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**SIMPLIFIED PROSPECTUS**

June 15, 2015



**AlphaNorth Mutual Funds Limited**

**Offering of Series A and F Shares of AlphaNorth Growth Fund and  
Series A, B, D and F Shares of AlphaNorth Resource Fund**

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## INTRODUCTION

This document contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor.

This document is divided into two parts: The first part, from pages 3 through 19, contains general information applicable to all of the AlphaNorth Funds. The second part, from pages 20 through 30, contains specific information about each of the Funds described in this document.

Additional information about the Corporation and each Fund is available in the following documents:

- the annual information form;
- the most recently filed fund facts;
- the most recently filed annual financial statements;
- any interim financial report filed after those annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as a part of this document. You can get a copy of these documents, at your request, and at no cost, by calling toll-free 1-877-506-8122, or from your Dealer.

These documents are available on the Manager's website at [www.alphanorthasset.com](http://www.alphanorthasset.com), or by contacting the Manager at [info@alphanorthasset.com](mailto:info@alphanorthasset.com).

These documents and other information about the Funds are available at [www.sedar.com](http://www.sedar.com).

### Glossary

In this document, as the context requires:

- **Corporation** refers to AlphaNorth Mutual Funds Limited.
- **Dealer** refers to the company where your registered representative works.
- **Fund(s)** refers to one or both of AlphaNorth Growth Fund or AlphaNorth Resource Fund.
- **IFDS** refers to International Financial Data Services (Canada) Limited, the administrator and record keeper of the Funds.
- **Manager, we or us** refers to AlphaNorth Asset Management ("**AlphaNorth**"), the manager of the Funds.
- **Registered representative** refers to the representative registered in your province who advises you on your investments.
- **Share(s)** refers to the mutual fund shares of one or more Fund.
- **Shareholders** refers to owners of Shares.
- **State Street** refers to State Street Trust Company Canada, the custodian of the Funds.
- **Underlying Fund** refers to a fund in which an AlphaNorth mutual fund invests. This may be a mutual fund managed by us or by another mutual fund company.

- *You* refers to the registered or beneficial owner of a Share of a Fund, as the context requires.

## WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?

### What is a Mutual Fund?

A mutual fund is a pool of money contributed by people with similar investment objectives that is invested in a portfolio of securities on their behalf by professional managers. The cash you contribute to a mutual fund buys you a number of securities in the fund and everyone who contributes to a mutual fund is called a securityholder. Investors share the fund's income, expenses, and the gains and losses the fund makes on its investments, in proportion to the shares they own.

Mutual funds own different types of investments – stocks of public and private companies, bonds, securities of other mutual funds, cash – depending upon their investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of a mutual fund's securities may go up or down, and the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

Under exceptional circumstances, a mutual fund may suspend redemptions. See "How to Redeem Shares – Redemption Suspensions".

### What are the General Risks Associated with Investing in a Mutual Fund?

Risk is the chance that your investment may not perform over a certain time period. There are different degrees and types of risks; however, in general, the more risk you are willing to accept as an investor, the higher the potential returns and the greater the potential losses.

Shares are purchased and sold at the series net asset value per Share. The net asset value of a mutual fund, and the price of your Shares, will fluctuate on a daily basis with changes in the market value of the particular investments of the Fund. The values may change for a variety of reasons, including, but not limited to, changes in interest rates, economic conditions, market activity and company news. As a result, the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

#### *Your Investment Is Not Guaranteed*

The value of your investment in a mutual fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates, mutual fund securities are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

To withdraw your investment, you simply redeem your Shares at the prevailing series net asset value per Share. Under exceptional circumstances, a mutual fund may not allow you to redeem your Shares. See "How to Redeem Shares – Redemption Suspensions" for details.

### What are the Specific Risks Associated with Investing in a Mutual Fund?

In addition to the general risks of mutual fund investing, each mutual fund carries specific risks depending on its particular investments and strategies. Below, we describe the specific risks that can affect the value of your investment in a Fund. In the description of a Fund, you will see what those risks are. The following risk factors are listed in alphabetical order.

Each investor has a different tolerance for risk. Some investors are significantly more conservative than others when making their investment decisions. It is important to take into account your own comfort with risk as well as the amount of risk suitable for your financial goals.

### *Capital Gains Risk*

The AlphaNorth Resource Fund has acquired, and from time to time in the future will acquire, the assets of certain limited partnerships on a tax-deferred basis. These assets may have significant accrued gains at the time they are acquired by a Fund and certain Shareholders may receive capital gains dividends as a result of those accrued capital gains being realized by a Fund. Taxable investors should consult with their tax advisors about this risk before purchasing Shares.

### *Class Risk*

AlphaNorth Growth Fund and AlphaNorth Resource Fund are classes of Shares of the Corporation. Each Fund sells Shares and the proceeds are used to invest in a portfolio of securities based on the Fund's investment objective. Since each Fund is part of a single corporation, the Corporation as a whole is liable for each Fund's expenses as well as the expenses of the other Funds that are part of the Corporation. If one Fund cannot pay its expenses the Corporation will be required to pay those expenses from the assets of the other Funds. Having to pay any liability or expense could cause the value of your investment to decline even though the value of your Fund's investments might have increased. We use our best efforts to manage the Funds to ensure that this does not happen.

### *Commodity Risk*

Investments in resource companies or in income or royalty trusts based on commodities, such as oil and gas, will be affected by changes in commodity prices. Commodity prices tend to be cyclical and can move dramatically in short periods of time. In addition, new discoveries or changes in economic conditions or government regulations can affect the price of commodities.

### *Concentration Risk*

A Fund may concentrate its investments in a relatively small number of securities, certain sectors or specific regions or countries. This may result in higher volatility, as the value of a Fund will vary more in response to changes in the market value of these securities, sectors, regions or countries. The Funds will invest primarily in Canadian securities and, accordingly, investors will be subject to the associated concentration risk.

### *Credit Risk*

Credit risk is comprised of default risk, credit spread risk, downgrade risk and collateral risk. Each can have a negative impact on the value of a debt security.

- Default risk is the risk that the issuer will not be able to pay the obligation, either on time or at all. Generally, lower quality debt securities involve a greater risk of default on interest and/or principal payments.
- Credit spread risk is the risk that there will be an increase in the difference between the interest rate of an issuer's bond and the interest rate of a bond that is considered to have little associated risk (such as a government guaranteed bond or treasury bill). The difference between these interest rates is called a "credit spread." Credit spreads are based on macroeconomic events in the domestic or global financial markets. An increase in credit spread will decrease the value of debt securities.
- Downgrade risk is the risk that a specialized credit rating agency, such as DBRS Limited, Standard & Poor's or Moody's Investors Service, will reduce the credit rating of an issuer's securities. Downgrades in credit rating will decrease the value of those debt securities.

- Collateral risk is the risk that the value of any assets securing an issuer's obligation may be deficient or difficult to liquidate. As a result, the value of those debt securities may decline significantly in value.

#### *Currency Risk*

Each Fund's assets and liabilities are valued in Canadian dollars. A Fund may own securities denominated in foreign currencies. When a Fund buys foreign securities, however, they are purchased with foreign currency. The U.S. dollar and the Euro, for example, both fluctuate in value against the Canadian dollar. An unfavourable move in the exchange rate for either currency may reduce, or even eliminate, any return on an investment priced in that currency. The Manager will have the discretion to decide the extent to which the currency risk may be hedged back to the Canadian dollar. See "Derivative Risk" below. In addition to the exchange rate risk, there is also a risk that certain foreign governments may restrict the ability to exchange currencies. A Fund's ability to make distributions or process redemptions assumes the continuing free exchange of the currencies in which a Fund is invested.

#### *Derivative Risk*

The Funds may use derivatives as permitted by the Canadian securities regulatory authorities. A derivative is an instrument, the value of which is derived from the value of other securities or from the movement of interest rates, exchange rates, or market indices. Derivatives may be used to limit or hedge potential losses associated with stock markets and interest rates. Derivatives may also be used, as permitted by National Instrument 81-102 *Investment Funds* ("NI 81-102"), for non-hedging purposes: to reduce transaction costs, achieve greater liquidity, create effective exposure to financial markets or increase speed and flexibility in making portfolio changes.

