



ALPHANORTH  
GROWTH FUND

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**Interim Management Report of Fund  
Performance**

June 30, 2016

# AlphaNorth Growth Fund

## Management Report of Fund Performance

As at June 30, 2016

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This Interim management report of fund performance contains financial highlights but does not contain the complete Interim financial statements for AlphaNorth Growth Fund (the “Fund”). All references to dollars contained herein are to Canadian dollars. The Interim financial statements of the Fund are attached behind this report and you can also get a copy of the Interim financial statements at your request, and at no cost, by writing to us at AlphaNorth Growth Fund, c/o AlphaNorth Asset Management, 333 Bay Street, Suite 630, Toronto, Ontario M5H 2R2 or by visiting our website at [www.alphanorthasset.com](http://www.alphanorthasset.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Shareholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.

### **A Note on Forward-looking Statements**

Certain statements included in this Management Report of Fund Performance constitute forward looking statements, including those identified by the expressions “anticipate”; “believe”; “plan”; “estimate”; “expect”; “may”; “will”; “intend” and similar expressions to the extent they relate to the Fund or AlphaNorth Asset Management (the “Manager”). These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to, changes in the global economy, general economic and business conditions, existing governmental regulations, supply, demand and other market factors specific to the resource sector and to the securities of resource companies in which the Fund invests.

Although the Manager believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, forward-looking information involves numerous assumptions and inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund’s filings with Canadian securities regulatory authorities. The forward-looking information is given as of the date of this Management Report of Fund Performance, and the Manager undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

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### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

#### INVESTMENT OBJECTIVES AND STRATEGIES

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, however, up to 25% of the Fund may be invested in foreign markets. The companies in which the Fund invests will typically have market capitalizations between \$100 million and \$5 billion.

#### RISK

The risks associated with investing in the Fund are as described in the prospectus.

#### RESULTS OF OPERATIONS

The S&P/TSX Composite Index (the “TSX”) total return for the first half of 2016 was 9.8% ending June 30, 2016. This compares to the S&P 500 Index which returned 3.8%. It is our view that the long period of underperformance for the Canadian equity indices has ended. The S&P/TSX Venture Index, a benchmark for small cap equities in Canada, returned 39.0% in 2016 to June 30th. The Fund’s performance for the comparable six month period ended June 30, 2016 was -0.2%.

North American equity markets are ‘climbing the wall of worry’. The usual group of bearish newsletter writers have resurfaced in the financial press with forecasts of doom, as indices have advanced to new highs. Despite the negative commentary in the media, North American equity markets have continued to push higher.

Similar to “Grexit”, “Brexit” came and went with much fanfare. These type of events have a long history of providing great buying opportunities for equities and this time was no different. In our view, “Brexit” was an immaterial event for the junior companies that we follow. Those investors who reduced equity exposure in advance of the “Brexit” vote undoubtedly thought they were acting shrewdly for two days before equity markets rebounded strongly hitting new all-time highs in the U.S. shortly thereafter. It is highly unlikely that these investors repurchased their equity positions near the lows and it is much more likely that these investors will be buying at higher levels than at which they sold.

Sentiment in the junior space has only started to turn positive, yet much skepticism remains. As sentiment continues to improve so too will returns. At this early stage of the cycle, the gains have been dominated by the precious metal stocks. However, the metal and energy stocks are also starting to attract investor attention. We are confident that the bear market has ended and it is our position that we are still only in the early innings of the current turnaround. Historically, the highest returns have been realized by investors who purchased after periods of significant decline. We believe that this is one of those times. Although there are reasons to have a negative outlook, we continue to believe that there are more relevant positive drivers for equities at the present time. These include various sentiment indicators, and the lack of cheaper alternatives in the current low yield environment.

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An example which reflects the negative sentiment, is a recent survey which showed that since 2001, global fund managers have cash levels at a very high level. High cash levels are a characteristic near market lows. We believe equities remain cheap compared to other asset classes, and will continue to perform strongly. For Canadian small cap equities, which is the focus of the portfolio, the opportunity is even more substantial. It is increasingly apparent that the Canadian junior market bottomed in January 2016, at which time investor sentiment indicators were at negative extremes.

During the six months ended June 30, 2016, the Fund had realized losses on the sale of investments of \$215,967 and unrealized appreciation on the value of investments of \$390,092. Operating expenses, including transaction costs totalled \$145,641 during the period, which represents a 28.5% decrease since the prior year period.

### **RECENT DEVELOPMENTS**

Since the all-time low for the S&P/TSX Venture Index experienced in January 2016, the index has rallied strongly. In fact, the S&P/TSX Venture Index is the best performing diversified index that we can find globally in 2016 as at June 30. This strong performance has been driven largely by the precious metal stocks. Energy has been the second best performing sector. We believe that this outperformance will continue and spread to other sectors as investor confidence slowly returns to the junior market. We are beginning to witness evidence of this. The number of both financings and volume traded have increased significantly in recent months compared to 2015 levels.

