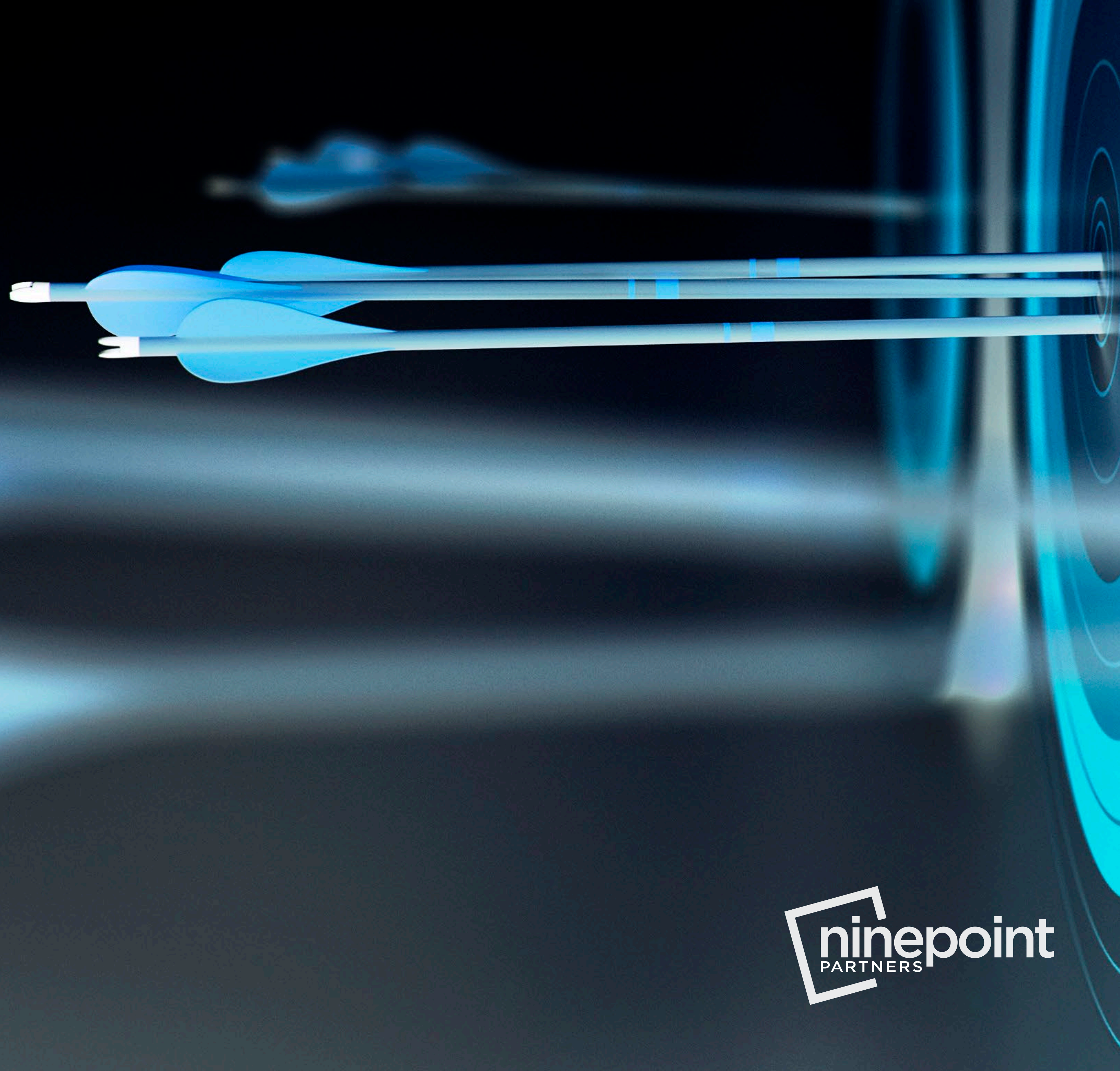
NINEPOINT TARGET INCOME FUND | FAQ



Ninepoint Target Income Fund
FAQ

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Section 1. The Basics of Put Options

1. What is a put option?

A put option (or ***put***) is a contract that gives a put buyer the right, but not the obligation to sell an underlying equity at a specified price and over a specified timeframe. Put buyers purchase put options to protect their equity investments against declines in value and pay premiums to put sellers for offering this protection. If this sounds like insurance, then you'd be correct. Options are simply the investment industry's insurance market, where put option buyers are purchasing insurance to protect themselves against market declines while put sellers earn ***premiums*** for providing this protection.