Any use of derivatives has risks, including:

- using derivatives to hedge against risk may not always work and while the use of derivatives may reduce losses, they could also limit potential gains,
- there is no guarantee a liquid market will exist when a Fund wants to buy or sell the derivative contract,
- a large percentage of the assets of a Fund may be placed on deposit with one or more counterparties as margin, which exposes the Fund to the credit risk of those counterparties,
- there is no guarantee that an acceptable counterparty will be willing to enter into the derivative contracts,
- the counterparty to the derivative contract may not be able to meet its obligations,
- the exchanges on which the derivative contracts are traded may set daily trading limits, preventing a Fund from closing out its position in a particular contract,
- if an exchange halts trading in any particular derivative contract, a Fund may not be able to close out its position in that contract, and
- the price of a derivative may not accurately reflect the value of the underlying currency, security or index.

### *Equity Risk*

Companies issue equities, or stocks, to help finance their operations and future growth. Mutual funds that purchase equities become part owners in these companies. The price of a stock is influenced by the company's performance outlook, market activity and the larger economic picture. When the economy is expanding, the outlook for many companies will generally be good and the value of their stocks should rise. The opposite may also be true. Typically, the greater the potential reward, the greater the risk.

For small companies, start-ups, resource companies and companies in emerging sectors, the risks and potential rewards are usually greater. The share price of such companies is often more volatile than the share price of larger, more established companies. For example, some of the products and services offered by emerging technology companies can become obsolete as science and technology advance, causing volatility to the share prices of such companies.

Certain convertible securities may also be subject to interest rate risk.

### *Foreign Market Risk*

A mutual fund that invests in foreign securities is subject to the following risks:

- It may be affected by changes in currency exchange rates (See "Currency Risk" above for more information).
- Some foreign stock markets have less trading volume that may make it more difficult to sell an investment or may make prices of securities more volatile.
- There is often less information available about foreign companies and many countries do not have the same accounting, auditing and reporting standards that we have in Canada.
- A country may have foreign investment or exchange laws that make it difficult to sell an investment or it may impose withholding or other taxes that could reduce the return on the investment.
- Political or social instability or diplomatic developments could affect the value of the investment. A country may have a weak economy due to factors like high inflation, weak currency, government debt or narrow industrial base.

### *Government Regulation Risk*

Government policies or regulations are more prevalent in some sectors than in others. Investments in these sectors may be affected when these regulations or policies change.

### *Interest Rate Risk*

Fixed income securities, which include bonds, treasury bills and commercial paper, pay a fixed rate of interest. A Fund may have an allocation to fixed income securities and the value of the fixed income securities will rise and fall as interest rates change. This could impact the net asset value of the Fund. Fixed income securities generally pay interest based on the level of rates at the time the securities were issued. Subsequent changes to the level of interest rates will then impact the price of those previously issued securities. For example, when interest rates fall, the value of an existing bond will rise because the coupon rate on that bond is greater than prevailing interest rates. Conversely, if interest rates rise, the value of an existing bond will fall. The value of debt securities that pay a floating or variable rate of interest are generally less price sensitive to interest rate changes.



### *Large Transaction Risk*

Any large transaction made by an institutional or individual investor could significantly impact a Fund's cash flow. If the investor buys a large number of Shares, that Fund could temporarily have a high cash balance. Conversely, if the investor redeems a large number of Shares, that Fund may be required to fund the redemption by selling securities at an inopportune time. This unexpected sale may have a negative impact on the performance of your investment.

### *Limited Operating History for the Fund*

Recently organized funds, such as the Funds, have limited operating history. Although persons involved in the management of the Funds have experience in the investment management industry, the Funds have limited performance history upon which prospective investors can evaluate the Funds' likely performance. Past performance by those involved in the investment management of the Funds should not be considered indicative of future results.

### *Limited Operating History of the Manager*

While the Manager was established on August 16, 2007 and has a history of managing investment funds, it has limited experience operating mutual funds such as the Funds.

### *Liquidity Risk*

A liquid asset is one that can be readily converted to something else, usually cash. For an asset to be liquid, there must be an organized market on which the asset regularly trades, and such an organized market must provide transparent price discovery. A stock exchange is an example of this type of market, because we can see the volume of trading and obtain price quotations. We also have reasonable confidence that we would be able to convert securities to cash at or close to the prices quoted on a stock exchange.

By comparison, an illiquid asset is more difficult to convert in this manner. There can be a number of reasons that an asset or a security is not liquid. For example, some issuers may be less well known or have fewer securities outstanding. A security or asset can also be considered to be illiquid because the pool of potential buyers is smaller. Sometimes securities are restricted in the sense that resales are prohibited by a promise or agreement made by the holder of the securities.

Liquidity risk refers to the possibility that an asset is not able to be sold in an organized market for a price that approximates the amount at which we value the same asset for purposes of calculating the series net asset value per Share of a Fund. If that were to occur, then the series net asset value of the Shares you would redeem may be lower than reasonably anticipated.

### *Prepayment Risk*

Many types of debt securities, including some mortgage backed securities and floating rate debt instruments, allow the issuer to prepay principal prior to maturity. Debt securities subject to prepayment risk can offer less income and/or potential for capital gains.

### *Repurchase and Reverse Repurchase Transactions and Securities Lending Risk*

A Fund may enter into repurchase transactions, securities lending transactions and reverse repurchase transactions. The danger with these types of transactions is that the other party may default under the agreement or go bankrupt. In a reverse repurchase transaction, a Fund is left holding the security and may not be able to sell the security at the same price it paid for it, plus interest, if the market value for the security has dropped in the meantime. In lending its securities, a Fund is subject to the risk

that the borrower may not fulfill its obligations, leaving the Fund holding collateral worth less than the securities it has lent, resulting in a loss to the Fund.

#### *Risks Associated With Investing in Income Trusts*

Although the risk is generally considered remote, a Fund may be responsible for certain obligations and claims of the income trusts in which it invests. Certain income trusts held by a Fund may be or may become "SIFT trusts" or "SIFT partnerships" as defined for purposes of the *Income Tax Act* (Canada) (the "Tax Act") with the result that the after-tax returns realized by a Fund and its Shareholders in respect of such income trusts may be reduced.

#### *Risks Associated With Securities of REITs*

The operations and financial condition of real estate investment trusts ("REITs"), and the amount of distributions paid on their securities, are subject to the general risks associated with real property investments. Real property investments are affected by various factors, including changes in general economic conditions and in local supply and demand conditions, the attractiveness of properties to tenants, competition from other available space and other factors. The value of real property may also depend on the credit and financial conditions of tenants.

#### *Series Risk*

A Fund may offer more than one series, including series that are sold under different simplified prospectuses. If one series of such a Fund is unable to pay its expenses or satisfy its liabilities, then the assets of the other series of that Fund will be used to pay the expenses or satisfy the liability.

#### *Short-selling Risk*

Short-selling involves borrowing securities and selling those securities in the open market. A Fund would subsequently repurchase those securities to return them to the lender. If the value of the securities declines between the time that a Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund makes a profit on the difference (less any interest the Fund pays to the lender). There is no assurance that the securities will sufficiently decline in value during the period of the short sale to make a profit for a Fund and securities sold short may instead appreciate in value resulting in a loss for the Fund. If a liquid market for the securities does not exist a Fund may experience difficulties repurchasing and returning the borrowed securities. The lender from whom a Fund has borrowed securities may go bankrupt and the Fund may lose the collateral it has deposited. The lender may also recall the borrowed securities forcing the Fund to purchase securities in the market with limited notice. The Fund will adhere to controls and limits that are intended to offset these risks by short selling only liquid securities and by limiting the amount of exposure for short sales in accordance with applicable securities laws. The Funds will also deposit collateral only with Canadian lenders that meet certain criteria for creditworthiness and only up to certain limits.

