to be a

national leader, with operational hubs in key sections of the US. **HARV** provides significant operational benefits for **TRUL** to achieve that national position, having first mover advantage in AZ, added to the combined operations in the southwest with CA, NV, UT, CO creating a significant presence in key adult use markets. In PA, **HARV** adds dispensaries and cultivation to existing **TRUL** operations, providing the base for a Northeast Hub for operations in MA, CT, WV, PA. Finally, in the southeast **TRUL'S** lead in FL adds more locations and cultivation capacity with **HARV**. On a combined basis, the company will have over 3 million sq ft of cultivation and 126 dispensaries across 11 states. The proforma 2021E revenue for the combined entity is estimated to reach \$1.2B with combined adjusted EBITDA of \$461M, making it one of the largest and more importantly, the most profitable cannabis company in the world.

Curaleaf Acquires Los Suenos Farms

Curaleaf Holdings (CURA) has entered into an agreement to acquire **Los Suenos Farms (LSF)**, one of the largest cultivation operations in the US with ~2.9M sq.ft. of production. Upon closing, LSF would add 66 acres of outdoor cultivation, an indoor facility, and two dispensaries in CO to **CURA** operations. The acquisition adds presence for **CURA** as its Select branded products are currently available in ~230 retail locations in the state, reaching ~40% state-wide retail distribution. For 2020, **LSF** operations produced approximately 50,000 pounds (22,600 kgs) of flower/biomass, with **CURA** planning to double that to 100,000 pounds (45,000 kgs). 2020 output was cultivated on less than ½ of the acreage setting **CURA** up to achieve that cultivation growth on a fairly conservative basis. CO is still a growing market despite it being considered a mature cannabis market. In 2020, state sales were \$2.2B, representing a 25% YoY growth rate. In our opinion, some of the benefits to the transaction include increasing **CURA's** exposure to an established adult use market that is still growing rapidly with Q1/21 sales annualizing at \$2.25B, up 28% YoY. In addition, **CURA** is looking to drive its cost of cultivation down with management targeting <\$0.25/gram, operational expertise that **CURA** could leverage across its national footprint, while adding margin. In the long term, LSF could expand production to generate additional scale for interstate trade with many neighboring legal states, once federal legislation has approved interstate commerce.

Green Thumb Industries (GTI) announced the acquisition of **Liberty Compassion Inc.**, a MA-based MED vertically integrated operator. Terms of the transaction were not disclosed, however we understand that Liberty operates a ~70,000 sq.ft. indoor production facility with 2 open medical dispensaries operating under the "Affinity" brand in Boston and West Springfield. With this acquisition, **GTI** acquires a relatively new operator in the medical cannabis market, its license went operational in 2020. After closing, **GTI** will immediately double its cultivation footprint to the maximum allowable (100,000 sq.ft.) and can convert Liberty's stores to adult use and get to its MA retail cap of 3 stores that would go along with **GTI's** existing Amherst location.

HEXO Acquires Redcan

HEXO has announced a significant expansion of its Canadian operations with the acquisition of the largest remaining private company in the space, **Redcan** for \$925M. To assist with the purchase, **HEXO** announced a capital raise of \$360M in corporate notes while the balance will be paid in **HEXO** stock. **Redcan** owners will hold ~31% of the combined entity and will be able to nominate two members to the Board. These shares will be subject to a 24-month hold with the deal expected to close in Q3/21. This transaction represents **HEXO's** third announced acquisition of a Canadian Licensed Producer in the last few months with **Zenabis** being acquired in February and the **48 North** acquisition announced in May. Management has a desire to grow its Canadian market share and add to its product offerings. **Redcan** has a well-regarded brand in 2.0 products such as capsules and vape. With the acquisition **HEXO** (proforma) becomes a top four Canadian adult use market leader with an estimated 17% Canadian market share. While we view the acquisition as positive for **HEXO** adding a higher margin market leader

to the mix, the near-term challenges associated with the Canadian market with respect to over-supply coupled with provincial SKU rationalization presents a significant overall market headwind.

