



# Ninepoint Alternative Credit Opportunities Fund

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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

JUNE 30

2021

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The interim 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 interim financial statements of the investment fund. You can get a copy of the interim 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 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 0.8% since its inception to June 30, 2021.

While the COVID-19 crisis continues, there have been significant positive developments as vaccinations have accelerated through the spring. Economies are thus cautiously reopening, driving a rebound in economic activity. Fiscal and monetary support remains generous, which is adding even more fuel to this recovery. Consequently, long-term interest rates have increased significantly to reflect a stronger economy and a slightly steeper path of rate hikes in the future. An important risk for markets as the summer unfolds is linked to inflation. A combination of very low prices in 2020 during the lockdown months and supply chain disruptions means that inflation in 2021 is soaring. For now, the consensus at the Bank of Canada and the Federal Reserve is that this will prove temporary. But, if it isn’t, then we should expect central banks to start reducing policy accommodation much sooner than currently priced-in by markets, potentially creating downside risk to asset prices (both bonds and equities).

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

So far, 2021 has been a very positive year for risk assets, including credit. Credit spreads have performed very well and are now sitting close to their post financial crisis lows. Our concentration in credit has contributed positively to performance. Since the launch of the fund, 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.

Given the strong performance of credit so far this year, we started to layer some credit hedges into the summer, expecting perhaps more volatility in August when we expect the Federal Reserve to formally announce the tapering of their asset purchases (QE). We hedged using put options on a US High Yield ETF.

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

The Fund’s net asset value was \$19.6 million as at June 30, 2021, predominately due to net subscriptions of \$19.6 million.

# Ninepoint Alternative Credit Opportunities Fund

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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 ended June 30, 2021, the Fund incurred management fees (including taxes) of \$9,391. The breakdown of the services received in consideration of the management fees, as a percentage of management fees, is as follows:

|  | Portfolio<br>Advisory | Trailing<br>Commissions |
|--|-----------------------|-------------------------|
| Ninepoint Alternative Credit Opportunities Fund – Series A   | 97%                   | 3%                      |
| Ninepoint Alternative Credit Opportunities Fund – Series F   | 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 \$20 during the period ended June 30, 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 ended June 30, 2021, the Fund accrued \$3,490 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 ended June 30, 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.

# Ninepoint Alternative Credit Opportunities Fund

June 30, 2021

## 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 ended June 30, 2021, unless otherwise indicated.

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

|  | <b>Jun 30,<br/>2021<sup>4</sup></b> |
|--|-------------------------------------|
| Series A   | <b>\$</b>                           |
| <b>Net assets, beginning of period</b>                       | <b>10.00</b>                        |
| <b>Increase (decrease) from operations:</b>                  |                                     |
| Total revenue  | <b>0.09</b>                         |
| Total expenses   | <b>(0.06)</b>                       |
| Realized gains (losses) for the period                       | <b>0.03</b>                         |
| Unrealized gains (losses) for the period                     | <b>0.01</b>                         |
| <b>Total increase (decrease) from operations<sup>2</sup></b> | <b>0.07</b>                         |
| <b>Distributions:</b>  |                                     |
| From income (excluding dividends) <sup>5</sup>               | <b>0.01</b>                         |
| <b>Total annual distributions<sup>3</sup></b>                | <b>0.01</b>                         |
| <b>Net assets, end of period</b>                             | <b>10.07</b>                        |

|  | <b>Jun 30,<br/>2021<sup>4</sup></b> |
|--|-------------------------------------|
| Series F   | <b>\$</b>                           |
| <b>Net assets, beginning of period</b>                       | <b>10.00</b>                        |
| <b>Increase (decrease) from operations:</b>                  |                                     |
| Total revenue  | <b>0.10</b>                         |
| Total expenses   | <b>(0.06)</b>                       |
| Realized gains (losses) for the period                       | <b>0.03</b>                         |
| Unrealized gains (losses) for the period                     | <b>0.02</b>                         |
| <b>Total increase (decrease) from operations<sup>2</sup></b> | <b>0.09</b>                         |
| <b>Distributions:</b>  |                                     |
| From income (excluding dividends) <sup>5</sup>               | <b>0.01</b>                         |
| <b>Total annual distributions<sup>3</sup></b>                | <b>0.01</b>                         |
| <b>Net assets, end of period</b>                             | <b>10.08</b>                        |