#### *Small Company Risk*

A Fund may make investments in equities and sometimes fixed income securities issued by smaller capitalization companies. These investments are generally riskier than investments in larger companies for several reasons. Smaller companies are often relatively new and may not have an extensive track record. This lack of history makes it difficult for the market to place a proper value on these companies. Some of these companies do not have extensive financial resources and, as a result, they may be unable to react to events in an optimal manner. In addition, securities issued by smaller companies are sometimes less liquid, meaning there is less demand for the securities in the marketplace at a price deemed fair by sellers.

### *Tax Risk*

Funds may be affected by changes in the tax legislation or administrative practice that affect the entities in which a Fund invests or the taxation of a Fund.

### *Underlying Fund Risk*

A Fund may invest directly in one or more Underlying Funds. If a Fund invests in an Underlying Fund, the Fund will indirectly become subject to certain risks that arise as a result of the investment objective of the Underlying Fund. Also, if an Underlying Fund suspends redemptions or does not calculate its net asset value, a Fund will not be able to value all or part of its assets or redeem its Shares. An adjustment to a Fund's holdings of an Underlying Fund may result in gains being distributed to Shareholders. As a result, the Underlying Fund may have to make large purchases or sales of securities to meet the redemption or purchase requests of a Fund. The portfolio manager of the Underlying Fund may have to change the Underlying Fund's holdings significantly or may be forced to buy or sell investments at unfavourable prices, which may affect its performance and the performance of a Fund.

## ORGANIZATION AND MANAGEMENT OF THE FUNDS

The table below provides you with information about the management of the Funds.

<p><b>Manager and Portfolio Manager</b> AlphaNorth Asset Management 333 Bay Street, Suite 630 Toronto, Ontario M5H 2R2 www.alphanorthasset.com</p>	<p>AlphaNorth is responsible for fulfilling the role of manager of the Funds, marketing and offering of the Shares as well as investor relations and the general day-to-day operation of the Funds. We may engage third parties to perform certain services on our behalf and will be responsible for the oversight of those third parties.</p>
<p><b>Portfolio Manager</b> AlphaNorth Asset Management Toronto, Ontario</p>	<p>AlphaNorth will also, in its capacity as portfolio manager of the Funds, provide the Funds with portfolio advisory services.</p>
<p><b>Independent Review Committee</b></p>	<p>The mandate of the independent review committee (“IRC”) is to review conflict of interest matters brought to it by AlphaNorth and, in most cases, make recommendations to AlphaNorth, or in certain cases, make a decision whether or not to approve AlphaNorth’s proposal. The IRC is composed of three members, all of whom are independent of AlphaNorth and its affiliates. The IRC is required to prepare annually a report to Shareholders describing its activities, which is available at AlphaNorth’s website, <a href="http://www.alphanorthasset.com">www.alphanorthasset.com</a> or at the request of a Shareholder, at no cost, by contacting AlphaNorth at 416-506-0776. Additional information about the IRC, including the names of the members, is available in the Funds’ annual information form.</p>
<p><b>Custodian</b> State Street Trust Company Canada Montreal, Quebec</p>	<p>The custodian has physical custody of the securities in each Fund’s portfolio.</p>
<p><b>Administrator and Record Keeper</b> International Financial Data Services (Canada) Limited Toronto, Ontario</p>	<p>The administrator and record keeper keeps track of the owners of Shares and processes changes in ownership.</p>
<p><b>Independent Auditor</b> KPMG LLP Toronto, Ontario</p>	<p>The independent auditor examines the Funds’ annual financial statements and provides an opinion as to whether they fairly present the Funds’ financial position and results.</p>
<p><b>Securities Lending Agent</b> State Street Trust Company Canada Montreal, Quebec</p>	<p>If a Fund chooses to undertake a securities lending, repurchase or reverse repurchase transaction, then the Fund’s Custodian will act as the securities lending agent. The securities lending agent will act on behalf of the Fund in administering securities lending, repurchase or</p>

	reverse repurchase transactions entered into by the Fund. The securities lending agent will be independent of us.
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**Voting Policy for Investments in Underlying Funds**

A Fund may invest in Underlying Funds, subject to certain conditions. AlphaNorth, as Manager, will either not vote the securities of the Underlying Funds or will pass the voting rights directly to securityholders of such Funds. AlphaNorth may, in some circumstances, choose not to pass the vote to securityholders, generally because of the complexity and costs associated with doing so.

**PURCHASES, SWITCHES AND REDEMPTIONS**

**How to Buy Shares**

You can buy Shares through a Registered representative registered with the securities regulator in your province.

You must have reached the age of majority in your province to buy shares in a mutual fund. You may hold shares in a mutual fund in trust for a minor.

Series A Shares of the AlphaNorth Growth Fund and the AlphaNorth Resource Fund are available to all investors who purchase through Dealers and who invest the minimum amount, while Series F Shares of the AlphaNorth Growth Fund and the AlphaNorth Resource Fund are available to investors who participate in fee-based programs through their Dealer. Series B Shares of the AlphaNorth Resource Fund are issued pursuant to a Mutual Fund Rollover Transaction (as defined below). Series D Shares of the AlphaNorth Resource Fund shall only be issued at the Manager’s discretion to investors switching out of Series B Shares of the AlphaNorth Resource Fund as a means of ensuring that such switching investor is allocated his or her fair share of the capital gains attributable to the assets disposed of by the AlphaNorth Resource Fund to effect the switch. The Corporation may offer additional classes of shares in the future.

*Purchase price*

When you buy Shares, you buy them at the series net asset value (“NAV”) of the Share calculated as of the day of your purchase, as long as your purchase order is received on or before 4:00 p.m. (Toronto time) on a day that the Toronto Stock Exchange is open for business or before the Toronto Stock Exchange closes for the day, whichever is earlier. If your order is received after that time, it will be processed as of the next business day. All orders must be placed through the order entry system operated by FundSERV Inc. (“FundSERV”) or directly through your Dealer.

No sales charges are payable for AlphaNorth Resource Fund Shares to be acquired by a limited partnership on the transfer of its assets to the AlphaNorth Resource Fund and subsequently distributed by the limited partnership to the partners thereof (a “Mutual Fund Rollover Transaction”). See “Additional Information Regarding the AlphaNorth Resource Fund”.

*How We Process Your Order*

You and your Registered representative are responsible for the completeness and accuracy of your purchase order.

A Fund must receive full and proper payment within three business days of processing your order. If full and proper payment is not received within that time, or if the payment is returned or dishonoured, your order will be cancelled. Any gain resulting from the cancellation will accrue to the Fund. Any loss resulting from the cancellation will be payable by your Dealer to the Fund and you may be responsible to reimburse your Dealer depending upon your arrangements with your Dealer.

We have the right to accept or reject your order within one business day of receiving it. We reserve the right to reject any purchase order. If we accept your order, you will receive a written confirmation from your Dealer. If we reject your order, we will refund any money you have sent without interest or deduction.

#### *Registration of Shares*

Shares may be registered with IFDS either directly in your name or in a nominee name, including the name of your Dealer.

#### *Certificates*

No certificates will be issued for the Shares.

#### **How to Redeem Shares**

To redeem Shares, contact your Registered representative, who may ask you to complete a redemption request form.

You redeem Shares at the current NAV per Share. If your redemption request is received on or before 4:00 p.m. (Toronto time) on a day that the Toronto Stock Exchange is open for business or before the Toronto Stock Exchange closes for the day, whichever is earlier, the redemption value will be calculated as of that day. If your redemption request is received after that time, the redemption value will be calculated as of the next business day.

#### *Redemption Fees*

The Funds do not charge any redemption fees, but may charge a short-term trading fee as described below.

#### *Short-Term Trading*

In general, a Fund is a long-term investment. Trading often in order to time the market is not a good idea and not in the best interest of a Fund. Frequent trading can hurt a Fund's performance, affecting all the investors in a Fund, by forcing the Fund to keep cash or sell investments to meet redemptions. We monitor frequent trading activity with a view to detecting and deterring market-timing activity.