The Psychedelics Space: Our View

Recently, we have witnessed retail investor interest driving share prices in a number of small psychedelics companies and we have been asked our opinion. We consider that perhaps because some investors missed the cannabis run in the early days of the Fund in 2017 or even since the lows of March 2020, there is a feeling to get in to this new sector as it is “the new cannabis”, the sector offering similar potential in a short period of time. The psychedelics market is quite interesting, but we believe that investors need to understand that it is fundamentally different from the cannabis market. **First**, there is no legal adult use market expected in the foreseeable future. There are, however, some exciting potential medical applications and treatments, but investors must understand the time that clinical trials take, usually a minimum of 3 years to 7 years. **Second**, an important factor that needs to be understood is that drug development is often binary, trials present an all or nothing pay off as investors await trial results. It is worth noting that at least 113 different cannabinoids have been identified from the cannabis plant, while psychedelics research is primarily focused on two primary compounds, psilocybin and ketamine, the latter previously approved in various applications for over 50 years. As a result, companies have a more limited opportunity to differentiate their research and offerings in the way that companies focused on cannabinoids can (e.g. proprietary formulations of several cannabinoids acting synergistically). Fundamentally, our concern with the sector at this stage is that current “fast-money” investors may not have the patience to stick with the sector for the years of development and spending that will likely be required. GW Pharma, for example, spent close to \$1 billion on research and development before Epidiolex was approved by the FDA as the first drug derived from the cannabis plant.

A **third** key consideration when investing in drug development or biotech is focussed on the experience of the drug development team. What is their previous experience and success in other drug discovery programs? A **fourth** difference overall between psychedelics and cannabis is the way the products or medications are dispensed. Psychedelics are dispensed over a number of hours in the presence of medical practitioners, that must watch the patient in a clinic or medical office. This is very different from cannabis, where states/countries have legislated medical conditions that are allowed to be treated with cannabis, that can be easily accessed with a medical card and dispensed easily through legal dispensaries. There is no time required in a doctor’s office to administer the drug, meaning there is less friction associated with dispensing cannabis vs psychedelics. This is critical because cannabis medical legalization state by state has led to significant medical sales, awareness, broad market acceptance, and state by state opening of various recreational markets. This is very different from psychedelics that are more aligned with traditional drug dispensing. As a result, we continue to monitor the sector and are prepared to participate when valuations and the opportunity meet our criteria.

Financial Results

The month of May was a major Q1/21 reporting month for US multi-state operators (MSO’s), generating strong and growing financial results despite tepid market reaction. Overall the US cannabis names in the portfolio continue to show strong operational success driven by ongoing consumer demand and additional state legalization.

Columbia Care (CCHW)

With 18 States, the second largest footprint across the US, **CCHW** provides leverage to the new adult use markets in NJ & NY, as well as mature market CO adding growth from its CA retail, yet it continues to trade at **discount relative** to its MSO peers. **CCHW** reported revenue of \$92M in Q1 vs consensus estimates of

\$98M with adjusted EBITDA of \$10M vs consensus at \$11M. This was the first full period of contribution from Project Cannabis in CA (closed in Q4/20), as well as gaining strength from the Arizona market which started adult use in Q1. CCHW highlighted growth in Florida, Arizona, Illinois and Ohio as driving 13% QoQ revenue growth. Highlight on the retail front was that FL dispensaries saw same store sales growth up 60% QoQ. Where the company fell short emanated from a strategic decision to enhance cultivation in CO during a seasonally softer cultivation period, to ensure greater efficient cultivation is in place for the peak growing season in Q2-Q3. This is similar to what CCHW did when it moved into FL. As a result, sales in CO was impacted negatively short term. We continue to see significant growth from operations as the acquisition of **Green Leaf Medical**, with operations in Pennsylvania, Maryland, Ohio, and Virginia is set to close in Q3. As well, New York legalized cannabis for adult-use, which will provide a boost to **CCHW's** wholesale and retail dispensaries in the state. The company has reiterated its 2021 guidance for combined revenue/adjusted EBITDA of \$500-\$530M/\$95-\$105M.

Cresco Labs (CL) reported Q1/21 results that the market may have misinterpreted as a miss given the company's transition to US GAAP this quarter. We see continued growth and leadership from CL as the company operates in 10 states, with a number of those markets poised for significant growth including recent and pending acquisitions in MA, OH, and FL that should boost growth over the near and medium terms. To that end, the company provided 2021 guidance with revenues reaching \$1b for the year, with gross margins in excess of 50% in the remaining quarters of '21 and adj. EBITDA margin of at least 30%. For the quarter, revenue reached \$178M, 4% ahead of consensus with 10% QoQ growth from Q4/20 and 169% growth YoY. Strength was driven by retail sales of \$82.8M, up 15.2% QoQ with same store sales growth of 9% QoQ while wholesale revenues were up 5.7% QoQ to \$95.6m. CL has wholesale market share leads in IL & PA while taking additional share in CA as it continues to develop that large and fragmented market. In CA, CL grew sales 10% QoQ, taking share in a market that grew just 2%. Strong operating metrics were also announced with adj. EBITDA of \$35.0M, up 16.5% QoQ, yet below consensus of \$41.0M, given higher SG&A expenses of \$52.6M, up from \$44.5M in Q4/20. At quarter end, the balance sheet had \$256M in cash and cash equivalents.

