



# Ninepoint Energy Fund

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2019

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The annual management report of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's financial statements. This report contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-362-7172, by visiting our website at [www.ninepoint.com](http://www.ninepoint.com) or SEDAR at [www.sedar.com](http://www.sedar.com) or by writing to us at: Ninepoint Partners LP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario M5J 2J1. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The objective of the Ninepoint Energy Fund (the “Fund”) is to achieve long-term capital growth. The Fund invests primarily in equity and equity-related securities of companies that are involved directly or indirectly in the exploration, development, production and distribution of oil, gas, coal, uranium and other related activities in the energy and resource sector.

To achieve the Fund’s investment objective, a fundamental analysis is employed to seek to identify superior investment opportunities with potential for capital appreciation over the long-term. This is accomplished by seeking out undervalued companies backed by strong management teams and solid business models that can benefit from both industry and macro-economic trends.

The Fund may follow a more concentrated investment approach and, from time to time, overweight certain sub-sectors within the energy and resource sector, when deemed appropriate by the Portfolio Manager. This may result in the Fund’s portfolio weighting being substantially different from the weightings of the S&P/TSX Capped Energy Total Return Index.

As part of its investment strategy, the Fund may:

- engage in short selling in a manner consistent with the investment objectives of the Fund and as permitted by securities regulations;
- engage in securities lending as permitted by securities regulations;
- invest in and overweight cash and fixed income securities based on the market outlook for the energy sector; and
- use derivatives, such as options, futures, forward contracts and swaps, for both hedging and non-hedging strategies, in a manner which is consistent with the investment objectives of the Fund and as permitted by securities regulations.

### Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus. This Fund is suitable only for investors seeking long-term capital growth potential of the energy and resource sectors. This Fund is suitable for investors with a high investment risk tolerance and have a long-term investment horizon. There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period.

### Results of Operations and Recent Developments

The Fund, Series A returned 17.7% in 2019, while its benchmark, the S&P/TSX Capped Energy Total Return Index, returned 9.8%.

Crude oil prices were affected by weak demand growth that was largely attributable to economic worries resulting from U.S.-China trade tensions. Weak demand manifested early in 2019 and persisted until the end of the third quarter, when signs of improvement began to appear.

The other important factor in oil prices was the successful increase to production cuts by the Organization of Petroleum Exporting Countries at its meeting in December. This additional cut by Saudi Arabia further tightened the market and allowed inventories to fall. In the United States, oil inventories ended the year lower.

Equity market volatility was extremely high throughout the year as markets reacted to tweets from the U.S. president and rumours regarding developments in the U.S. trade negotiations with China.

Oil’s negative correlation to the overall stock market increased while correlation between energy stocks increased, meaning that the market grew increasingly inefficient as participants preferred to invest in other sectors. Energy stocks no longer rallied on company-specific events but instead moved with the overall crude price, which seemed to be strongly influenced by alternating optimism and pessimism regarding a U.S.-China trade deal.

The Fund benefited from its allocation to Canada in the second half of the year. Canadian energy stocks had declined in response to uncertainty over progress on the Trans Mountain Expansion project, Line 3 replacement and the Keystone XL pipeline. The Manager saw a large opportunity in Canadian mid-capitalization oil stocks, given the likelihood of progress on TMX as well as highly compelling valuations relative to U.S. peers. Canadian oil companies dramatically outperformed U.S. oil companies in the second half of the year.

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At the individual security level, the top three contributors to performance were Crescent Point Energy Corp., Whitecap Resources Inc. and ARC Resources Ltd. Crescent Point successfully spun out midstream assets at an attractive valuation and also sold non-core assets in order to de-lever its balance sheet and buy back stock. Whitecap rebounded from a material discount to its liquidation value, benefiting from a longer-than-average proved developed producing reserve life, strong margins and high free cash flow. ARC Resources also appreciated from low levels that did not recognize its sustainable dividend yield above 9% and asset value at its Attachie play.

The largest detractors from performance were Enerplus Corp., Baytex Energy Corp. and Encana Corp.

The Manager remained focused on investing in high-quality, undervalued North American energy stocks expected to benefit from higher crude oil prices.

The Fund's net asset value increased by 5.8% during the period, from \$108.5 million on December 31, 2018 to \$114.8 million as at December 31, 2019. This change was predominately due to net redemptions of \$10.7 million, offset by net realized and unrealized gains on investments of \$20.5 million.

