



Ninepoint Alternative Credit Opportunities Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2021

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 or SEDAR at 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.

Management Discussion of Fund Performance

Investment Objective and Strategies

The objective of Ninepoint Alternative Credit Opportunities Fund (the “Fund”) is to provide investors with income and capital appreciation. To achieve the Fund’s investment objective, the Fund will primarily invest in a diverse mix of Canadian, U.S. and international fixed income securities for short-term and long-term gains. The Fund will use derivatives, which may introduce leverage into the Fund. The Fund may also borrow cash and sell securities short. The Fund’s maximum aggregate exposure to short selling, cash borrowing and derivatives used for leverage must not exceed 300% of the Fund’s net asset value, calculated on a daily basis.

As part of its investment strategy, the Fund may:

- engage in securities lending as permitted by securities regulations; and
- underlying funds, including underlying mutual funds and closed-end funds managed by the Manager and/or its affiliates and associates

Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus. This Fund is suitable for those investors seeking exposure to fixed income markets and want to maintain a high level of liquidity in their investments. This Fund is suitable for investors with a low to medium tolerance for risk and have a medium to long-term investment horizon.

Results of Operations and Recent Developments

The Fund, Series A returned 0.9% since its inception to December 31, 2021, with interest income earned in the Fund during the period being offset slightly by unrealized losses in the portfolio.

The COVID crisis seems to be coming to an end as vaccinations have accelerated through the year and the vaccines so far seem efficacious against all variants of concern. Economies have thus cautiously reopened, driving a rebound in economic activity. Fiscal and monetary support remains generous, which is adding even more fuel to this recovery. Consequently, earnings are also increasing for most companies, which have so far been able to pass on higher prices to consumers. But inflation is running hot and appears more persistent than expected at the beginning of the year. Supply chain issues, very high demand and a shortage of labor is expected to continue to drive prices higher. Accordingly, the Federal Reserve is accelerating the tapering of its asset purchases, with the intention of raising interest rates as early as the first quarter of 2022. Typically, the early stages of rate hike cycles aren’t necessarily negative for risk assets; the economy is strong, earnings solid and thus a mildly higher discount rate doesn’t have to spell the end of the party.

By design, this strategy has a very small exposure to interest rates, with more focus on credit. So gyrations in interest rates do not affect it much directly, to the extent that rises or declines in rates do not drive a broader risk off environment.

The year of 2021 was very positive for risk assets, including credit. Credit spreads have performed well, staying relatively rangebound. Our concentration in credit has contributed positively to performance. We have expanded our allocation to hybrid securities, such as preferred shares, Limited Recourse Capital Notes (LRCN) and junior subordinated debentures. Companies are doing well, particularly in the energy sector (pipelines, infrastructure, midstream and producers). Companies in this sector continue to have better credit quality as they focus on improving their balance sheets. We like this sector and feel comfortable investing lower in the capital structure (hybrids) of the strongest companies.

Higher realized inflation and higher commodity prices also resulted in a very strong Canadian Dollar. Thankfully, as a rule, we hedge most of our foreign currency exposure, so we were not impacted by the appreciation of the Loonie.

We do not intend on making any changes to the strategy at this point.

The Fund’s net asset value was \$117.3 million as at December 31, 2021.

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Related Party Transactions

MANAGEMENT FEES

The Fund pays a management fee to the Manager at an annual rate of 1.40% for Series A units, 0.90% for Series D, Series F and ETF Series units, 0.80% for Series QF units and as negotiated by the unitholders for Series I. The management fee is calculated and accrued daily and is paid monthly based on the daily net asset value of that series of the Fund. For the period since its inception to December 31, 2021, the Fund incurred management fees (including taxes) of \$403,407. 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 Alternative Credit Opportunities Fund – Series A	65%	35%
Ninepoint Alternative Credit Opportunities Fund – Series F	100%	-
Ninepoint Alternative Credit Opportunities Fund – Series QF	100%	-
Ninepoint Alternative Credit Opportunities Fund – ETF Series	100%	-

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$364 during the period since its inception to December 31, 2021, to Sightline Wealth Management, an affiliate of the manager.

PERFORMANCE FEES

The Fund also pays the Manager a performance fee equal to a percentage equal to 10% of the difference by which the return in the net asset value per unit of the applicable series the first business day of the calendar quarter (or from inception if any series commences on a date other than the beginning of the quarter) to the last business day of the calendar quarter exceeds the high-water mark per unit of such series. For each series of the Fund, the “high water mark” means the greater of (i) the initial net asset value per unit, or (ii) the NAV at the end of the most recent calendar quarter for which a performance fee was paid after giving effect to all distributions in, and payments of performance fees for, such calendar quarter, and 0.75% for the same period. The net asset value includes all expenses and is calculated before income and capital gains are distributed. The performance fee is calculated and accrued daily and paid quarterly on a calendar quarter basis. For the period since its inception to December 31, 2021, the Fund accrued \$11,020 of incentive fees.

OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, filing and administrative expenses as well as shareholder 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 the Fund. Amounts waived or absorbed by the Manager are reported in the Statements of Comprehensive Income. Waivers or absorptions can be terminated at any time without notice. For the period since its inceptions to December 31, 2021, the Manager did not absorb expenses.

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 period since its inception to December 31, 2021.

The Fund's Net Assets per Unit¹

	Dec 31, 2021 ⁴
Series A	\$
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.43
Total expenses	(0.23)
Realized gains (losses) for the period	0.01
Unrealized gains (losses) for the period	(0.25)
Total increase (decrease) from operations²	(0.04)
Distributions:	
From interests	0.19
From dividends	0.00
From return of capital	-
Total annual distributions³	0.19
Net assets, end of period	9.91

	Dec 31, 2021 ⁴
Series F	\$
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.44
Total expenses	(0.20)
Realized gains (losses) for the period	(0.01)
Unrealized gains (losses) for the period	(0.22)
Total increase (decrease) from operations²	0.01
Distributions:	
From interests	0.22
From dividends	0.00
From return of capital	-
Total annual distributions³	0.22
Net assets, end of period	9.90

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	Dec 31, 2021⁴
Series QF	\$
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.17
Total expenses	(0.13)
Realized gains (losses) for the period	(0.02)
Unrealized gains (losses) for the period	(0.04)
Total increase (decrease) from operations²	(0.02)
Distributions:	
From interests	0.04
From dividends	-
From return of capital	-
Total annual distributions³	0.04
Net assets, end of period	9.94

	Dec 31, 2021⁴
ETF Series	\$
Net assets, beginning of period	20.00
Increase (decrease) from operations:	
Total revenue	0.87
Total expenses	(0.41)
Realized gains (losses) for the period	0.01
Unrealized gains (losses) for the period	(0.44)
Total increase (decrease) from operations²	0.03
Distributions:	
From interests	0.52
From dividends	0.01
From return of capital	0.01
Total annual distributions³	0.54
Net assets, end of period	19.71

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

2 The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. Net asset 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 the beginning to ending net assets per unit.

3 Distributions were reinvested in additional units of the Fund.

4 Information provided is for the period from May 11, 2021 (launch date) for Series F, May 12, 2021 (first issuance) for ETF Series, May 15, 2021 (first issuance) for Series A, and November 24, 2021 (first issuance) for Series QF, to December 31, 2021.

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Ratios and Supplemental Data

	Dec 31, 2021
Series A	
Total net asset value (000's) ¹	\$8,650
Number of Units outstanding ¹	873,115
Management expense ratio ²	1.77%
Management expense ratio before incentive fees ²	1.76%
Trading expense ratio ³	0.06%
Portfolio turnover rate ⁴	31.37%
Net asset value per Unit ¹	\$9.91

	Dec 31, 2021
Series F	
Total net asset value (000's) ¹	\$93,861
Number of Units outstanding ¹	9,478,487
Management expense ratio ²	1.31%
Management expense ratio before incentive fees ²	1.28%
Trading expense ratio ³	0.06%
Portfolio turnover rate ⁴	31.37%
Net asset value per Unit ¹	\$9.90

	Dec 31, 2021
Series QF	
Total net asset value (000's) ¹	\$7,917
Number of Units outstanding ¹	796,861
Management expense ratio ²	1.27%
Management expense ratio before incentive fees ²	1.27%
Trading expense ratio ³	0.06%
Portfolio turnover rate ⁴	31.37%
Net asset value per Unit ¹	\$9.94

	Dec 31, 2021
Series ETF	
Total net asset value (000's) ¹	\$6,899
Number of Units outstanding ¹	350,000
Management expense ratio ²	1.38%
Management expense ratio before incentive fees ²	1.34%
Trading expense ratio ³	0.06%
Portfolio turnover rate ⁴	31.37%
Net asset value per Unit ¹	\$19.71

1 This information is provided as at December 31, 2021.

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 daily average net asset value during the period. The Manager may waive or absorb a portion of the operating expenses of the Fund. Waivers and absorption can be terminated at any time.

3 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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 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 period. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

Past Performance

In accordance with National Instrument 81-106, Investment Fund Continuous Disclosure, “PAST PERFORMANCE” disclosure consisting of “Year-by-Year Returns”, “Long and Short Portfolio Returns” and “Annual Compound Returns” are not required as the Fund has been a reporting issuer for less than a year.