We define an inappropriate short-term trade as a combination of a purchase and redemption, including switches between funds managed by the Manager, within 90 days that we believe is detrimental to Fund investors and that may take advantage of funds with investments price in other time zones or illiquid investments that trade infrequently.

All trades that we determine to be inappropriate may be subject to a 2.0% fee. Generally, redemptions that arise in connection with a Fund's acquisition of assets from one or more limited partnerships established by the Manager are not considered inappropriate. See "Fees and Expenses" below for more details.

### *How We Process Your Redemption Request*

IFDS will pay you the proceeds of a redemption request via cheque within three business days of receiving your redemption request provided all necessary documentation has been submitted.

If IFDS does not receive all the necessary documentation to complete your redemption order within 10 business days of receiving your order, the order will be cancelled. Any gain resulting from the cancellation will accrue to the Fund. Any loss resulting from the cancellation will be payable by your Dealer to the Fund and you may be responsible to reimburse your Dealer depending upon your arrangements with your Dealer.

### *Redemption Suspensions*

Under extraordinary circumstances, the rights of investors to redeem securities may be suspended by a mutual fund. Canadian securities regulators allow us to suspend your right to redeem:

- if normal trading is suspended in any market where portfolio securities or specified derivatives are traded which represent more than 50 per cent by value, or underlying market exposure, of the total assets of a Fund if those portfolio securities or specified derivatives are not traded on another market or exchange that represents a reasonably practical alternative, or
- in other circumstances with the consent of the Canadian securities regulators.

If we suspend redemption rights before the redemption proceeds have been determined, you may either withdraw your redemption request or redeem your Shares at the NAV next determined after the suspension has been lifted. During any period of suspension of redemption rights, we will not accept orders for Shares in respect of which redemptions have been suspended.

### **Switching Between Classes or Series of Shares of the Corporation**

A Shareholder may switch between classes or series of Shares of the Corporation, provided that in each case the Shareholder meets the minimum initial investment amount and minimum account balance of the new class or series of Shares. Shares will only be switched if the Shareholder completes the necessary documents and sends them to the Manager. Shareholders can switch through their Dealer, subject to any switch fee the Dealer may charge. Switching between classes or series of Shares of the Corporation is generally not considered a disposition for income tax purposes. See “Income Tax Considerations for Investors” for more details.

### **Reclassification Between Series of Shares of the Fund**

Switching Shares from one series of Shares to another series of Shares of a Fund is called a reclassification. A Shareholder may reclassify between series of Shares of a Fund, provided that in each case the Shareholder meets the minimum initial investment amount and minimum account balance of the new series of Shares. Shares will only be reclassified if the Shareholder completes the necessary documents and sends them to the Manager. Shareholders can reclassify through their Dealer, subject to any reclassification fee the Dealer may charge. Reclassifying between series of Shares of a Fund is generally not considered a disposition for income tax purposes. See “Income Tax Considerations for Investors” for more details.

## **FEES AND EXPENSES**

The table below lists the fees and expenses that you may have to pay if you invest in a Fund. You may have to pay some of these fees directly. Other fees may be payable by a Fund, which will reduce the value of your investment in the Fund.

The consent of securityholders is required before (i) any change is made to the basis of the calculation of a fee or expense charged to a Fund or directly to its securityholders by a non-arm's length party (such as the Fund or the Manager) in connection with the holding of securities of the Fund, if such change could result in an increase in charges to the Fund or securityholders or (ii) the introduction of a fee or expense to be charged to the Fund or securityholders by a non-arm's length party (like the Fund or the Manager) is made in connection with the holding of securities of the Fund. In the case of such changes by an arm's length party, no prior consent is needed but securityholders will be sent a written notice at least 60 days before the effective date of the change.

If a Fund holds securities of an Underlying Fund:

- There are fees and expenses payable by the Underlying Fund in addition to the fees and expenses payable by the Fund;
- No management fees or incentive fees are payable by the Fund that, to a reasonable person, would duplicate a fee payable by the Underlying Fund for the same service (i.e. Shareholders do not pay for the same service twice);
- No sales or redemption fees are payable by the Fund in relation to its purchases or redemptions of securities of the Underlying Fund if the Underlying Fund is an AlphaNorth Fund; and
- No sales or redemption fees are payable by the Fund in relation to its purchases or redemptions of securities of the Underlying Fund that, to a reasonable person, would duplicate a fee payable by an investor in the Fund.



<b>Fees and Expenses Payable by a Fund</b>	
Management Fees	<p>A Fund pays a management fee, which is accrued daily and calculated and paid monthly. The management fee charged to a Fund by the Manager is intended to cover, among other things, investment management costs, including all portfolio manager fees, as well as the costs of distribution, co-operative marketing, educational activity and fund promotion.</p> <p>The annual management fee for the AlphaNorth Growth Fund and the AlphaNorth Resource Fund is 2% of net assets.</p>
Operating Expenses	<p>Each Fund pays for its own operating and administrative expenses. These expenses include legal, accounting and audit fees, investor servicing costs, annual and semi-annual reports, prospectuses and other reports and expenses of making distributions to Shareholders, printing expenses, filing fees (including the portion of the regulatory fees paid by us that are attributable to the Funds), safekeeping and custodial fees, transfer agency fees, fees payable to and expenses incurred by the IRC (a Fund's portion of the total annual retainer payable to the IRC will be approximately \$1,700, plus HST, per IRC member) and expenses (including premiums for insurance coverage) and bank charges.</p> <p>A Fund will also bear other types of expenses included in the financial statements such as brokerage fees, taxes (including HST), interest expenses, income taxes and foreign withholding taxes.</p>
Trailing Commission	<p>AlphaNorth Growth Fund will pay to the Manager, either monthly or quarterly at the Manager's option, and in addition to the management fee, a trailing commission equal to 1.00% per annum of the aggregate net asset value of the Shares held through Dealers in respect of your investment in Series A Shares of the AlphaNorth Growth Fund.</p>
Performance Fee	<p>Each Fund also pays a performance fee to AlphaNorth in respect of its Shares. This performance fee is paid to AlphaNorth within 15 days of the end of the previous fiscal quarter if the percentage gain in the NAV per Share of the Fund over the preceding fiscal quarter or quarters since a performance fee for the Shares was last payable or since inception of the Fund (i.e. the start date of the Fund), exceeds the percentage gain or loss of the benchmark over the same period and provided that the NAV per Share of the Fund (including distributions) is greater than all previous values of the Fund at the end of each previous fiscal quarter in which a performance fee was paid. The benchmark to be used for the AlphaNorth Growth Fund is the S&amp;P/TSX Composite Index. The benchmark to be used for the AlphaNorth Resource Fund is the S&amp;P/TSX SmallCap Index.</p> <p>The performance fee will be equal to this excess return per Share multiplied by the number of Shares outstanding at the end of the quarter, multiplied by 20%.</p>

<b>Fees and Expenses Payable Directly by You</b>	
Sales Charges	Nil. Your Dealer may charge you a commission.
Redemption Fees	Nil.
Short-term Trading Fee	Two per cent of the current value of your Shares if you redeem within 90 days of purchase.
Other Fees and Expenses	We reserve the right to charge a fee for dishonoured cheques or insufficient funds.

## **DEALER COMPENSATION**

### *Commissions We Pay To Your Dealer*

Part of the fees that a Fund pays is used to compensate your Dealer for the services provided in connection with your investment in Shares and is payable as a trailing commission, as discussed above. AlphaNorth, the manager of the Funds, may also act as a dealer that may distribute Shares. We also pay trailing commissions to the discount broker for Shares you purchase through your discount brokerage account.

## **INCOME TAX CONSIDERATIONS FOR INVESTORS**

This information is a general summary of tax rules and is not intended to be legal or tax advice. For this discussion, we assume that you are a Canadian resident individual (other than a trust), hold your Shares as capital property and deal at arm's length with and are not affiliated with the Corporation.