## Related Party Transactions

### MANAGEMENT FEES

The Fund pays a management fee to the Manager at an annual rate of 2.50% for Series A units, 1.50% for Series F and Series PTF units, 2.00% for Series D and as negotiated by the unitholders of Series I. The management fee is calculated and accrued daily based on daily net asset value of that series of the Fund, and is paid monthly. For the year ended December 31, 2019, the Fund incurred management fees of \$2,244,493 (including taxes). The breakdown of the services received in consideration of the management fees, as a percentage of management fees, is as follows:

	Portfolio Advisory	Trailing Commissions
Ninepoint Energy Fund – Series A	61%	39%
Ninepoint Energy Fund – Series D	75%	25%
Ninepoint Energy Fund – Series F	100%	–
Ninepoint Energy Fund – Series I	100%	–
Ninepoint Energy Fund – Series PTF	100%	–

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$10,819 during the year ended December 31, 2019 to Sightline Wealth Management (formerly, SP Wealth), an affiliate of the Manager.

### INCENTIVE FEES

The Fund also pays the Manager an annual incentive fee, equal to a percentage of the average net asset value of the applicable Series of the Fund. Such percentage will be equal to 10% of the difference by which the return in net asset value per unit of the applicable Series from January 1 to December 31 exceeds the percentage return of the S&P/TSX Capped Energy Total Return Index for the same period. If the performance of a Series of the Fund in any year is less than the performance of the Index (the "Deficiency"), then no incentive fee will be payable until the performance of the applicable Series, on a cumulative basis, has exceeded the amount of the Deficiency. For the year ended December 31, 2019, the Fund did not accrue any incentive fees.

### OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, trustee, filing and administrative expenses as well as unitholder reporting costs. The Manager pays certain of these expenses on behalf of the Fund and then is reimbursed by the Fund. At its sole discretion, the Manager may waive or absorb a portion of the operating expenses of certain Funds. Amounts waived or absorbed by the Manager are reported in the Statements of Comprehensive Income. Waivers or absorptions are at the Manager's discretion and can be terminated at any time without notice. The Manager did not absorb any expenses during the year ended December 31, 2019.

### OTHER RELATED PARTY TRANSACTIONS

The Fund relied on the approval, positive recommendation or standing instruction from the Fund's Independent Review Committee with respect to any related party transactions.

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## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years ended December 31 shown, unless otherwise indicated.

The Fund's Net Assets per Unit<sup>1</sup>

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
	\$	\$	\$	\$	\$
<b>Series A</b>					
Net assets, beginning of period	7.72	12.93	20.09	11.91	16.20
<b>Increase (decrease) from operations:</b>					
Total revenue	0.12	0.05	0.05	0.16	0.42
Total expenses	(0.50)	(0.77)	(0.79)	(1.45)	(1.37)
Realized gains (losses) for the period	(1.34)	(0.80)	(5.66)	6.57	(2.86)
Unrealized gains (losses) for the period	2.94	(3.84)	(0.40)	3.20	(0.52)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.22</b>	<b>(5.36)</b>	<b>(6.80)</b>	<b>8.48</b>	<b>(4.33)</b>
<b>Distributions:</b>					
<b>Total annual distributions<sup>3</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net assets, end of period</b>	<b>9.08</b>	<b>7.72</b>	<b>12.93</b>	<b>20.09</b>	<b>11.91</b>

	Dec 31, 2019	Dec 31, 2018 <sup>5</sup>
	\$	\$
<b>Series D</b>		
Net assets, beginning of period	5.54	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.10	0.27
Total expenses	(0.32)	(0.47)
Realized gains (losses) for the period	(0.37)	(0.70)
Unrealized gains (losses) for the period	1.85	(4.19)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.26</b>	<b>(5.09)</b>
<b>Distributions:</b>		
<b>Total annual distributions<sup>3</sup></b>	<b>—</b>	<b>—</b>
<b>Net assets, end of period</b>	<b>6.56</b>	<b>5.54</b>