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Summary of Investment Portfolio

As at December 31, 2021

Portfolio Allocation		Top 25 Long Positions	
	% of Net Asset Value	Issuer	% of Net Asset Value
Long Positions		Cash	11.3
Investment Grade Bonds	145.4	Athene Global Funding, 2.470%, Jun 9, 2028	3.4
High Yield Bonds	27.4	Aviva PLC, 4.000%, Oct 2, 2030	2.4
Asset-Backed Securities	7.7	New Latitude Mortgage Trust, 3.250%, Dec 15, 2023	2.3
Loans	6.0	Westcoast Energy Inc., 7.150%, Mar 20, 2031	2.3
Preferred Equities	1.8	Co-operators Financial Services Limited, Callable, 3.327%, May 13, 2030	2.3
Government Bonds	0.3	National Australia Bank Limited, Callable, 3.515%, Jun 12, 2030	2.2
Warrants	0.0	The Manufacturers Life Insurance Company, Callable, 3.375%, Jun 19, 2081	2.2
Total Long Positions	188.6	George Weston Limited, 6.690%, Mar 1, 2033	2.2
Short Positions		Pembina Pipeline Corporation, Callable, 4.800%, Jan 25, 2081	2.2
Government Bonds	(102.3)	Gibson Energy Inc., Callable, 5.250%, Dec 22, 2080	2.1
Total Short Positions	(102.3)	The Bank of Nova Scotia, Callable, 2.100%, Feb 20, 2024	2.1
Cash	11.3	The Toronto-Dominion Bank, Callable, 3.600%, Oct 31, 2081	2.1
Other Net Assets	2.4	Canadian Western Bank, Callable, 3.668%, Jun 11, 2029	2.1
Total Net Asset Value	100.0	Macquarie Group Limited, Callable, 2.723%, Aug 21, 2029	2.0
		Suncor Energy Inc., Callable, 5.000%, Apr 9, 2030	2.0
		Fairfax Financial Holdings Limited, Callable, 3.950%, Mar 3, 2031	2.0
		The Empire Life Insurance Company, Callable, 3.625%, Apr 17, 2081	1.8
		First National Financial Corporation, 3.582%, Nov 25, 2024	1.8
		Keyera Corporation, Callable, 5.950%, Mar 10, 2081	1.8
		Ford Credit Canada Company, 2.710%, Feb 23, 2022	1.8
		Artis Real Estate Investment Trust, 3.824%, Sep 18, 2023	1.8
		AltaGas Limited, Callable, 2.477%, Nov 30, 2030	1.8
		Laurentian Bank of Canada, Callable, 5.300%, Jun 15, 2081	1.8
		<u>Enbridge Inc., Callable, 5.375%, Sep 27, 2077</u>	<u>1.8</u>
		Total 25 long positions as a percentage of Net Asset Value	61.6
Portfolio Allocation by Geographic Region			
	% of Net Asset Value		
Canada	63.9		
United States	12.7		
United Kingdom	4.5		
Australia	4.3		
France	0.9		
Total Positions	86.3		
Cash	11.3		
Other Net Assets	2.4		
Total Net Asset Value	100.0		

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All Short Positions

Issuer	% of Net Asset Value
Government of Canada, 2.000%, Jun 1, 2028	(17.9)
Government of Canada, 1.000%, Jun 1, 2027	(15.6)
Government of Canada, 1.250%, Jun 1, 2030	(13.9)
Government of Canada, 1.500%, Jun 1, 2026	(10.0)
Government of Canada, 1.500%, Jun 1, 2031	(8.4)
Government of Canada, 0.500%, Dec 1, 2030	(7.9)
Government of Canada, 2.250%, Jun 1, 2025	(5.5)
Government of Canada, 1.000%, Sep 1, 2026	(4.7)
Government of Canada, 2.250%, Jun 1, 2029	(4.2)
Government of Canada, 0.250%, Mar 1, 2026	(3.5)
Government of Canada, 0.500%, Sep 1, 2025	(3.4)
Government of Canada, 1.500%, Sep 1, 2024	(1.9)
Government of Canada, 2.000%, Dec 1, 2051	(1.6)
Government of Canada, 5.750%, Jun 1, 2033	(1.4)
Government of Canada, 2.250%, Mar 1, 2024	(0.9)
Government of Canada, 2.500%, Jun 1, 2024	(0.8)
United States Treasury Note, 0.750%, Jan 31, 2028	(0.5)
Government of Canada, 1.500%, Jun 1, 2023	(0.2)
All short positions as a percentage of Net Asset Value	(102.3)

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.

Corporate Information

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