Curaleaf Holdings (CURA) with the largest national footprint of any MSO in the US at 23 state markets, announced a record revenue of \$260M, growth of 170% YoY. From a cash flow perspective, once again **CURA** was able to generate sound adj. EBITDA margin at 24%, reaching \$63M, up 213% YoY. Retail revenue grew by 14% QoQ, and 231% YoY, representing 72% of total revenue. During the quarter, the company launched Select Squeeze, a THC-infused beverage enhancer, to date the widest cannabis product launch, available now in 14 states. Since quarter end, **CURA** opened 4 new stores in Illinois and Pennsylvania, bringing total retail locations to 106 with over 1,900 retail locations across the US where **CURA** branded products are sold. From a cultivation perspective, the company is adding significant capacity of approx.. 275,000 square feet with key additions in FL and NJ. **CURA** raised \$240.6M in new equity capital in Q1 and added \$50M to its existing secured credit facility maintaining its strong balance sheet. The company issued 2Q guidance of \$310M for Q2, \$22M above consensus.

Green Thumb Industries (GTI) announced results that provided both top line and bottom line beats relative to consensus illustrating strong operational leverage in place, continuing to scale in favorable state markets. **GTI** reported \$194.4M in 1Q/21 revenue beating the consensus of \$187.9M, driven by both wholesale and retail revenue. The company ended the quarter with 56 retail locations across eleven states, with same store sales growth of 35% on the basis of 40 stores. Wholesale revenue was \$60.9M while retail revenue was \$133.5M. The company announced a strong gross margin of 57% and adjusted EBITDA of \$71.4M, beating consensus of \$67.9M. Same-store sales growth was 35% YoY on a base of 40 stores. This was **GTI's** 3rd consecutive quarter with positive GAAP net income, featuring \$0.05/sh in diluted EPS. From a growth and operational standpoint, **GTI** operates in New York (pop. 19.5M), New Jersey (pop. 8.9M) and Virginia (pop. 8.5M) that have all enacted adult-use legalization legislation. This

provides strong upside for the next few years and as **GTI** has positive cash flow and a strong well capitalized balance sheet, GTI has the dry powder to continue to look at expanding its state by state reach.

Harvest Health & Recreation Inc. (HARV) reported first quarter 2021 revenues of \$88.8M, up ~27% QoQ, just ahead of consensus of \$87.6M, with contributions from MD, PA, FL and AZ. With 39 locations in 5 states, revenue is 87% retail with strong same store sales growth of 134% for the 29 stores open YoY. Adj. EBITDA was \$23.7M, 60% higher than consensus up from \$5.4M in Q4/20. The beat was due to higher than expected gross margin of ~55%, up from 46% in Q4/20. Significant benefit was gained with AZ starting its adult use market much earlier than most participants had planned with Jan 22, being the day when HARV opened 15 of its dispensaries for adult use sales. The company continues to hold the #1 retail market share in the state. **HARV** expects to open its 16th AZ location this summer, and its 17th/18th in H2. A 19th is scheduled to come online in 2023, upon the end of a licensing agreement. Although AZ is large portion of revenues, PA, MD and FL had SSS of 52% over Q4/20 levels with traffic up 61%. **HARV's Balance Sheet:** HARV exited Q1 with cash of \$107M and \$270M in debt, however with the pending acquisition of HARV by TRUL, debt obligations will be eliminated along with the addition of operational scale across 11 states for the combined company. Until that transaction closes, the company raised its 2021 revenue target from \$380M+ to \$400M+, with Q1 EBITDA margin maintained throughout the year, implying EBITDA of \$120M vs. consensus at \$83M.

Terrascend (TER) is the most direct way to obtain exposure to the opening NJ rec market while also gaining wholesale market leadership in PA and additional growth from CA. **TER** reported Q1/21 results with sales of \$53.4M vs. consensus of \$54.7M and Adj. gross profit of 65% beating consensus of 60%, up from 60% in Q4 and 45% a year earlier in Q1/20. As a result adj. EBITDA of 22.6M (42% margin) exceeded consensus at \$21.3M. Through recent capital raises, the company maintains a healthy balance sheet with cash balance of \$234M at the end of the quarter. As mentioned, **TER** leadership in PA is supported by Headset data that shows 100% penetration in state wide retail POS, with **TER** having a top 3 retail market position and expanding its flower retail share from ~5% to ~30% in the 16 months to April 2021. To benefit from its NJ operation and the expansion to adult use, **TER** has its 120,000 sq.ft. NJ production facility—of which 2/3 is indoor yielding high quality flower, which is expected to drive high margin growth in the latter half of '21 and into '22.