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
	\$	\$	\$	\$	\$
<b>Series F</b>					
Net assets, beginning of period	8.65	14.34	22.04	13.12	17.62
<b>Increase (decrease) from operations:</b>					
Total revenue	0.13	0.09	0.06	0.17	0.47
Total expenses	(0.46)	(0.78)	(0.56)	(1.79)	(1.02)
Realized gains (losses) for the period	(1.56)	(0.96)	(6.24)	7.23	(3.44)
Unrealized gains (losses) for the period	3.34	(4.62)	0.44	3.06	(1.21)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.45</b>	<b>(6.27)</b>	<b>(6.30)</b>	<b>8.67</b>	<b>(5.20)</b>
<b>Distributions:</b>					
<b>Total annual distributions<sup>3</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net assets, end of period</b>	<b>10.30</b>	<b>8.65</b>	<b>14.34</b>	<b>22.04</b>	<b>13.12</b>

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	Dec 31, 2019 <sup>4</sup>	Dec 31, 2018	Dec 31, 2017 <sup>4</sup>	Dec 31, 2016	Dec 31, 2015
	\$	\$	\$	\$	\$
Series I					
Net assets, beginning of period	4.07	6.63	10.00	-	-
<b>Increase (decrease) from operations:</b>					
Total revenue	-	(0.02)	0.02	-	-
Total expenses	(0.14)	(0.20)	(0.04)	-	-
Realized gains (losses) for the period	(0.28)	(0.34)	(2.90)	-	-
Unrealized gains (losses) for the period	0.83	(1.90)	(0.76)	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.41</b>	<b>(2.46)</b>	<b>(3.68)</b>	<b>-</b>	<b>-</b>
<b>Distributions:</b>					
<b>Total annual distributions<sup>3</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, end of period</b>	<b>-</b>	<b>4.07</b>	<b>6.63</b>	<b>-</b>	<b>-</b>

	Dec 31, 2019	Dec 31, 2018 <sup>5</sup>
	\$	\$
Series PTF		
Net assets, beginning of period	10.00	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.00	0.00
Total expenses	(0.00)	(0.00)
Realized gains (losses) for the period	(0.00)	(0.00)
Unrealized gains (losses) for the period	(0.00)	(0.00)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>Distributions:</b>		
<b>Total annual distributions<sup>3</sup></b>	<b>-</b>	<b>-</b>
<b>Net assets, end of period</b>	<b>10.00</b>	<b>10.00</b>

1 This information is derived from the Fund's audited annual financial statements.

2 The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. Net assets and distributions are based on the actual number of units outstanding at the relevant time. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 Distributions are reinvested in additional units of the fund or paid in cash.

4 All outstanding Series I units were fully redeemed during the year ended December 31, 2014. Subsequently, Series I units was subscribed for on January 3, 2017 and then were fully redeemed during the year ended December 31, 2019.

5 Information provided is for the period from May 10, 2018 (first issuance) for Series D, and December 3, 2018 (first issuance) for Series PTF, to December 31, 2018.

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## Ratios and Supplemental Data

Series A	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Total net asset value (000s) <sup>1</sup>	<b>49,625</b>	\$44,898	\$79,796	\$107,496	\$35,152
Number of units outstanding <sup>1</sup>	<b>5,463,140</b>	5,817,238	6,170,667	5,350,523	2,951,643
Management expense ratio <sup>2</sup>	<b>3.22%</b>	3.06%	3.11%	3.08%	3.33%
Trading expense ratio <sup>3</sup>	<b>3.05%</b>	3.56%	2.32%	6.15%	5.08%
Portfolio turnover rate <sup>4</sup>	<b>433.60%</b>	636.98%	372.39%	1,293.60%	926.55%
Net asset value per unit <sup>1</sup>	<b>9.08</b>	\$7.72	\$12.93	\$20.09	\$11.91

Series D	Dec 31, 2019	Dec 31, 2018
Total net asset value (000s) <sup>1</sup>	<b>2,112</b>	\$650
Number of units outstanding <sup>1</sup>	<b>321,813</b>	117,257
Management expense ratio <sup>2</sup>	<b>2.62%</b>	2.08%
Trading expense ratio <sup>3</sup>	<b>3.05%</b>	3.56%
Portfolio turnover rate <sup>4</sup>	<b>433.60%</b>	636.98%
Net asset value per unit <sup>1</sup>	<b>6.56</b>	\$5.54