# Ninepoint Alternative Credit Opportunities Fund

June 30, 2021

|  | <b>Jun 30,<br/>2021<sup>4</sup></b> |
|--|-------------------------------------|
| ETF Series   | <b>\$</b>                           |
| <b>Net assets, beginning of period</b>                       | <b>20.00</b>                        |
| <b>Increase (decrease) from operations:</b>                  |                                     |
| Total revenue  | <b>0.19</b>                         |
| Total expenses   | <b>(0.14)</b>                       |
| Realized gains (losses) for the period                       | <b>0.05</b>                         |
| Unrealized gains (losses) for the period                     | <b>0.07</b>                         |
| <b>Total increase (decrease) from operations<sup>2</sup></b> | <b>0.17</b>                         |
| <b>Distributions:</b>  |                                     |
| From income (excluding dividends) <sup>5</sup>               | <b>0.09</b>                         |
| <b>Total annual distributions<sup>3</sup></b>                | <b>0.09</b>                         |
| <b>Net assets, end of period</b>                             | <b>20.09</b>                        |

1 This information is derived from the Fund's interim 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, and May 15, 2021 (first issuance) for Series A, to June 30, 2021.

5 The final allocation of distributions for the period ended June 30, 2021 between income, dividends, capital gains and return of capital will be determined as at December 15, 2021.

# Ninepoint Alternative Credit Opportunities Fund

June 30, 2021

## Ratios and Supplemental Data

|   | <b>Jun 30,<br/>2021</b> |
|---|-------------------------|
| <b>Series A</b>   |                         |
| Total net asset value (000's) <sup>1</sup>                  | \$776                   |
| Number of Units outstanding <sup>1</sup>                    | 77,040                  |
| Management expense ratio <sup>2</sup>                       | 3.21%                   |
| Management expense ratio before incentive fees <sup>2</sup> | 2.82%                   |
| Trading expense ratio <sup>3</sup>                          | 0.04%                   |
| Portfolio turnover rate <sup>4</sup>                        | 19.20%                  |
| Net asset value per Unit <sup>1</sup>                       | \$10.07                 |
| <b>Series F</b>   |                         |
| Total net asset value (000's) <sup>1</sup>                  | \$17,808                |
| Number of Units outstanding <sup>1</sup>                    | 1,767,148               |
| Management expense ratio <sup>2</sup>                       | 2.67%                   |
| Management expense ratio before incentive fees <sup>2</sup> | 2.28%                   |
| Trading expense ratio <sup>3</sup>                          | 0.04%                   |
| Portfolio turnover rate <sup>4</sup>                        | 19.20%                  |
| Net asset value per Unit <sup>1</sup>                       | \$10.08                 |
| <b>Series ETF</b>   |                         |
| Total net asset value (000's) <sup>1</sup>                  | \$1,004                 |
| Number of Units outstanding <sup>1</sup>                    | 50,000                  |
| Management expense ratio <sup>2</sup>                       | 3.22%                   |
| Management expense ratio before incentive fees <sup>2</sup> | 2.80%                   |
| Trading expense ratio <sup>3</sup>                          | 0.04%                   |
| Portfolio turnover rate <sup>4</sup>                        | 19.20%                  |
| Net asset value per Unit <sup>1</sup>                       | \$20.09                 |