This summary takes into account the current provisions of the Tax Act and the regulations thereunder, as well as all publicly announced proposals to amend the Tax Act and regulations as of the date hereof. This summary also takes into account the current published administrative policies and assessing practices of the Canada Revenue Agency. This summary does not take into account provincial or foreign income tax legislation or considerations.

We have tried to make this discussion easy to understand. As a result, we cannot be technically precise or cover all the tax consequences that may apply. Therefore, please consult your tax advisor for details about your individual situation.

The Corporation intends to qualify at all relevant times as a mutual fund corporation for tax purposes and it is assumed for the purposes of this summary that it will continue to so qualify in the future.

### **Taxation of Your Earnings From a Fund**

In general, the Corporation will not pay tax on taxable dividends received from taxable Canadian corporations or on net capital gains realized by it if the Funds pay sufficient ordinary taxable dividends and capital gains dividends to its Shareholders to eliminate its tax liability thereon. The Corporation will be liable for tax on income from other sources (such as interest, dividends from foreign sources, and any gains treated on income account) at full corporate rates. However, due to deductible expenses available to the Corporation, it is not expected to have any material net income tax liability.

The Corporation is subject to the refundable tax under Part IV of the Tax Act on taxable dividends received by it from taxable Canadian corporations in an amount equal to 33<sup>1/3</sup>% of such dividends, which tax will be refundable on the basis of \$1.00 for each \$3.00 of taxable dividends paid by the Funds collectively.

The Corporation has elected in accordance with the Tax Act to have its “Canadian securities” (as defined in the Tax Act) treated as capital property. This election will ensure the treatment of gains or losses realized by the Funds on the sale of Canadian securities as capital gains or capital losses.

The Corporation may experience gains or losses from derivative activities and, depending on the nature of these activities, these may be treated as either income gains or losses or capital gains or losses.

When you buy Shares just before a dividend date, you will receive the entire dividend even though the Corporation may have earned the income or realized the gains relating to the dividend before you owned the Shares.

As a consequence of the tax-deferred transfer of property to a Fund by certain limited partnerships, you may receive capital gains dividends that relate to capital gains on such property that accrued prior to the property being owned by a Fund, particularly if you hold Series D Shares of the AlphaNorth Resource Fund. If your Shares are not held in a registered plan, these dividends will be taxable to you. It is anticipated that a substantial portion of the assets of the AlphaNorth Resource Fund will consist of property transferred to the AlphaNorth Resource Fund on a tax-deferred basis. The AlphaNorth Resource Fund may issue Series D Shares to you if you acquired your Series B Shares pursuant to a Mutual Fund Rollover Transaction and you wish to switch your Shares into shares of a different class of the Corporation. Additional capital gains dividends may be paid to holders of Series D Shares out of gains realized by the Corporation on the disposition of portfolio assets done in order to effect the switch to another class.

The Corporation is required to compute its income and gains for tax purposes in Canadian dollars. Any foreign investments in the Funds’ portfolio may therefore give rise to foreign exchange gains or losses that will be taken into account in computing the Corporation’s income for tax purposes.

See “Distribution Policy” for details of the distribution policies of the Funds.

## **If You Hold Shares Outside of a Registered Plan**

### *Distributions*

If you don’t hold your Shares in a registered plan, dividends you receive must be factored into your computation of income for tax purposes, even though they may be reinvested in additional Shares. If the dividend is a capital gains dividend, one-half of the dividend will be included in your income as a taxable capital gain. If the dividend is an ordinary dividend, the dividend gross-up and tax credit rules will apply. The amount of reinvested dividends is added to the aggregate adjusted cost base (“ACB”) of your Shares to reduce your capital gain or increase your capital loss when you later redeem or otherwise dispose of your Shares, thereby ensuring you do not pay tax on this amount again. The higher a Fund’s turnover rate in a year, the greater the chance that you will receive a capital gains dividend. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

### *Dispositions, Switches and Reclassification*

Redeeming Shares held outside a registered plan may affect the taxes you pay if you have a capital gain or a capital loss on your investment. If the amount you receive from the redemption is greater than the ACB, you will have a capital gain. If the amount you receive from the redemption is less than the

ACB, you will have a capital loss. You may deduct any reasonable expenses of redemption in calculating your capital gains or losses.

One-half of any capital gain (or capital loss) realized must be included in determining your taxable capital gain (or allowable capital loss) in the year.

You are responsible for keeping a record of the ACB of your investment. The aggregate ACB of your Shares is made up of the amount you paid to acquire your Shares, including any upfront sales commissions, plus the amount of any distributions you received from the Corporation and reinvested in more Shares. You reduce the ACB by the amount of any return of capital distributions and by the ACB of any Shares you have previously redeemed. This record will enable you to calculate any capital gains or capital losses realized when you redeem (or otherwise dispose of) your Shares. If you acquired Shares from a Partnership (as defined below) in the course of a tax-deferred rollover, the ACB of your Shares will be determined under specific provisions of the Tax Act. You should consult your tax advisor in that regard. Switching between classes or series of Shares is not considered a disposition for purposes of the Tax Act. Reclassifying between series of Shares is not considered a disposition for purposes of the Tax Act. The cost to the Shareholder of the Shares received on the switch or reclassification will be deemed to be the ACB to the Shareholder of the Shares that were converted.

## **Tax Statements**

You will receive a tax statement each year showing the amount and type of distributions – ordinary dividends, capital gains dividends or returns of capital – paid to you by the Corporation. Keep detailed records of the purchase cost, sales charges and distributions related to your investments so you can calculate your ACB or cost amount. We suggest you consult a tax advisor to help you with these calculations.

## **If You Hold Shares in a Registered Plan**

### *Eligibility*

Provided that the Corporation qualifies as a “mutual fund corporation” under the Tax Act, Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“**RRSP**”), registered retirement income funds (“**RRIF**”), deferred profit sharing plans, registered disability savings plans, tax free savings accounts (“**TFSA**”) and registered education savings plans (“**RESP**”) (each a “**registered plan**”). Provided the holder of a TFSA or the annuitant of an RRSP or RRIF, as the case may be, (i) deals at arm's length with the Corporation, and (ii) does not have a “significant interest” (within the meaning of the Tax Act) in the Corporation, Shares will not be a prohibited investment under the Tax Act for the TFSA, RRSP or RRIF. We suggest you consult a tax advisor with respect to whether or not the Shares are a “prohibited investment” under the Tax Act. The Shares will generally not be a “prohibited investment” if the Shares are “excluded property” as defined in the Tax Act.

### *Distributions*

Registered plans will not be subject to tax on distributions paid or payable to a registered plan by a Fund until such amounts are withdrawn from the registered plan (other than a TFSA).

### *Redeeming Your Shares*

When you redeem your Shares and leave the proceeds in the registered plan, you do not pay any tax on the proceeds. If you withdraw Shares or the proceeds of their redemption from your registered plan (other than your TFSA), you will generally pay tax on the amount withdrawn at your marginal tax rate (special rules apply with respect to RESPs). Withdrawals from your TFSA are generally not taxable.

The amount you receive on withdrawal will be net of any fee imposed for inappropriate short-term trading and any applicable withholding taxes.

#### *Contributions*

You should be careful not to contribute more to your registered plan than allowed under the Tax Act or you may have to pay a penalty tax.

#### **International Information Reporting**

There are new due diligence and reporting obligations in the Tax Act which were enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement (the "IGA"). If Shares are registered in the name of a Dealer, such Shares should not be United States "reportable accounts" and, as a result, the Corporation should not be required to provide information to the Canada Revenue Agency in respect of investors in such Shares. However, the Dealers through which such holders hold such Shares may be required to report certain information with respect to certain of such holders. With respect to Shares not registered in the name of a Dealer, the Corporation may be subject to due diligence and reporting obligations with respect to the holders of such Shares. Such holders may be requested to provide information to the Corporation to identify United States persons holding Shares. If a holder is a United States person (including a United States citizen), or if a holder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the holder's investment in the Corporation to be reported to the Canada Revenue Agency, unless the investment is held within a registered plan. The Canada Revenue Agency is expected to provide that information to the United States Internal Revenue Service. Provided the Corporation complies with the requisite due diligence and reporting requirements of the IGA, the Corporation will generally be relieved from certain provisions that would otherwise have been applicable under the United States Foreign Account Tax Compliance Act, including the imposition of the 30% withholding tax on certain U.S. source payments and potential penalties.