Trulieve Cannabis (TRUL) announced strong quarterly results with Q1/21 revenues of \$193.8M up 15% QoQ and 102% YoY. Adj. EBITDA reached \$90.8M up 16% QoQ, and above consensus estimates of \$84M. **TRUL** continues to execute well in the FL market, continuing to meet increased demand from patient registrations (6,000 weekly in April), generating 39% SSS growth while adding six new stores to reach 78 at the end of 1Q (82 currently). The company continues to generate strong retail metrics with Q1 customer retention rates of 84%, average basket size at \$118/visit up from \$112 in Q4/20 while active customers visit 2.8 times/month. Q1 was the 13th consecutive quarter of profitability for **TRUL**, with net income of \$30.1M generating \$60.4M in OCF. Q1 was the first quarter where the newly acquired PA assets contributed to the bottom line. The recently announced acquisition of **Harvest Health (HARV)** will expand **TRUL** national footprint while adding to its industry leading profitability, with a combined 126 dispensaries, 3.1 million sq. ft. of cultivation and production across 11 States. With **HARV** the combined business on a proforma basis looks to become the most profitable cannabis company in the world with revenues of \$282.6M.

Village Farms International (VFF) reported Q1/21 results that were mixed with **VFF** reporting a revenue beat with an EBITDA miss that emanated from the produce division. Q1 is traditionally a tougher growing environment given winter weather and increased costs related to greenhouse grow for Canadian fruits/vegetables. Pricing for greenhouse produce has been challenging as extra capacity was brought on

over the last year and with the reopening, consumers are flocking to restaurants, which typically do not buy greenhouse produce. **VFF** generated overall revenue of \$55.9M with US\$34.9M in produce revenue, generating a gross margin of ~5.5% (excluding depreciation) with EBITDA of (US\$0.7m). Pure Sunfarms, the cannabis business generated C\$22.1M of net cannabis sales in the quarter, the third consecutive quarter of sequential growth in retail branded sales of 20% or greater. Adjusted gross margin of ~37%, down from Q4/FY20 ~40% based on winter seasonality costs due to extra heat for southern BC greenhouses. Revenue/gram is estimated at \$1.40 assuming 16,000 kgs of cultivation in the quarter.

PSF's growth in Canadian adult-use market share, with 20% retail sales growth in Q1 now puts it at the #4 position in revenue-driven market share among all Canadian LPs in March, according to dispensary checks. We believe that with continued strong product demand and added 2.0 product penetration, PSF could rise to the #3 market share position just behind Aphria (now TLRY) and Canopy (CGC/WEED). Many of PSF's peers showed significant market share decline during Q1/21; Aphria's market share fell from ~17% in Dec. to ~13% in Apr. VFF outperformed all its peers that suffered sales declines during the similar period, with Covid-19 lockdowns and provincial SKU rationalization being the two reasons all Canadian LPs state are reasons behind the weakness. We believe investors focused on headline margin and its produce miss yet what is most relevant to valuation remains adult use cannabis gains in market share.

Options Writing

During May the Fund continued using its options strategy to enhance risk adjusted returns. With the above average volatility in the cannabis sector, we are able to generate 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 options premium of approximately \$3.79M. We will continue to utilize our options program to look for attractive opportunities given the above average volatility in the sector as we strongly believe that option writing can continue to add incremental value going forward.

During the month we used our options strategy to assist in rebalancing the portfolio in favor of names we prefer while generating approximately \$24,000 in options income. We continue to write covered calls on names we feel are range bound near term and from which we could receive above average premiums. Examples of such trades include **Village Farms (VFF)**. We also 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 **Amazon (AMZN)**, **Johnson & Johnson (JNJ)**, and **Jazz Pharmaceuticals PLC (JAZZ)**. Earlier in the year **JAZZ** acquired one of our top 10 holdings, **GW Pharma**, and our process identified an opportunity to become shareholders. **JAZZ** is a biopharmaceutical company active in neuroscience and oncology with an existing portfolio in sleep disorders and epilepsy. It is also active in cannabinoid research and innovative delivery technologies. We have established a position and will write cash secured puts to accumulate further shares.

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

Charles Taerk & Douglas Waterson

The Portfolio Team
Faircourt Asset Management
Sub-Advisor to the Ninepoint Alternative Health Fund

Ninepoint Alternative Health Fund - Compounded Returns¹ as of May 31, 2021 (Series F NPP5421)

	MTD	YTD	3MTH	6MTH	1YR	3YR	INCEPTION(ANNUALIZED)
FUND	-2.9%	11.9%	-8.5%	14.3%	54.4%	18.1%	27.9%
INDEX	-2.6%	16.4%	-7.9%	8.8%	19.8%	-3.1%	5.9%

Statistical Analysis

	FUND	INDEX
Cumulative Returns	157.0%	24.7%
Standard Deviation	29.3%	32.9%
Sharpe Ratio	0.9	0.2

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 May 31, 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: 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.

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