The Ninepoint Target Income Fund generates income by selling puts on multiple broad-based equity indices with the goal of producing stable income and potentially offering investors a buffer against market declines.

2. What value do equity put options offer financial markets?

Most households know they will never need the broad array of insurance packages available on their homes but choose to purchase insurance because it allows them to manage risks in other parts of their lives. Think how hard it would be to start a new business venture only to have your house burn down. While its unlikely to occur, we still pay for this form of protection for peace of mind.

In effect, insurance can be a 'win win' for both the seller and the buyer. In the context of put options, they offer put buyers the ability to better manage risk, just like home insurance for households. Meanwhile put sellers are compensated for a similar value-add as a company that offers home insurance. The structural need for insurance in financial markets is a well-documented source of potential income in academic literature known as a ***risk premium***. If a put selling strategy is executed well, it can offer positive risk-adjusted income potential for put sellers, while still providing a beneficial service to the put buyer and the broader financial markets.

3. How does put selling generate Income?

1. **Options Premiums:** Income is generated from the ***premiums*** a put seller collects from selling put options.
2. **Short-Term Cash Instruments:** Cash pledged as collateral against any puts sold can be invested in short-term money market securities offering an attractive secondary income potential.

The income potential is therefore the combination of owning a short-term money market security and the premium collected from selling a put. This is commonly referred to as ***cash secured put selling***, given no leverage is used but cash is instead secured as collateral against any puts sold.

4. Why is put selling considered a defensive strategy?

A put seller agrees to insure an investor against market declines only if those declines are beyond a certain price level, known as the ***strike price***. You can think of the strike price as equivalent to the deductible amount on home insurance. The insurance company only pays for losses if they are greater than the deductible amount, similarly a put seller only agrees to insure an investor for a price decline that is greater than the strike price. This ***strike price*** (deductible) offers the put seller a ***buffer*** against a price decline, making it a more defensive strategy than a purely long position in the equity. Another similarity to home insurance is that puts have a specified period after which the offer of protection expires. This offers the put seller a set timeframe to generate potential income or losses vs. the indefinite timelines & uncertainty present in owning a security.

Section 2. Put Option Performance

5. What does the payoff of selling a put option look like vs owning an equity index fund?

The figure below highlights the return profile of a put selling strategy relative to the S&P 500.

In the example below, a put is sold expiring in 1 year on the S&P 500, with a strike price 10% below current levels, offering the put seller a 10% buffer against market declines and a total income potential of 9.1% (combination of a 3.6% cash yield and 5.5% options premiums). While the income potential of the put selling strategy is capped at 9.1%, the investor can earn a positive return in a broader set of scenarios by employing the put selling strategy vs. being long the underlying index. As can be seen below, the put selling strategy still generates a positive return at expiry despite a -15% market decline. While the put seller has not generated the total potential income, they sought to earn of 9.1%, they are down considerably less than the underlying index and are therefore better off vs. having directly owned the index. It is also important to note that the put selling strategy does not generate positive income in a -20% market decline but will enjoy a lower loss than just owning the index. The capped upside potential of a put selling strategy is a trade-off that offers defensive benefits and a broader range of positive outcomes vs. direct equity ownership.

Put Selling Scenario Analysis

Employing Black-Scholes[1] to simulate put option performance prior to expiry

S&P 500 Index Return	10% OTM Put Option Return Scenario	
	260 Days to Expiry*	At Expiry**
10%	3.1%	9.1%
5%	2.3%	9.1%
0%	1.3%	9.1%
-5%	-0.3%	9.1%
-10%	-2.2%	9.1%
-15%	-4.7%	3.6%
-20%	-7.7%	-1.9%