#### **WHAT ARE YOUR LEGAL RIGHTS?**

Securities legislation in some provinces gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the simplified prospectus or fund facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces also allows you to cancel an agreement to buy mutual fund shares and get your money back, or to make a claim for damages, if the simplified prospectus, annual information form, fund facts or financial statements misrepresent any facts about the fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or consult a lawyer.

## **PART B: SPECIFIC INFORMATION ABOUT EACH OF THE MUTUAL FUNDS DESCRIBED IN THIS DOCUMENT**

### **Introduction to Part B**

This part of the simplified prospectus contains all the relevant details that you need to know about each of the Funds. Any information common to all of the Funds is described below under the same heading as in the Fund description. When reading a Fund description, please refer back to this section for a more complete understanding of the Fund.

### **Distribution Policy**

The board of directors of the Corporation may declare dividends on certain series of a Fund at its discretion. Shareholders will participate in any dividends or distributions declared by the Fund's board of directors on the series of Shares. The Corporation will pay distributions to Shareholders in accordance with its distribution policy relative to the series of Shares, and will also pay a special year-end distribution to Shareholders where the Corporation has net taxable capital gains upon which it would otherwise be subject to tax or where the Corporation needs to pay a dividend in order to recover refundable tax not otherwise recoverable. In particular, special year-end capital gains dividends may be paid by the Corporation where it is required to realize capital gains on property which accrued prior to the property being owned by it. While the principal sources of income of the Funds are expected to include taxable capital gains as well as dividends from taxable Canadian corporations, to the extent that the Corporation earns net income, after expenses, from other sources, it will be subject to income tax on such income and no refund of such tax will be available. However, due to the deductible expenses available to the Corporation, it is not expected to have any material net income tax liability.

Distributions may be made to Shareholders annually on or before a Fund's year-end. When a Shareholder redeems their Shares and the distributions credited to such Shareholder with respect to such Shares have not at the time of redemption been paid and reinvested, the distributions so credited but not yet paid and reinvested shall be paid, in the case of a Shareholder who redeems all of their Shares, in the same manner and at the same time as the redemption monies are paid to such Shareholder or, in the case of a Shareholder who partially redeems their Shares, in the same manner and on the last business day of the month.

For information about how distributions can affect your taxes, see "Income Tax Considerations for Investors".

### **Investment Risk Classification Methodology**

The risk methodology used to determine the riskiness of a Fund is based on the methodology recommended by the Fund Risk Classification Task Force (the "**Task Force**") of The Investment Funds Institute of Canada. The Task Force concluded that while any single risk measure has its limitations, volatility risk as measured by the standard deviation of fund performance is an unambiguous and relatively well-established and well-understood measure of risk. Standard deviation is used to estimate the dispersion of a set of data around the average value of the data. In the context of investment returns, it can provide a measure of the amount of variability of returns that has historically occurred relative to the average return. The higher the standard deviation of a mutual fund, the greater the range of returns it has experienced in the past. However, the Manager and the Task Force recognize that other types of risk, both measurable and non-measurable, may exist and have also considered qualitative factors before making a final determination regarding the appropriate risk rating for the Fund.

The Fund is assigned an investment risk rating in one of the following categories:

- **Low** – for funds with a level of risk that is typically associated with investments in money market funds and Canadian fixed income funds;
- **Low to Medium** – for funds with a level of risk that is typically associated with investments in balanced funds and global and/or corporate fixed income funds;
- **Medium** – for funds with a level of risk that is typically associated with investments in equity portfolios that are diversified among a number of large-capitalization Canadian and/or international equity securities;
- **Medium to High** – for funds with a level of risk that is typically associated with investments in equity funds that may concentrate their investments in specific regions or in specific sectors of the economy; and
- **High** – for funds with a level of risk that is typically associated with investment in equity portfolios that may concentrate their investments in specific regions or in specific sectors of the economy where there is a substantial risk of loss (for example, emerging markets).

The investment risk level is determined when a Fund is first created and is reviewed at least annually and/or any time a material change occurs in a Fund. A review will consider, among other things, the volatility of a Fund over the previous year, changes in asset mix or investment strategy and any changes to the Task Force’s recommendations. The methodology that the Manager uses to identify the investment risk level of the Fund is available at no cost by calling us at toll-free 416-506-0776 or by writing to us at [info@alphanorthasset.com](mailto:info@alphanorthasset.com).

#### **Fund Expenses Indirectly Borne by Investors**

This example is intended to help you compare the cost of investing in a series of securities of one of the Funds with the cost of investing in other mutual funds. It shows the cumulative fees and expenses you may pay indirectly over different time periods. These expenses are indirectly borne by you because they are paid out of Fund assets, which indirectly reduces your return. This example assumes:

- You invest \$1,000 in securities of the Fund;
- The securities of the Fund you invest in earn 5% each year, although the actual return will likely be different; and
- You paid the same management expense ratio each year as you did in the Fund’s last completed financial year.

See the “Fees and expenses” table for more information about the cost of investing in the Funds.

## ALPHANORTH GROWTH FUND

### Fund Details

Fund Type	Equity
Securities Offered	Series A and F Shares
Start Date	July 25, 2011 for Series A and Series F Shares
Registered Account Eligibility	Eligible for registered plans
Management Fees and Ordinary Operating Expenses	Annual management fees of 2% of net assets for Series A and Series F Shares  Quarterly Performance Fee equal to excess return per Share over the S&P/TSX Composite Index (including distributions) multiplied by the number of the Shares outstanding at the end of the quarter, multiplied by 20%
Trailing Commission	1.00% per annum of the aggregate net asset value of Series A Shares held through Dealers
Portfolio Manager	AlphaNorth Asset Management

### What Does the Fund Invest In?

#### *Investment Objective*

The Fund is a Canadian equity fund that seeks to generate strong long-term returns through the selection and management of investments that offer attractive risk-reward characteristics. In order to accomplish this objective the Fund will focus primarily on small and mid-capitalization Canadian companies, although it may also invest in foreign securities in accordance with the investment strategy outlined herein.

The fundamental investment objective of the Fund will not be changed without first obtaining approval of the Shareholders at a meeting to consider the change.

#### *Investment Strategy*

The Fund will primarily invest in a wide variety of Canadian small and mid-capitalization companies. These will typically be companies with market capitalizations between \$100 million and \$5 billion.

The Manager will evaluate industry and company fundamentals to evaluate investment opportunities which offer the most attractive risk versus reward. Before an initial investment is made, a management interview is typically conducted to determine the important future drivers for Shareholder value creation. In addition to the issuer's strategic corporate plan, we assess the strength and weakness of the issuer's management, board, and technical teams. We also examine the willingness of the management team to take different levels of risk to achieve their long term goals and the ability of the issuer to meet its stated goals and key financial metrics. Technical analysis is also employed in combination with the Manager's fundamental research to assist in making timely decisions regarding the purchase and sale of investments. In support of the bottom up stock selection process, an understanding of the macro environment is developed using a wide range of industry contacts.



## AlphaNorth Growth Fund

When assessing a business there are a number of key characteristics that the Manager looks for. These include:

- strong and experienced management team,
- demonstrated ability to create shareholder value,
- well-defined strategic plan with visibility,
- quality assets that provide organic growth potential,
- strong board and corporate governance,
- strong balance sheet and funding ability,
- diversified risk exposures,
- defined financial metric goals, and
- attractive valuation relative to the future earnings potential.