Series F	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Total net asset value (000s) <sup>1</sup>	<b>63,038</b>	\$61,848	\$76,170	\$73,943	\$12,332
Number of units outstanding <sup>1</sup>	<b>6,120,534</b>	7,146,324	5,312,933	3,355,521	940,123
Management expense ratio <sup>2</sup>	<b>2.12%</b>	2.23%	2.04%	3.37%	2.25%
Management expense ratio before incentive fee <sup>2</sup>	<b>2.12%</b>	2.23%	2.04%	1.96%	2.25%
Trading expense ratio <sup>3</sup>	<b>3.05%</b>	3.56%	2.32%	6.15%	5.08%
Portfolio turnover rate <sup>4</sup>	<b>433.60%</b>	636.98%	372.39%	1,293.60%	926.55%
Net asset value per unit <sup>1</sup>	<b>10.30</b>	\$8.65	\$14.34	\$22.04	\$13.12

Series I	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Total net asset value (000s) <sup>1</sup>	–	\$1,064	\$2,736	–	–
Number of units outstanding <sup>1</sup>	–	261,543	412,902	–	–
Management expense ratio <sup>2</sup>	<b>0.40%</b>	0.43%	0.35%	–	–
Trading expense ratio <sup>3</sup>	<b>3.05%</b>	3.56%	2.32%	–	–
Portfolio turnover rate <sup>4</sup>	<b>433.60%</b>	636.98%	372.39%	–	–
Net asset value per unit <sup>1</sup>	–	\$4.07	\$6.63	–	–

Series PTF	Dec 31, 2019	Dec 31, 2018
Total net asset value (000s) <sup>1</sup>	<b>\$ -</b>	\$ -
Number of units outstanding <sup>1</sup>	<b>1</b>	1
Management expense ratio <sup>2</sup>	<b>0.00%</b>	0.00%
Trading expense ratio <sup>3</sup>	<b>3.05%</b>	3.56%
Portfolio turnover rate <sup>4</sup>	<b>433.60%</b>	636.98%
Net asset value per unit <sup>1</sup>	<b>10.00</b>	\$10.00

1 The information is provided as at December 31 for the years shown.

2 Management expense ratio ("MER") is based on total expenses (including incentive fees, if any; excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

3 The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The TER includes dividend expense and securities borrowing expense paid by the Fund in connection with securities sold short.

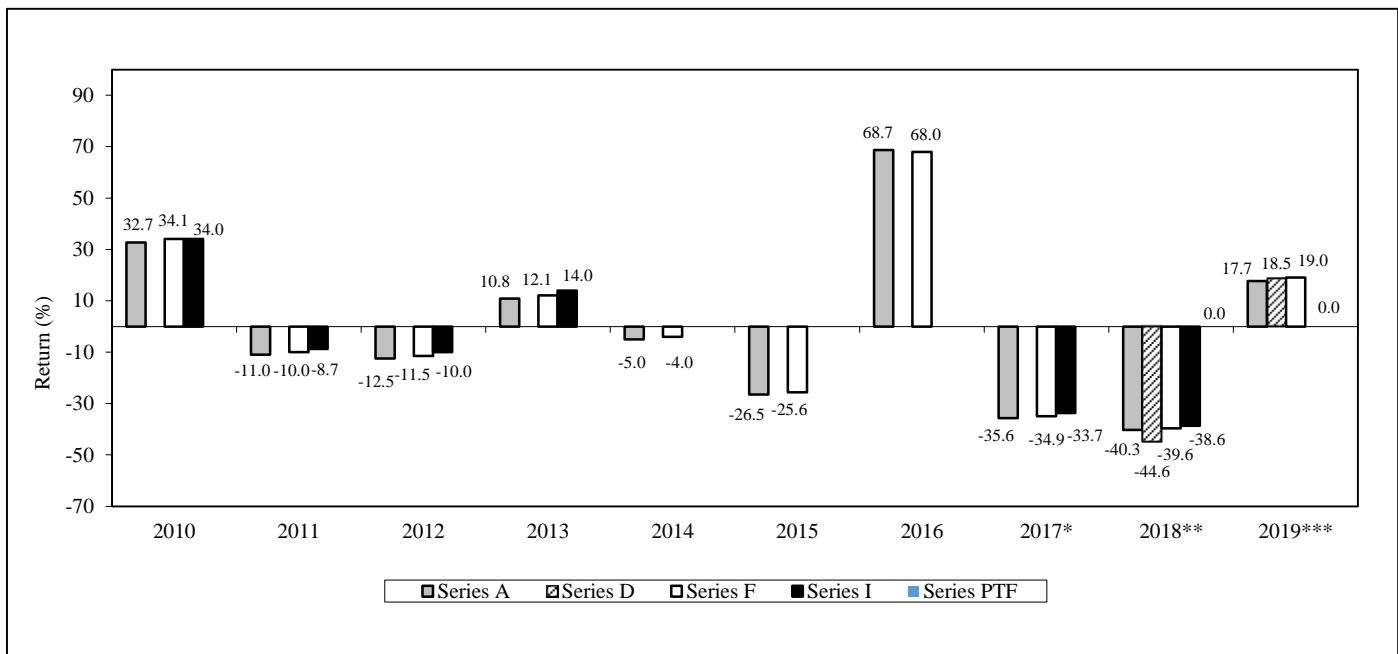
4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