Assumed 1 Year Put Option Strategy Yield

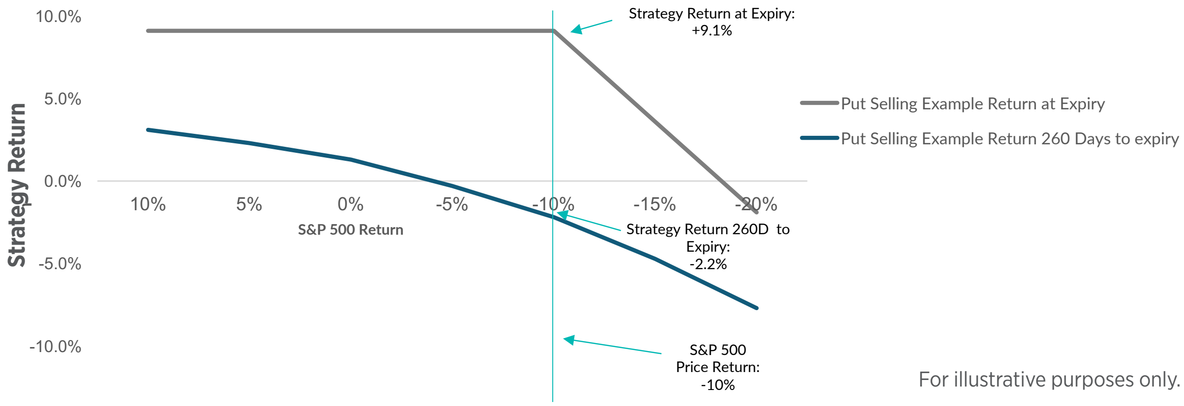
Return Stream	10% OTM Put
Options Premium	5.5%
Cash Yield	3.6%
Total Yield Potential	**9.1%**

[1] The **Black-Scholes** model is a mathematical equation used for pricing options contracts and other derivatives, **using** time and other variables.

* Simulated return using Bloomberg Options Tools, August 31, 2022.

** Return calculated on strike price & inclusive of cash yield.

Put Selling Example Simulated Performance



For illustrative purposes only.

6. How do put options perform before expiry as equity indexes fluctuate?

Investors should expect volatility in put selling strategies before expiry as market declines impact the valuation of put options. In the same example on the previous page, we illustrate how a 1 year put option might perform 260 days before expiry using a common options pricing model. While the downside is less than the underlying index, the put selling strategy still shows a decline of -4.7% when the index declines -15%. It's important to note that at expiry the investor will still generate a gain of +3.6%, assuming there is no further downside in the index. This makes the time to expiry an important secondary element to valuing options.

Section 3. Investor Outlook

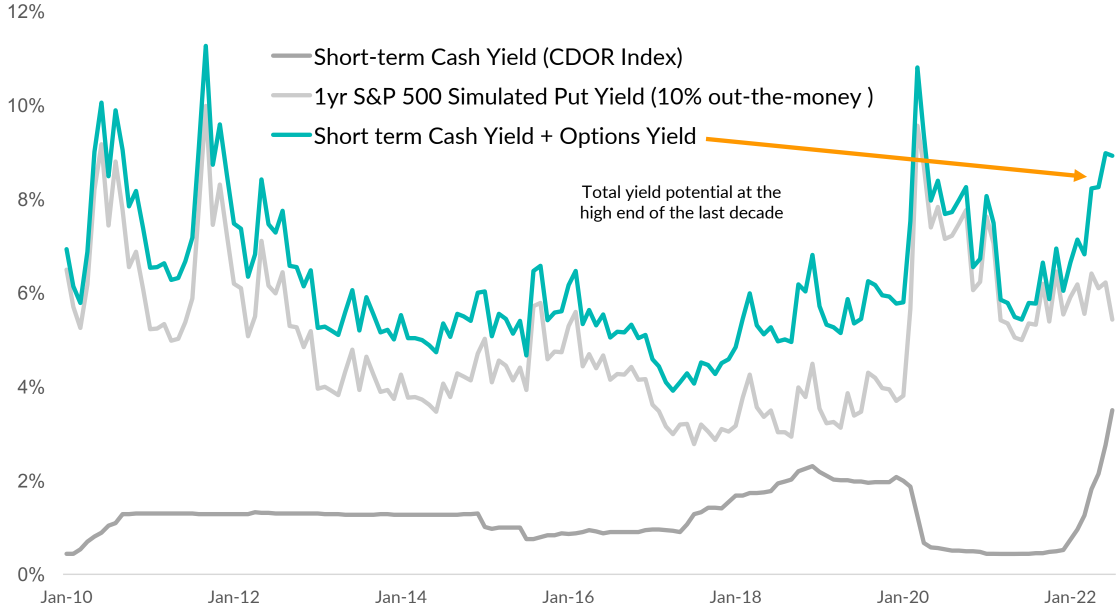
7. Why should investors be interested in put selling strategies today?

High current short-term interest rates & put selling premiums have pushed the total return profile of a put selling strategy above recent historical averages. The figure below highlights the yield potential over the last decade of a put selling strategy that insures an investor against a market decline of greater than 10% (green line). The total yield potential is higher than the current yield on many high dividend yielding equities while still offering some downside protection against market declines in the current uncertain environment.

