



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Growth Fund

May 2016

NAV
Series A (ANF010) \$1.845
Series F (ANF011) \$1.920

Fund Review The Fund returned 2.4% in May. This compared to 0.5% for the TSX Venture and 1.0% for the TSX Total Return index.

We added a position in **Theratechnologies (TSX:TH)** during May in anticipation of the release of preliminary Phase III results for the company's HIV drug in which we felt confident. Our thesis proved correct as the study showed that 83% of patients met the primary endpoint. The stock responded favourably, gaining 35% from our purchase price to the monthend closing price. We have identified several other opportunities in the life sciences sector which offer similar risk/reward characteristics in the near term. We are positioning the Fund accordingly to also benefit from these opportunities. The Canadian life sciences sector has rarely had so many late stage results within such a short period of time. Many of these have strong odds for success. We believe that if several of these results are successful it could really revive the Canadian life sciences sector and contribute meaningfully to the changing sentiment in the Canadian junior market which is already underway. We prefer to invest in these later stage opportunities and have selected companies which we believe have the greatest probability of success.

The current sector mix is comprised of 25% in technology, 21% in health care, 7% in consumer discretionary, 19% in energy and 18% in materials.

Outlook Negative sentiment towards equities has continued to be pervasive in 2016 despite the fact that several indices such as the S&P 500 have performed strongly and are now near record highs. There has been much in the recent financial press about the negative outlook of prominent hedge fund managers in the U.S. and the valuations for the major equity indices, which in some cases are above long term averages. Despite this, equities have continued to trade higher. It is important to note that in our view, valuations should be looked at in a relative context as compared to absolute values. With this perspective, there is very little incentive to move out of equities and into other asset classes such as bonds and real estate which currently offer record low yields accompanied with a high degree of risk. The current spread between fixed income yields and earning yields for equities has rarely been wider, resulting in a highly favourable risk/reward for equities. We strongly favour equities in the current environment and particularly Canadian small caps which, after a long period of underperformance, are now a top performing asset class in 2016 as reflected by the TSX Venture index's 29% return. Retail investors remain reluctant to embrace the equity rally both in large and small cap equities. **They will eventually capitulate and that is when the fun starts!**

Regards,



Steven Palmer
Steven Palmer, CFA
President and CEO

Performance (as of May 31, 2016)

| | May | YTD | 1 Year | 2 Year | 3 Year | Inception | Cumulative |
|-----------------------|------|--------|---------|---------|---------|-----------|------------|
| AlphaNorth Growth | 2.4% | (9.5%) | (39.5%) | (35.8%) | (28.9%) | (29.1%) | (81.6%) |
| S&P/TSX Venture | 0.5% | 29.0% | (2.1%) | (17.0%) | (11.0%) | (18.1%) | (66.7%) |
| S&P/TSX Composite TRI | 1.0% | 9.5% | (3.3%) | 1.1% | 6.8% | 5.0% | 21.1% |

Key Reasons to Own This Fund

PROVEN LONG TERM PERFORMANCE:

- Management team has a 17.5 year track record of generating industry leading returns (16% annualized)**

DIVERSIFICATION THROUGH SMALL/MID CAP:

- AlphaNorth Growth Fund is well diversified across the resource, technology and life sciences sectors

ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

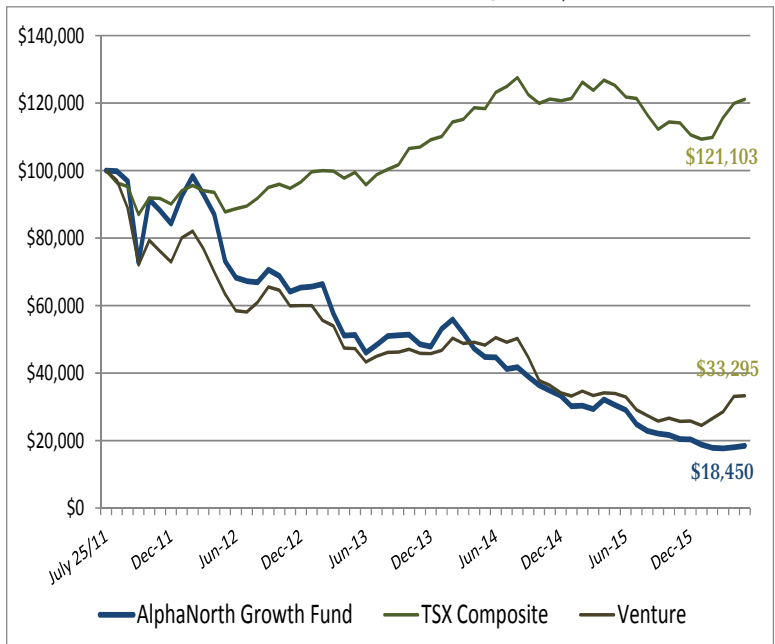
- Complements any investment portfolio and greatly enhances wealth accumulation over the long term

TAX-DEFERRED SWITCHING BETWEEN FUNDS:

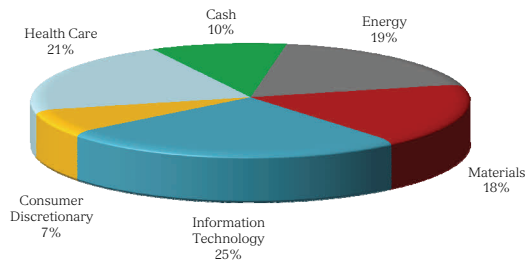
- AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **AlphaNorth Resource Fund (ANF020, ANF021)**
Ideal for investors who are seeking exposure to a broad range of Canadian small cap equities.