## Past Performance

The indicated rates of return are the historical total returns including changes in unit values and assume reinvestment of all distributions in additional units of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of returns are calculated based on the Net Asset Value of the particular Series of the Fund.

### Year-by-Year Returns

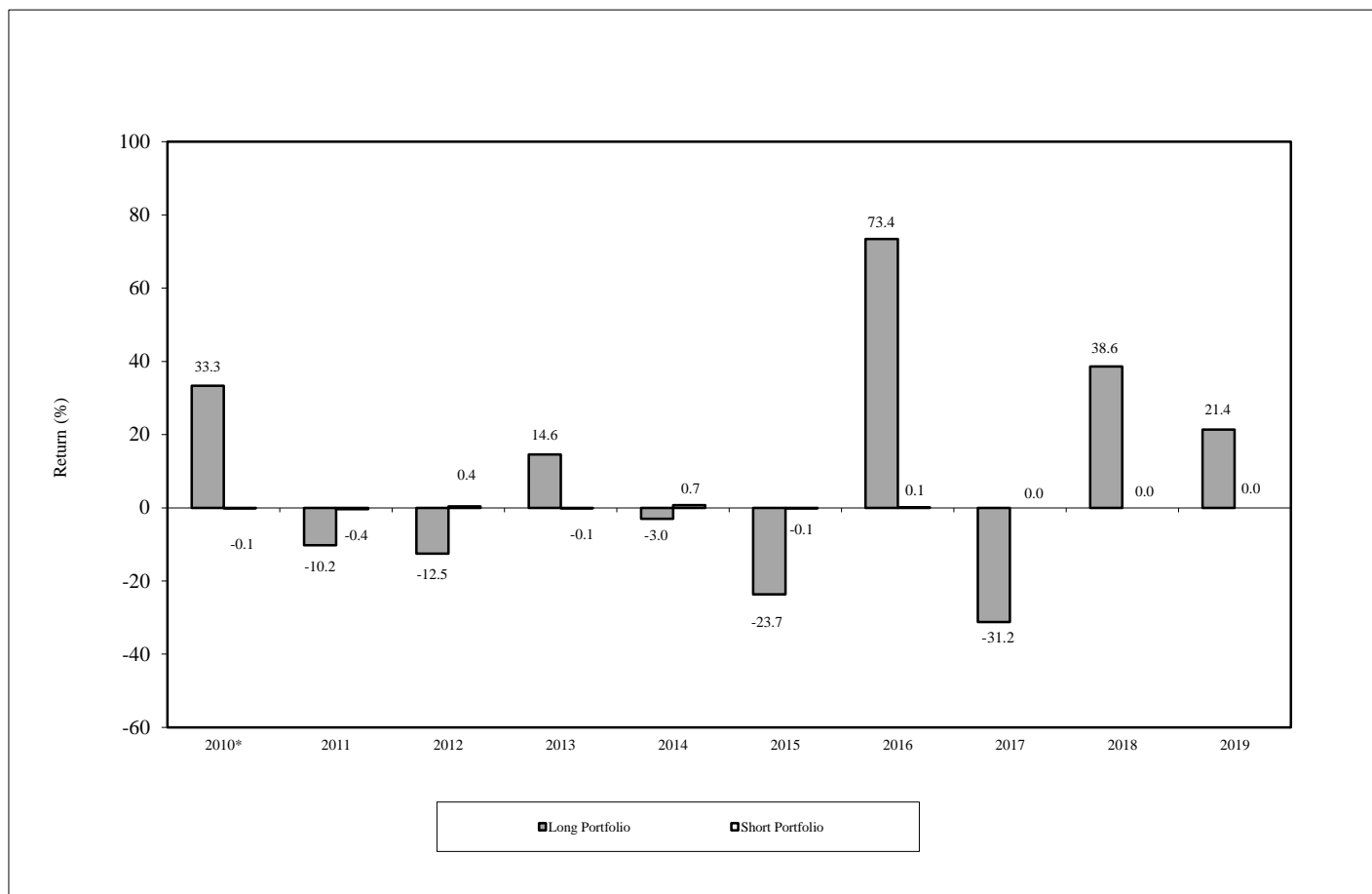
The following chart indicates the performance of each Series of the Fund for the years ended December 31 shown, unless otherwise indicated. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each period. Returns are not shown for a Series in any period in which there were zero outstanding shares as at the end of the period.