1 This information is provided as at June 30, 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.

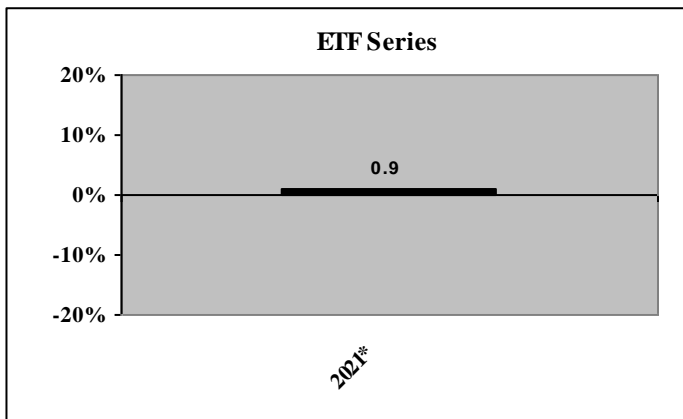
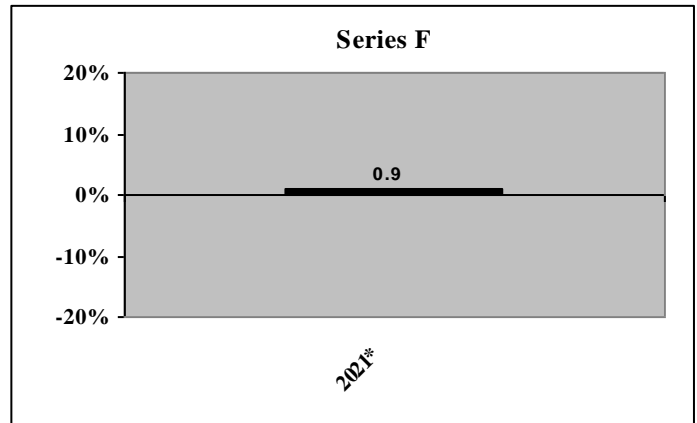
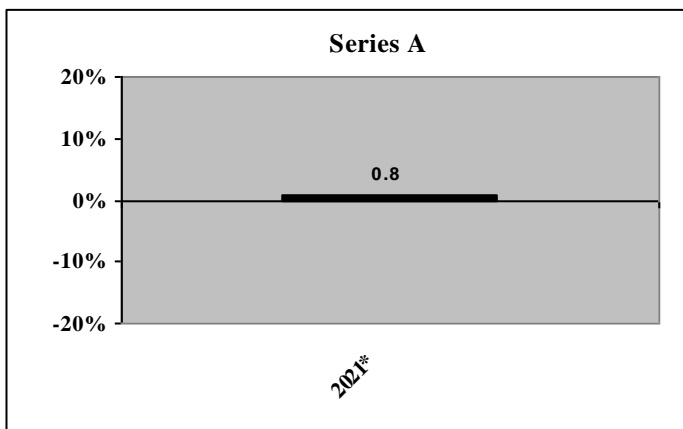
4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the portfolio turnover 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

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 period ended June 30, 2021. 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.