Current Environment

Yield Potential is High Relative to History

Historical 10% OTM Put Yield & CDOR Rate



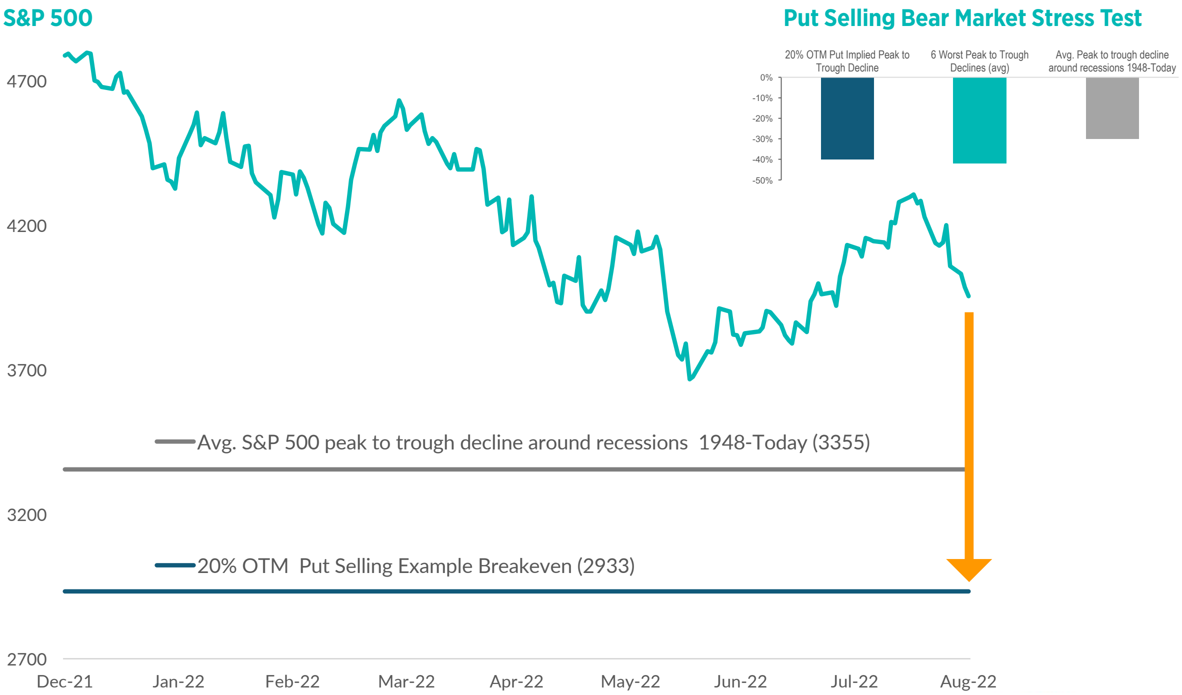
For illustrative purposes only.
Source: Bloomberg and Ninepoint Calculations.

8. What type of a historical drawdown are investors insuring against today when selling lower strike puts?

The figure below highlights the historical peak to trough declines since 1948 of the S&P 500 surrounding recessions. The average peak to trough decline has been -30% with the worst 6 declines averaging -42%. With the S&P 500 down -17% (as of August 31st) from the peak already in 2022, an investor who initiates selling a 1-year 20% OTM put is effectively underwriting a market decline in line with the more extreme recessionary sell-off's experienced in the last 70+ years. It's important to highlight that the 6 worst declines took ~1.5 years to complete. While the magnitude of equity moves is a key driver of put selling strategy returns, laddered approaches such as those used in the ***Ninepoint Target Income Fund*** adjust strikes quarterly as options expire, potentially mitigating the impact extended bear markets might have on returns.

Historical Market Declines

Bear Market Stress Test



For illustrative purposes only.
Source: Bloomberg, Ninepoint Partners, Goldman Sachs, as at August 31, 2022.

Learn about Ninepoint Target Income Fund
ninepoint.com/targetincome

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The Ninepoint Target Income Fund is generally exposed to the following risks. See the simplified prospectus of the Fund for a description of these risks: Absence of an active market for ETF Series risk; Concentration risk; Currency risk; Derivatives risk; Foreign investment risk; Halted trading of ETF Series risk; Inflation risk; Interest rate risk; Liquidity risk; Market risk; Securities lending, repurchase and reverse repurchase transactions risk; Series risk; Short selling risk; Substantial unitholder risk; Tax risk and Trading price of ETF Series risk.

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