



Ninepoint Capital Appreciation Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2024

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 obtain 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.sedarplus.ca 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 the Ninepoint Capital Appreciation Fund (the “Fund”) is to seek to provide unitholders with long-term growth and capital preservation using a balanced investment approach. To achieve the Fund’s investment objective, the Fund will primarily invest, both directly and indirectly, in a mix of Canadian equity securities, Canadian mutual funds, Canadian alternative mutual funds and fixed income securities. The Fund may also invest in money market funds and securities or exchange-traded funds (ETFs).

As part of its investment strategy, the Fund may:

- hold cash or short-term money market instruments, at any time, for cash management purposes;
- use derivatives instruments, such as options, futures, forward contracts and swaps, for both hedging and non-hedging strategies;
- engage in securities lending and repurchase and reverse repurchase transactions as permitted by securities regulations;
- engage in short selling consistent with the Fund’s investment objective and as permitted by the Canadian Securities Administrators;
- invest up to 49% of its assets in foreign securities;
- invest in Ninepoint Gold Bullion Fund; and
- money market instruments, high interest savings accounts/funds, cash or cash equivalent as a defensive strategy based on the market outlook

Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus dated February 2, 2024. This Fund is suitable for investors with a low-to-medium tolerance of risk.

Results of Operations

It was another excellent year for equities (and most other asset classes), with the S&P 500 posting a +23.3% return (+25.0% on a total return basis), making it two years of +20% returns in a row. For Canadian domestic investors, the TSX posted a +18.0% return (+21.7% on a total return basis), which was a relatively decent performance. Broadly speaking, U.S. stocks outperformed Canadian stocks, large caps outperformed small caps and growth outperformed value, consistent with the trends of the past several years.

The only minor disappointment of 2024 was the failure of a Santa Claus rally, which is the tendency of the stock market to rise in the last week of trading in December and first few days of the new year, to materialize over the last five trading days of the year. Although investors experienced a positive 2024, the Manager did observe some weakness through the second half of December that was masked at the index level by strong year end performance of large cap growth stocks. Much of the underlying weakness could be attributed to the U.S. Federal Reserve and the “hawkish cut” on December 18, 2024, when the Federal Open Market Committee (“FOMC”) cut the target interest rate by 25 bps to a range of 4.25% to 4.50%. However, the ensuing press conference and the details contained in the Summary of Economic Projections seemed far less dovish than prior meetings, with only two interest rate cuts now forecasted in 2025, down from four cuts. Importantly, market expectations were already there, with the forward curve pricing in only two interest rate cuts in 2025 several months ahead of the final U.S. Federal Reserve meeting of 2024.

At least some of the hawkish shift was in anticipation of President-elect Trump and his incoming administration’s policies (primarily aggressive fiscal spending and tariffs on foreign-produced goods) that could be largely inflationary. However, the Manager is not convinced that resurgent inflation is lurking around the corner, since some of President-elect Trump’s policies may prove to be deflationary, and it remains to be seen which policies will ultimately be enacted. Unfortunately, this change in tone from the U.S. Federal Reserve was frustrating for many investors, since Chairman Powell had previously taken great pains to highlight his (backward-looking) data dependency.

The Bank of Canada is also easing monetary policy, cutting the policy rate by 50 bps on December 11, 2024 to 3.25%. The Canadian economy is likely in a more difficult spot than the U.S. economy and the interest rate differential and recent weakness of the Canadian dollar relative to the U.S. dollar are the most obvious signs. In any case, the market impact has been largely in line with the Manager's prior views: if interest rate cuts came in below expectations (implying fewer cuts than expected), large cap growth would outperform but if interest rate cuts came in above expectations (implying more cuts than expected) a rotation from growth to value (predominantly dividend-paying equities) would occur. As of now, this much anticipated rotation from growth to value has not persisted for longer than a few months at a time but in 2025, as earnings growth rates begin to converge for growth and value stocks, it is possible that investors could see better relative performance from value-oriented sectors. In the meantime, generally lower interest rates remain supportive for the equity markets as long as the economic data does not deteriorate significantly.