The Fund may only make use of “specified derivatives” within the meaning of Canadian securities regulatory requirements, which include clearing corporation options, futures contracts, options on futures, over-the-counter options, forward contracts, debt-like securities and listed warrants. The Fund may invest in or use such specified derivatives for hedging purposes and for non-hedging purposes as permitted by Canadian securities regulators if cash and securities are set aside to cover the positions. The Fund may only invest in or use derivative instruments that are consistent with the investment objective of the Fund.

The Fund may write covered call options and cash covered put options and purchase call options and put options with the effect of closing out existing call options and put options written by the Fund. The Fund may also purchase put options in order to protect the Fund from declines in the market prices of the individual securities in the portfolio or in the value of the portfolio as a whole. The Fund may enter into trades to close out positions in such permitted derivatives. The Fund may also use derivatives to hedge the Fund’s foreign currency exposure. Such permitted derivatives may include exchange-traded options, futures contracts, options on futures, over-the-counter options and forward contracts.

Derivatives will not be used for speculative trading, to create a portfolio with leverage, or to purchase for non-hedging purposes options, options on futures, listed warrants and debt-like securities that have an options component if, after making the purchase, more than 10% of the net assets of the Fund (taken at market value at the time of such purchase) would consist of these instruments.

The Fund may enter into securities lending, repurchase or reverse repurchase transactions. While no such transactions are currently contemplated, they may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund’s investment objective stated above and enhancing returns as permitted by securities regulations.

The Fund may sell securities short, by providing a security interest over Fund assets in connection with the short sale and by depositing Fund assets with Dealers as security in connection with such transaction. A short sale by the Fund involves borrowing securities from a lender and selling those securities in the open market. The same number of securities are then repurchased by the Fund at a later date and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the Fund pays interest to the lender on the borrowed securities. If the value of the securities declines between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund will make a profit equal to the difference (less any interest the Fund pays to the lender).

## **AlphaNorth Growth Fund**

The Fund may engage in short selling as a complement to its evaluation of investment opportunities which offer the most attractive risk versus reward and within certain limits and conditions, including: (i) the Fund will short sell only non “illiquid assets” (as such term is defined under NI 81-102) that are traded on a stock exchange or bonds, debentures or other evidences of indebtedness of, or guaranteed by, any issuer, (ii) the fund will limit its short sale exposure to any single issuer to 5% of the Fund’s total net assets and its aggregate short exposure to 20% of its net assets on a daily marked-to-market basis, and (iii) the Fund will hold cash cover in an amount (including the Fund’s assets deposited with lenders) that is at least 150% of the aggregate market value.

### **What are the Risks of Investing in the Fund?**

The direct and indirect risks of investing in the Fund include:

- commodity risk,
- concentration risk,
- derivative risk,
- equity risk,
- government regulation risk,
- large transaction risk,
- liquidity risk,
- repurchase and reverse repurchase transactions and securities lending risk,
- short-selling risk, and
- tax risk.

### **Who Should Invest in this Fund?**

The Fund should be considered by investors who:

- can accept a medium to high investment risk level,
- want capital appreciation over the long term,
- are willing to accept above average volatility risk,
- want exposure to Canadian equities, and
- are willing to accept some fluctuation in value over the short to medium term.

### **Distribution Policy**

On all series, the Fund may pay ordinary dividends and capital gains dividends at any time, to investors who own securities on the dividend record date, in a manner that the board of directors of Corporation, in consultation with management, determines is fair and reasonable. In calculating the amount, character and timing of dividends to be paid to investors in the Fund, the tax position of Corporation as a whole will be taken into account and dividends will only be paid to the extent necessary to manage the tax liability of Corporation.

The dividends described above are reinvested by purchasing additional securities of the Fund, without charge.

## AlphaNorth Growth Fund

### Fund Expenses Indirectly Borne by Investors

Estimated cumulative expenses payable by each series of Shares of the Fund for each \$1,000 investment (see Introduction to Part B for an explanation of the assumptions used in this example) for the time periods shown:

<b>Series</b>	<b>For 1 Year</b>	<b>For 3 Years</b>	<b>For 5 Years</b>	<b>For 10 Years</b>
<b>Series A shares</b>	\$77.90	\$245.58	\$430.45	\$979.82
<b>Series F Shares</b>	\$67.65	\$213.27	\$373.81	\$850.89

## ALPHANORTH RESOURCE FUND

### Fund Details

Fund Type	Equity
Securities Offered	Series A, B, D and F Shares
Start Date*	February 25, 2013 for Series A, B, D and F Shares
Registered Account Eligibility	Series A, B, D and F Shares are eligible for registered plans
Management Fees and Ordinary Operating Expenses	Annual management fees of 2% of net assets for Series A, B and F Shares  Quarterly Performance Fee equal to excess return per Share over the S&P/TSX SmallCap Index (including distributions) multiplied by the number of the Shares outstanding at the end of the quarter, multiplied by 20%
Trailing Commission	1.00% per annum of the aggregate net asset value of Series A and B Shares held through Dealers
Portfolio Manager	AlphaNorth Asset Management

\* AlphaNorth Resource Fund Series B Shares were originally qualified for distribution on July 25, 2011 as Series A Shares of AlphaNorth Rollover Fund and were automatically converted into Series A Shares of AlphaNorth Growth Fund. Certain amendments were made to AlphaNorth Rollover Fund on June 13, 2012 including renaming the Fund “AlphaNorth Resource Fund”, redesignating the Series A Shares as “Series B Shares” and qualifying the Series A Shares, Series D Shares and Series F Shares for distribution. On July 6, 2012, all Series B Shares of AlphaNorth Resource Fund were exchanged for Series A Shares of AlphaNorth Growth Fund and AlphaNorth Resource Fund had no assets or Shareholders between July 6, 2012 and February 25, 2013. On February 25, 2013, AlphaNorth Resource Fund received assets and issued Shares pursuant to a mutual fund rollover transaction with AlphaNorth 2011 Flow-Through Limited Partnership and, accordingly, the start date referenced above is the date on which AlphaNorth Resource Fund was made available to the public.

### What Does the Fund Invest In?

#### *Investment Objective*

The Fund seeks to generate strong returns by investing in Canadian resource companies that offer attractive risk-reward characteristics.

The fundamental investment objective of the Fund will not be changed without first obtaining approval of the Shareholders at a meeting to consider the change.

#### *Investment Strategy*

The Manager will invest primarily in junior and intermediate Canadian resource companies. The Manager will evaluate industry and company fundamentals to evaluate investment opportunities which offer the most attractive risk versus reward. Before an initial investment is made, a management interview is typically conducted to determine the important future drivers for Shareholder value creation. In addition to the issuer’s strategic corporate plan, the strength and weakness of the issuer’s management, board, and technical teams are assessed. The willingness of the management team to take different levels of risk to achieve their long term goals and the ability of the issuer to meet its stated goals and key financial metrics are also examined. Technical analysis is also employed in combination with the

## AlphaNorth Resource Fund

Manager's fundamental research to assist in making timely decisions regarding the purchase and sale of investments. In support of the bottom up stock selection process, an understanding of the macro environment is developed using a wide range of industry contacts.

When assessing a business there are a number of key characteristics that the Manager looks for. These include:

- strong and experienced management team,
- demonstrated ability to create shareholder value,
- well-defined strategic plan with visibility,
- quality assets that provide organic growth potential,
- strong board and corporate governance,
- strong balance sheet and funding ability,
- diversified risk exposures,
- defined financial metric goals, and
- attractive valuation relative to the future earnings potential.

The Fund may only make use of "specified derivatives" within the meaning of Canadian securities regulatory requirements, which include clearing corporation options, futures contracts, options on futures, over-the-counter options, forward contracts, debt-like securities and listed warrants. The Fund may invest in or use such specified derivatives for hedging purposes and for non-hedging purposes as permitted by Canadian securities regulators if cash and securities are set aside to cover the positions. The Fund may only invest in or use derivative instruments that are consistent with the investment objective of the Fund.