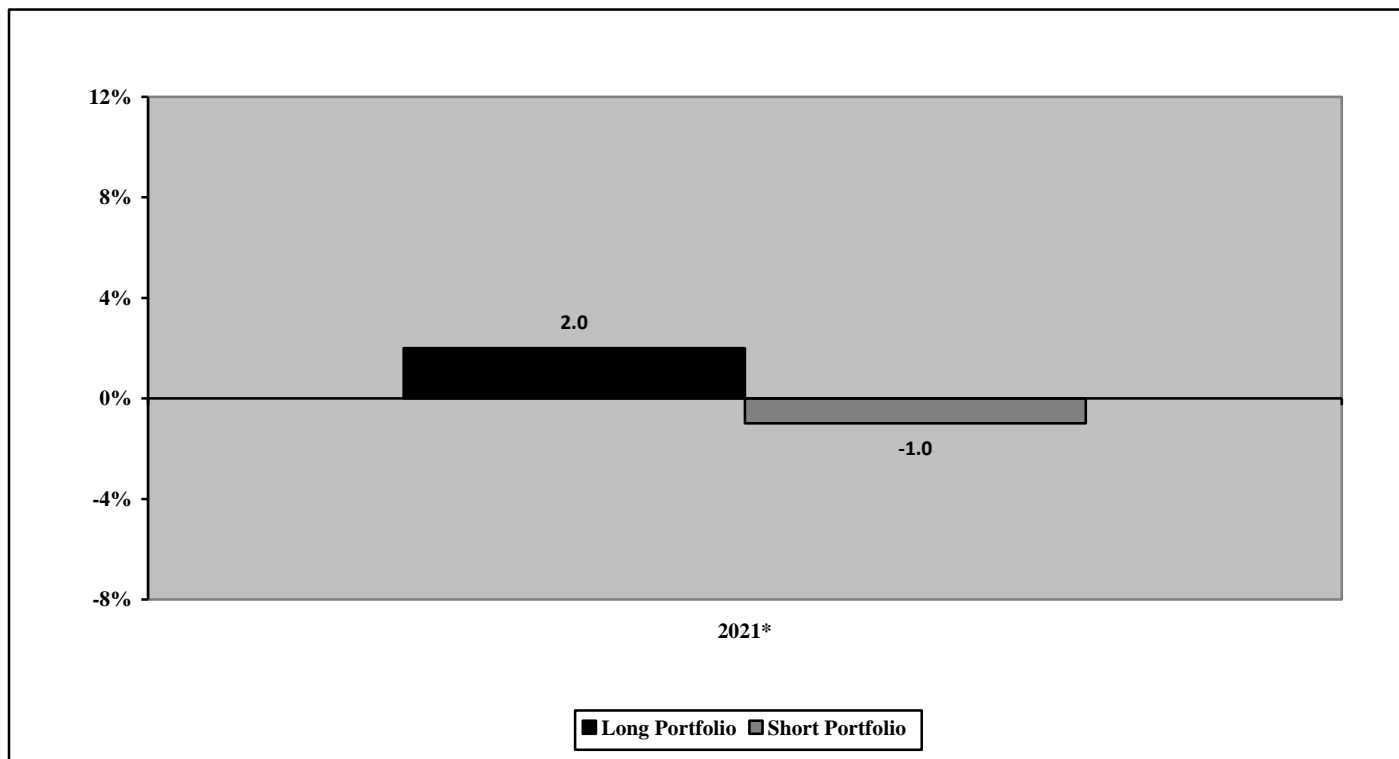
\* Returns from May 11, 2021 (launch date) for Series F, May 12, 2021 (first issuance) for ETF Series, and May 15, 2021 (first issuance) for Series A, to June 30, 2021 (not annualized).

# Ninepoint Alternative Credit Opportunities Fund

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## Long and Short Portfolio Returns

The following table illustrates the contribution to the return of the Fund by the long portfolio and the short portfolio of the Fund (before the impact of Fund expenses) for the period ended June 30, 2021. For the purposes of this disclosure, certain derivatives may be considered to be part of the short portfolio.



\* The Fund held short portfolio positions during the period ended June 30, 2021.



# Ninepoint Alternative Credit Opportunities Fund

June 30, 2021

## Summary of Investment Portfolio

As at June 30, 2021

### Portfolio Allocation

|                              | % of<br>Net Asset Value |
|------------------------------|-------------------------|
| Long Positions               |                         |
| Investment Grade Bonds       | 156.6                   |
| High Yield Bonds             | 29.5                    |
| Asset-Backed Securities      | 11.7                    |
| Preferred Equities           | 5.9                     |
| Short-term Investments       | 1.5                     |
| Loans                        | 0.6                     |
| <b>Total Long Positions</b>  | <b>205.8</b>            |
| Short Positions              |                         |
| Government Bonds             | (96.3)                  |
| <b>Total Short Positions</b> | <b>(96.3)</b>           |
| Cash                         | 2.1                     |
| Other Net Liabilities        | (11.6)                  |
| <b>Total Net Asset Value</b> | <b>100.0</b>            |

### Portfolio Allocation by Geographic Region

|                              | % of<br>Net Asset Value |
|------------------------------|-------------------------|
| Canada                       | 90.3                    |
| United States                | 11.7                    |
| United Kingdom               | 5.6                     |
| Australia                    | 1.9                     |
| <b>Total Positions</b>       | <b>109.5</b>            |
| Cash                         | 2.1                     |
| Other Net Liabilities        | (11.6)                  |
| <b>Total Net Asset Value</b> | <b>100.0</b>            |