Top contributors to the year-to-date performance of the Fund by fund included the Ninepoint Diversified Bond Fund, the Ninepoint Global Infrastructure Fund, and the Ninepoint Energy Fund, while the only detractor by fund was the Ninepoint Global Real Estate Fund on an absolute basis. In terms of stock specific performance, top contributors to the year-to-date performance included Broadcom Inc., Canadian Imperial Bank of Commerce, and Apple Inc., while top detractors included Eli Lilly & Company, Advanced Micro Devices Inc., and UnitedHealth Group Inc.

Into 2025, investors will be carefully watching for policy announcements from incoming President-elect Trump's administration and the potential impact on growth and inflation expectations. Although the Manager is optimistic about 2025, the key question for the equity markets will be whether President-elect Trump's policies prove significantly inflationary, thus creating a spike in bond yields. In the meantime, the Manager remains focused on constructing a diversified tactical balanced fund using various asset classes that have low correlation to each other to improve portfolio overall risk adjusted returns

The Fund's net asset value was \$23.5 million as at December 31, 2024.

Recent Developments

There were no material changes to the investment strategy and features of the Fund since its inception from March 7, 2024 to December 31, 2024. The Manager actively monitors the positioning of the Fund's portfolio for changes in current market conditions and the economic environment.

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Related Party Transactions

MANAGEMENT FEES

The Fund pays a management fee to the Manager at an annual rate of 1.95% for Series A units, 0.95% for Series F units and Series D units, 1.85% for Series P units, 0.85% for Series PF units, 1.75% for Series Q units, 0.75% for Series QF units, 1.65% for Series S units, 0.65% for Series SF units and is negotiated by the unitholders for Series I. The management fee is calculated and accrued daily based on the daily net asset value of that series of the Fund and is paid monthly. For the period from March 7, 2024 to December 31, 2024, the Fund incurred management fees of \$122,426 (including taxes). For the active series, 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
Series S	39%	61%
Series SF	100%	—

Of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$821 during the period from March 7, 2024 to December 31, 2024 to Sightline Wealth Management, an affiliate of the Manager.

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 unitholder reporting costs. The Manager may pay some 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 Statement of Comprehensive Income (Loss). Waivers or absorptions are at the Manager's discretion and can be terminated at any time without notice. For the period March 7, 2024 to December 31, 2024, the Manager absorbed expenses of \$55,753.

OTHER RELATED PARTY TRANSACTIONS

For related party transactions, the Fund relied on the approval, positive recommendation or standing instruction from the Fund's Independent Review Committee.

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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 from March 7, 2024 to December 31, 2024.

The Fund's Net Assets per Unit¹

	Dec 31, 2024 ⁴
Series S	\$
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.28
Total expenses	(0.17)
Realized gains (losses) for the period	0.15
Unrealized gains (losses) for the period	0.47
Total increase (decrease) from operations²	0.73
Distributions:	
From dividends	(0.05)
From capital gains	(0.21)
From return of capital	(0.16)
Total annual distributions³	(0.42)
Net assets, end of period	10.44

	Dec 31, 2024 ⁴
Series SF	\$
Net assets, beginning of period	10.00
Increase (decrease) from operations:	
Total revenue	0.28
Total expenses	(0.08)
Realized gains (losses) for the period	0.16
Unrealized gains (losses) for the period	0.49
Total increase (decrease) from operations²	0.85
Distributions:	
From dividends	(0.12)
From capital gains	(0.17)
From return of capital	(0.13)
Total annual distributions³	(0.42)
Net assets, end of period	10.54

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 were reinvested in additional units of the Fund or paid in cash.

4 Information provided is for the period from March 7, 2024 (first issuance) for Series S units and Series SF units to December 31, 2024.