Growth of Initial Investment \$100,000



Current Sector Allocation



Fund Information

| | |
|------------------------------|--|
| Lead Manager: | Steven Palmer |
| Inception: | July 25, 2011 |
| Fund Codes: | Series A - ANF010 / Series F - ANF011 |
| Fund Details: | RSP/RESP eligible \$1,000 minimum investment |
| Sub/Redemption: | Daily |
| Lock-up: | None |
| Early Redemption Fee: | 2% in first 90 days |
| Management Fee: | 2% |
| Performance Fee: | 20% above TSX return High water mark (no reset) |
| Trailer: | 1% (Series A only) |
| Administration: | State Street & IFDS |
| Legal: | Stikeman Elliott LLP |
| Fund Assets: | \$2 million |
| Account Enquiries: | 1-877-506-8122 |

Monthly Performance*

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|------|--------|--------|---------|---------|---------|---------|---------|--------|---------|--------|--------|--------|---------|
| 2011 | | | | | | | (0.2%) | (2.9%) | (24.9%) | 25.7% | (3.7%) | (4.3%) | (15.7%) |
| 2012 | 9.7% | 6.3% | (5.4%) | (6.5%) | (15.9%) | (6.6%) | (1.6%) | (0.5%) | 5.6% | (2.6%) | (6.7%) | 1.8% | (22.5%) |
| 2013 | 0.4% | 1.3% | (13.3%) | (11.2%) | 0.4% | (10.2%) | 5.0% | 5.3% | 0.6% | 0.2% | (5.4%) | (1.5%) | (26.8%) |
| 2014 | 11.0% | 5.2% | (7.2%) | (8.9%) | (5.2%) | (0.3%) | (7.7%) | 1.3% | (6.8%) | (6.5%) | (4.2%) | (4.5%) | (30.4%) |
| 2015 | (9.3%) | 0.5% | (3.5%) | 9.7% | (5.1%) | (4.9%) | (14.5%) | (7.8%) | (3.6%) | (1.7%) | (5.8%) | (0.2%) | (38.8%) |
| 2016 | (7.8%) | (5.2%) | (0.8%) | 1.9% | 2.4% | | | | | | | | (9.5%) |

Investment Strategy

The **AlphaNorth Growth Fund** (the "Fund") is an **open-ended mutual fund** focusing primarily on Canadian small to mid-capitalization equities, between \$100 million and \$5 billion market capitalization. The Fund employs a similar style and investment methodology as the highly successful AlphaNorth Partners Fund. The Fund's investment objective is to maximize returns over the long term through superior selection of principally Canadian securities. AlphaNorth believes that superior long term investment returns are achievable by exploiting inefficiencies in the Canadian small to medium-cap universe through careful security selection. Fundamental analysis of companies is used in combination with technical analysis techniques, have proven to be successful, to assist in the timing of buy/sell decisions. The firm combines both a bottom-up and top-down strategy in the selection of investments offering the best risk/reward characteristics.

Company Profile

Founded in 2007, AlphaNorth Asset Management's goal is to achieve superior long term returns for investors. Our value added approach combines the successful track record and investment experience of Steven Palmer and Joey Javier who have worked together as a team since 1998 in the investment industry. Presently, AlphaNorth manages the AlphaNorth Partners Fund, a long biased small cap focused hedge fund, the AlphaNorth Resource Fund and the AlphaNorth Growth Fund.

Key Personnel:

Steven Palmer is the President and CEO of AlphaNorth Asset Management. Mr. Palmer started his career in the investment industry in 1995 on the sell side of the business before transitioning to the buy side in 1997. Most recently, from July 1998 to August 2007 he was employed as Vice President - Canadian Equities at one of the world's largest financial institutions where he managed the Canadian equity assets of approximately \$350 million. Mr. Palmer managed a pooled fund focused on small capitalization companies from inception in 1998 to August 2007 achieving returns that were ranked #1 in performance by a major fund ranking service in their small cap pooled fund category (35.8% annualized over 9 years as compared to 10.0% for the S&P/TSX Composite and 13.0% for the BMO Weighted Small Cap Total Return Index) over the same period. Mr. Palmer also managed a large cap fund which was ranked in the first quartile for the following time periods: one year, two year, 3 year, 4 year, 5 year and 10 year. Mr. Palmer earned a BA in Economics from the University of Western Ontario and is a CFA.

Joey Javier is Vice President and Secretary of AlphaNorth Asset Management. Mr. Javier started his career in the investment industry in 1997 as an Equity Trader for one of the world's largest financial institutions where he worked together with Mr. Palmer as the equity team. Mr. Javier was responsible for all equity and money market trading as well as back-up for the fixed income portfolio manager. Mr. Javier has a BA in Economics from York University and is a CIM.

Disclaimer

*The information contained in this document is not a solicitation to sell any investment products offered by AlphaNorth Asset Management. The information contained herein is for discussion purposes only. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return for the Series A shares of AlphaNorth Growth Fund are the historical, annual compounded total returns including changes in share value and the reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any shareholder that would have reduced returns. For Series F returns, refer to the website at www.alphanorthasset.com. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The inception date is July 25, 2011. **Based on growth of investment in institutional small cap pooled fund from inception August 1, 1998, to August 1, 2007, and growth of investment in AlphaNorth Partners Fund from inception December 1, 2007 to the current NAV.