\* Return from January 3, 2017 to December 31, 2017 for Series I (not annualized).  
 \*\* Return from May 10, 2018 for Series D, and December 3, 2018 for Series PTF, to December 31, 2018 (not annualized).  
 \*\*\* All outstanding Series I units were fully redeemed during the year ended December 31, 2019

## Long and Short Portfolio Returns

The following table illustrates the contribution to the return of the Fund (before the impact of Fund expenses) by the long portfolio and the short portfolio of the Fund for the years ended December 31 shown, unless otherwise indicated. For the purposes of this disclosure, certain derivatives may be considered to be part of the short portfolio.



\* The Fund did not hold short portfolio positions prior to 2010.



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## Annual Compound Returns

The following table illustrates the annual compound total return for each Series of units of the Fund for the periods shown. As a basis of performance comparison, the annual compound return of the Fund is compared to that of the S&P/TSX Capped Energy Total Return Index (the “Index”). The Index is comprised of securities of Canadian energy sector issuers listed on the TSX. Since the Fund does not necessarily invest in the same securities or in the same proportion as the Index, the performance of the Fund is not expected to equal the performance of the Index.

	1-Year	3-Year	5-Year	10-Year	Since Inception*
Ninepoint Energy Fund – Series A	17.7%	-23.3%	-10.9%	-4.8%	0.0%
S&P/TSX Capped Energy Total Return Index	9.8%	-10.4%	-5.3%	-4.1%	1.7%
Ninepoint Energy Fund – Series D	18.5%	–	–	–	-22.6%
S&P/TSX Capped Energy Total Return Index	9.8%	–	–	–	-15.0%
Ninepoint Energy Fund – Series F	19.0%	-22.4%	-10.2%	-3.9%	1.0%
S&P/TSX Capped Energy Total Return Index	9.8%	-10.4%	-5.3%	-4.1%	1.7%
Ninepoint Energy Fund – Series PTF	0.0%	–	–	–	0.0%
S&P/TSX Capped Energy Total Return Index	9.8%	–	–	–	0.0%
Long portfolio	21.4%	-20.0%	-7.5%	-2.3%	
Short portfolio	0.0%	0.0%	0.0%	0.1%	

\* Since launch date of April 15, 2004 for Series A and Series F, May 10, 2018 for Series D and December 3, 2018 for Series PTF. There were no Series I units outstanding as December 31, 2019.

## Summary of Investment Portfolio

As at December 31, 2019

### Portfolio Allocation

	% of Net Asset Value
Long Positions	
Oil and Gas Exploration and Production	58.0
Integrated Oil and Gas	9.2
<u>Total Long Positions</u>	<u>67.2</u>
Cash	31.1
Other Net Assets	1.7
<u>Total Net Asset Value</u>	<u>100.0</u>

### All Positions

Issuer	% of Net Asset Value
Cash	31.1
Crescent Point Energy Corp.	10.1
Baytex Energy Corp.	9.8
Tourmaline Oil Corp.	9.3
Cenovus Energy Inc.	9.2
Enerplus Corporation	8.8
Parex Resources Inc.	6.3
Torc Oil & Gas Ltd.	3.9
Canadian Natural Resources Ltd.	3.7
Kelt Exploration Ltd.	3.2
Seven Generations Energy Ltd.	2.9
<u>All long positions as a percentage of net asset value</u>	<u>98.3</u>

The Fund held no short positions as at December 31, 2019.

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available on the Internet at [www.ninepoint.com](http://www.ninepoint.com).

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## Corporate Information

### Corporate Address

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Call our mutual fund information line for daily closing prices:  
416.362.7172 or 1.888.362.7172

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