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Ratios and Supplemental Data

	Dec 31, 2024
Series S	
Total net asset value (000s) ¹	\$7,640
Number of units outstanding ¹	731,497
Management expense ratio ²	2.44%
Management expense ratio before waivers or absorptions ²	2.96%
Management expense ratio before incentive/performance fees ²	2.36%
Trading expense ratio ³	0.02%
Portfolio turnover rate ⁴	35.43%
Net asset value per unit ¹	\$10.44

	Dec 31, 2024
Series SF	
Total net asset value (000s) ¹	\$15,840
Number of units outstanding ¹	1,502,298
Management expense ratio ²	1.31%
Management expense ratio before waivers or absorptions ²	1.83%
Management expense ratio before incentive/performance fees ²	1.23%
Trading expense ratio ³	0.02%
Portfolio turnover rate ⁴	35.43%
Net asset value per unit ¹	\$10.54

1 The information is provided as at December 31, 2024.

2 Management expense ratio ("MER") is based on total expenses (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. The Fund's MER includes the proportionate share of the MER (including performance fees and/or incentive fees, if any) of each underlying fund in which the Fund was invested. 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 ("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. The portfolio turnover is expressed as a non-annualized percentage.

Past Performance

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

Summary of Investment Portfolio

As at December 31, 2024

Portfolio Allocation

	% of Net Asset Value
Long Positions	
Funds	80.3
Information Technology	6.0
Financials	5.7
Sectors less than 1%	3.7
Communication Services	2.0
Industrials	1.8
Total Long Positions	99.5
Cash	0.4
Other Net Assets	0.1
Total Net Asset Value	100.0

Top 25 Long Positions

Issuer	% of Net Asset Value
Ninepoint Diversified Bond Fund, Series I	27.0
Ninepoint Energy Fund, Series I	20.8
Ninepoint Global Infrastructure Fund, Series I	14.9
Ninepoint Alternative Credit Opportunities Fund, Series I	5.0
Ninepoint Target Income Fund, Series I	5.0
Ninepoint Global Macro Fund, Series I	2.6
Ninepoint Gold Bullion Fund, Series I	2.5
Canadian Large Cap Leaders Split Corp., Class A	2.5
Broadcom Inc.	1.3
Alphabet Inc.	1.1
Visa Inc.	1.0
Apple Inc.	1.0
Amazon.com Inc.	1.0
Canadian Imperial Bank of Commerce	1.0
JPMorgan Chase & Company	1.0
Enbridge Inc.	1.0
Microsoft Corporation	1.0
Royal Bank of Canada	0.9
Manulife Financial Corporation	0.9
Canadian Pacific Kansas City Limited	0.9
Eli Lilly & Company	0.9
Meta Platforms Inc.	0.9
NVIDIA Corporation	0.9
Waste Connections Inc.	0.9
The Bank of Nova Scotia	0.9
Top 25 long positions as a percentage of Net Asset Value	96.9

The Fund did not hold short positions as at December 31, 2024.

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. The prospectus and other information on the underlying investment funds are available on the Internet at www.sedarplus.ca.

Corporate Information

Corporate Address

Ninepoint Partners LP
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2700, P.O. Box 27
Toronto, Ontario M5J 2J1
T 416.362.7172
TOLL-FREE 1.888.362.7172
F 416.628.2397
E invest@ninepoint.com
For additional information visit our website:
www.ninepoint.com
Call our mutual fund information line for daily closing prices:
416.362.7172 or 1.888.362.7172

Auditors

Ernst & Young LLP
EY Tower
100 Adelaide Street West
Toronto, Ontario M5H 0B3

Legal Counsel

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Suite 3400
Toronto, Ontario M5H 4E3

A Note on Forward-Looking Statements

This report may contain certain statements that constitute forward-looking statements. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words or expressions such as “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “target” or negative versions thereof and other similar expressions or future or conditional verbs such as “may”, “will”, “should”, “would” and “could” and similar expressions to the extent they relate to future financial performance of the Fund or a security and the Fund’s investment strategies and prospects. The forward-looking statements are not historical facts but reflect the expectations or forecasts of future results or events as at the date of this report. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from current expectations including, without limitation, general economic, political and market factors in North America and internationally, movements in interest and foreign exchange rates, the volatility of equity and capital markets, business competition, technological change, changes in government regulations, changes in securities laws and regulations, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, and the ability of Ninepoint to attract or retain key employees. This list of important risks, uncertainties and assumptions is not exhaustive. These and other factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The forward-looking information contained in this report is current only as of the date of this report. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.