The Fund may write covered call options and cash covered put options and purchase call options and put options with the effect of closing out existing call options and put options written by the Fund. The Fund may also purchase put options in order to protect the Fund from declines in the market prices of the individual securities in the portfolio or in the value of the portfolio as a whole. The Fund may enter into trades to close out positions in such permitted derivatives. The Fund may also use derivatives to hedge the Fund's foreign currency exposure. Such permitted derivatives may include exchange-traded options, futures contracts, options on futures, over-the-counter options and forward contracts.

The use of derivatives to create a portfolio with leverage or to purchase for non-hedging purposes options, options on futures, listed warrants and debt-like securities that have an options component will be limited to 10% of the net assets of the Fund (taken at market value at the time of such purchase).

The Fund may enter into securities lending, repurchase or reverse repurchase transactions. While no such transactions are currently contemplated, they may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objective stated above and enhancing returns as permitted by securities regulations.

The Fund may sell securities short, by providing a security interest over Fund assets in connection with the short sale and by depositing Fund assets with Dealers as security in connection with such transaction. A short sale by the Fund involves borrowing securities from a lender and selling those securities in the open market. The same number of securities are then repurchased by the Fund at a later date and returned to the lender. In the interim, the proceeds from the first sale are deposited with the

## **AlphaNorth Resource Fund**

lender and the Fund pays interest to the lender on the borrowed securities. If the value of the securities declines between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund will make a profit equal to the difference (less any interest the Fund pays to the lender).

The Fund may engage in short selling as a complement to its evaluation of investment opportunities which offer the most attractive risk versus reward and within certain limits and conditions, including: (i) the Fund will short sell only non “illiquid assets” (as such term is defined under NI 81-102) that are traded on a stock exchange or bonds, debentures or other evidences of indebtedness of, or guaranteed by, any issuer, (ii) the fund will limit its short sale exposure to any single issuer to 5% of the Fund’s total net assets and its aggregate short exposure to 20% of its net assets on a daily marked-to-market basis, and (iii) the Fund will hold cash cover in an amount (including the Fund’s assets deposited with lenders) that is at least 150% of the aggregate market value.

### **What are the Risks of Investing in the Fund?**

The direct and indirect risks of investing in the Fund include:

- commodity risk,
- concentration risk,
- derivative risk,
- equity risk,
- government regulation risk,
- large transaction risk,
- liquidity risk,
- repurchase and reverse repurchase transactions and securities lending risk,
- short-selling risk, and
- tax risk.

### **Who Should Invest in this Fund?**

The Fund should be considered by investors who:

- can accept a medium to high investment risk level,
- want capital appreciation over the long term,
- are willing to accept high volatility risk,
- want exposure to equities in the Canadian resource sector, and
- are willing to accept some fluctuation in value over the short to medium term.

### **Distribution Policy**

On all series, the Fund may pay ordinary dividends and capital gains dividends at any time, to investors who own securities on the dividend record date, in a manner that the board of directors of Corporation, in consultation with management, determines is fair and reasonable. In calculating the amount, character and timing of dividends to be paid to investors in the Fund, the tax position of Corporation as a whole will be taken into account and dividends will only be paid to the extent necessary to manage the tax liability of Corporation.

## AlphaNorth Resource Fund

The dividends described above are reinvested by purchasing additional securities of the Fund, without charge.

### Fund Expenses Indirectly Borne by Investors

Estimated cumulative expenses payable by each series of Shares of the Fund for each \$1,000 investment (see Introduction to Part B for an explanation of the assumptions used in this example) for the time periods shown:

Series	For 1 Year	For 3 Years	For 5 Years	For 10 Years
Series A shares	\$96.35	\$303.74	\$532.39	\$1211.38
Series B Shares	\$97.38	\$306.97	\$538.06	\$1,224.77
Series F Shares	\$87.13	\$274.66	\$481.42	\$1,095.85

### Additional Information Regarding the AlphaNorth Resource Fund

A significant part of the assets to be held by the AlphaNorth Resource Fund are currently, and may continue to be, shares acquired by the Fund on a tax-deferred basis from one or more limited partnerships (each a “**Partnership**”) established by AlphaNorth. The assets of each of the Partnerships are expected to consist primarily of a portfolio of flow-through shares of junior and intermediate resource companies. The tax cost to the Fund of these shares is nil and the Fund will therefore realize capital gains to the full extent of the net proceeds received for these shares when they are sold by the Fund. In respect of these capital gains in particular, the Fund intends to pay capital gains dividends to holders of Series D Shares of the AlphaNorth Resource Fund in sufficient amounts so that the Fund receives a refund of capital gains tax it would otherwise have to pay. Holders of Series D Shares of the AlphaNorth Resource Fund may therefore receive capital gains dividends in excess of what they would have received if the Fund had not acquired these shares on a tax-deferred basis.

The AlphaNorth Resource Fund may acquire the assets of one or more Partnerships established by AlphaNorth.

Prior to termination of a Partnership, the property of a Partnership will be transferred to the AlphaNorth Resource Fund in exchange for Series B Shares from the AlphaNorth Resource Fund. Within 60 days thereafter, the Partnership will be liquidated and the AlphaNorth Resource Fund Series B Shares will be distributed to the partners of the liquidated Partnership. The transfer of property by a Partnership to the AlphaNorth Resource Fund and the subsequent liquidation of the Partnership and distribution of the AlphaNorth Resource Fund Series B Shares to the partners of the Partnership is referred to as a Mutual Fund Rollover Transaction.

Elections under applicable income tax legislation will be made so that the transfer of property by a Partnership to the AlphaNorth Resource Fund occurs on a tax-deferred basis. This will result in the AlphaNorth Resource Fund acquiring property which has a cost, for tax purposes, that is lower than its market value; “flow-through shares” so acquired will have nominal cost. The cost to the AlphaNorth Resource Fund of assets acquired from a Partnership will be averaged with the adjusted cost base of identical assets owned by the AlphaNorth Resource Fund at the time assets are acquired from the Partnership. A subsequent disposition of assets acquired from a Partnership, or identical assets, including as a result of investors switching from the AlphaNorth Resource Fund to another fund, may result in the recognition of larger capital gains than if a Mutual Fund Rollover Transaction had not occurred.

## **AlphaNorth Resource Fund**

Shareholders of the AlphaNorth Resource Fund, particularly holders of Series D Shares, may receive capital gains dividends in excess of what would have been received by them had there been no Mutual Fund Rollover Transactions and may be required to pay tax on such dividends.

If necessary in connection with a Mutual Fund Rollover Transaction, the AlphaNorth Resource Fund will apply to the relevant securities or regulatory authorities to be exempted, for a period of 180 days following the date of the transfer of assets of the relevant Partnership to the AlphaNorth Resource Fund, from the investment restrictions which would otherwise prohibit the AlphaNorth Resource Fund from investing in securities of any issuer if, after giving effect to such an investment, the AlphaNorth Resource Fund would own more than 10% of the outstanding voting or equity securities of such issuer, other than securities issued or guaranteed as to principal and interest by the Government of Canada or any province thereof or investing more than 10% of the net asset value of the AlphaNorth Resource Fund in securities of any one issuer, other than securities issued or guaranteed as to principal and interest by the Government of Canada or any province thereof. If necessary, the AlphaNorth Resource Fund may also seek any other regulatory exemptions to enable it to acquire assets from a Partnership that would otherwise result in the AlphaNorth Resource Fund contravening any investment restrictions under applicable securities laws.



## SIMPLIFIED PROSPECTUS

### ALPHANORTH MUTUAL FUNDS LIMITED

#### AlphaNorth Growth Fund AlphaNorth Resource Fund

Additional information about the Funds is available in the Funds' annual information form, fund facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

You can get a copy of these documents, at your request, and at no cost, by calling toll-free 416-506-0776, or from your dealer or by e-mail at [info@alphanorthasset.com](mailto:info@alphanorthasset.com).

These documents and other information about the Funds, such as information circulars and material contracts, are also available on the AlphaNorth internet site at [www.alphanorthasset.com](http://www.alphanorthasset.com) or at [www.sedar.com](http://www.sedar.com).

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