### Top 25 Long Positions

| Issuer   | % of<br>Net Asset Value |
|--|-------------------------|
| Laurentian Bank of Canada, Callable, 4.250%, Jun 22, 2027          | 5.3                     |
| Sun Life Financial Inc., Callable, 3.600%, Jun 30, 2081            | 5.1                     |
| Glacier Credit Card Trust, 3.430%, Jun 6, 2024                     | 4.0                     |
| Citigroup Inc., 4.090%, Jun 9, 2025                                | 3.6                     |
| Coast Capital Savings Federal Credit Union, 0.855%, Dec 9, 2022    | 3.6                     |
| Nissan Canada Inc., 1.626%, Mar 18, 2024                           | 3.6                     |
| Westcoast Energy Inc., 7.150%, Mar 20, 2031                        | 3.4                     |
| Suncor Energy Inc., Callable, 5.000%, Apr 9, 2030                  | 3.3                     |
| Pembina Pipeline Corporation, Callable, 4.800%, Jan 25, 2081       | 3.3                     |
| Ford Credit Canada Company, 4.460%, Nov 13, 2024                   | 3.2                     |
| Bank of Montreal, Callable, 4.300%, Nov 26, 2080                   | 3.2                     |
| Chartwell Retirement Residences, Callable, 3.786%, Dec 11, 2023    | 3.2                     |
| TransCanada Trust, Callable, 4.650%, May 18, 2077                  | 3.2                     |
| Keyera Corporation, Callable, 5.950%, Mar 10, 2081                 | 3.2                     |
| Intact Financial Corporation, Callable, 4.125%, Mar 31, 2081       | 3.1                     |
| Artis Real Estate Investment Trust, 3.824%, Sep 18, 2023           | 3.1                     |
| Capital Power Corporation, Callable, 4.424%, Feb 8, 2030           | 2.9                     |
| Sysco Canada Inc., Callable, 3.650%, Apr 25, 2025                  | 2.7                     |
| Cenovus Energy Inc., Callable, 3.500%, Feb 7, 2028                 | 2.7                     |
| Brookfield Property Finance ULC, Callable, 4.300%, Mar 1, 2024     | 2.7                     |
| Canadian Natural Resources Limited, Callable, 2.500%, Jan 17, 2028 | 2.6                     |
| ARC Resources Limited, Callable, 2.354%, Mar 10, 2026              | 2.6                     |
| TELUS Corporation, Callable, 2.850%, Nov 13, 2031                  | 2.6                     |
| Central 1 Credit Union, 2.391%, Jun 30, 2031                       | 2.6                     |
| Athene Global Funding, 2.470%, Jun 9, 2028                         | 2.6                     |
| <b>Top 25 long positions as a percentage of Net Asset Value</b>    | <b>81.4</b>             |

# Ninepoint Alternative Credit Opportunities Fund

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## All Short Positions

| <u>Issuer</u>   | <u>% of Net<br/>Asset Value</u> |
|---|---------------------------------|
| Government of Canada, 1.000%, Jun 1, 2027                     | (14.7)                          |
| Government of Canada, 1.500%, Jun 1, 2026                     | (12.6)                          |
| Government of Canada, 2.250%, Jun 1, 2025                     | (11.4)                          |
| Government of Canada, 2.000%, Jun 1, 2028                     | (8.7)                           |
| Government of Canada, 1.250%, Jun 1, 2030                     | (8.4)                           |
| Government of Canada, 2.250%, Jun 1, 2029                     | (8.2)                           |
| Government of Canada, 0.500%, Dec 1, 2030                     | (5.9)                           |
| Government of Canada, 2.750%, Jun 1, 2022                     | (5.5)                           |
| Government of Canada, 2.500%, Jun 1, 2024                     | (5.0)                           |
| Government of Canada, 2.250%, Mar 1, 2024                     | (3.6)                           |
| Government of Canada, 0.500%, Sep 1, 2025                     | (3.0)                           |
| Government of Canada, 1.000%, Sep 1, 2026                     | (2.6)                           |
| Government of Canada, 0.250%, Mar 1, 2026                     | (2.5)                           |
| Government of Canada, 1.500%, Jun 1, 2031                     | (2.5)                           |
| Government of Canada, 1.500%, Jun 1, 2023                     | (0.7)                           |
| Government of Canada, 0.250%, Apr 1, 2024                     | (0.5)                           |
| Government of Canada, 1.500%, Sep 1, 2024                     | (0.5)                           |
| Government of Canada, 2.000%, Dec 31, 2051                    | (0.0)                           |
| <u>All short positions as a percentage of Net Asset Value</u> | <u>(96.3)</u>                   |

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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