We lightened our energy exposure as oil approached the \$50 level; junior energy equities have started to come off into the summer months along with the price of WTI. We will look to add exposure in the coming months when the risk/reward becomes more favourable. While we continue to watch the energy space carefully, we remain focused on mining equities for the time being. We continue to see great opportunities in all sectors including technology, health care, base metals, lithium, cobalt, and precious metals.

### **RELATED PARTY TRANSACTIONS**

The Manager provides or arranges for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including providing or arranging the provision of investment advice, establishment of brokerage arrangements relating to the purchase and sale of the investment portfolio, and bookkeeping, record-keeping and other administrative services for the Fund. The Manager receives an annual fee, equal to 2% of the net assets attributable to the holders of redeemable shares of the Fund, calculated and paid monthly in arrears.

# AlphaNorth Growth Fund

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### FINANCIAL HIGHLIGHTS - Series A

#### Net Assets Attributable to Holders of Redeemable Shares per share <sup>1</sup>

	2016	2015	2014	2013	2012	2011 <sup>5</sup>
<b>Net Assets, beginning of period</b>	\$ 2.01	\$ 3.32	\$ 4.78	\$ 6.53	\$ 8.37	\$ 10.00
<b>Fund Transactions</b>						
<b>Increase (decrease) from operations</b>						
Total investment income	-	-	0.03	0.01	0.01	0.01
Total expenses	(0.16)	(0.33)	(0.33)	(0.34)	(0.46)	(0.29)
Realized gains (losses)	(0.21)	(1.18)	(0.90)	(2.01)	(0.06)	(0.19)
Unrealized gains (losses)	0.41	0.17	(0.27)	0.49	(1.43)	(0.89)
<b>Total increase (decrease) from operations</b>	<b>0.04</b>	<b>(1.34)</b>	<b>(1.47)</b>	<b>(1.85)</b>	<b>(1.94)</b>	<b>(1.36)</b>
<b>Net Assets at end of period <sup>3</sup></b>	<b>\$ 2.06</b>	<b>\$ 2.01</b>	<b>\$ 3.32</b>	<b>\$ 4.78</b>	<b>\$ 6.53</b>	<b>\$ 8.37</b>

1 This information is derived from the Fund's unaudited financial statements for the six month period ended June 30, 2016, and audited financial statements for the years ended December 31, for the years shown. Net Assets Attributable to Holders of Redeemable Shares referred to as "Net Assets" herein. Information from 2016 to 2013 is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP. National Instrument 81 - 106 - Investment Fund Continuous Disclosure requires that net asset value for transactional purposes ("Net Asset Value"), be calculated based on the fair value of investments using the close or last trade price. The Fund prices warrants for transaction purposes using the intrinsic value. IFRS requires that net assets for financial reporting purposes ("Net Assets") be calculated using a price within the bid-ask spread. The Fund prices warrants for financial reporting purposes using the Black-Scholes model of an investment. Net Assets per share and Net Asset Value per share could be different due to the use of different valuation techniques.

2 Net Assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.

3 This schedule is not a reconciliation of NAV since it does not reflect shareholders' transactions as shown on the Statement of Changes in Net Assets.

<b>Ratios and Supplemental Data</b>	2016	2015	2014	2013	2012	2011 <sup>5</sup>
Net Asset Value (000's) <sup>1</sup>	\$1,615	\$1,661	\$3,638	\$ 5,778	\$ 10,073	\$ 6,679
Number of shares outstanding <sup>1</sup>	785,899	826,871	1,092,048	1,207,830	1,541,725	791,905
MER ratio <sup>2</sup>	9.84%	11.14%	7.60%	6.19%	6.14%	7.65%
MER ratio (before waivers or absorptions)	9.84%	11.14%	7.60%	6.19%	6.14%	7.65%
Portfolio turnover rate <sup>3</sup>	175.00%	121.20%	291.69%	181.16%	218.81%	135.16%
Trading expense ratio <sup>4</sup>	1.28%	1.27%	2.29%	2.22%	2.39%	4.57%
Net Asset Value per share <sup>1</sup>	\$2.06	\$2.01	\$3.33	\$ 4.78	\$ 6.53	\$ 8.43

1 This information is provided as at June 30, 2016 and December 31st for prior years shown.

2 Management expense ratio ("MER") is based on total expenses for the stated period (excluding brokerage commissions) and is expressed as an annualized percentage of daily average net assets during the period. The MER has been presented after the cost of issuance of shares of the Fund. Issuance costs are one-time costs incurred at inception and the inclusion of interest expense does not consider the additional earnings that have been guaranteed from the investment of the leverage.

3 The Fund's portfolio turnover rate indicates how actively the Fund's Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio's turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

4 The trading expenses ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

5 The results shown are for the period from July 25, 2011 to December 31, 2011.

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### FINANCIAL HIGHLIGHTS - Series F

#### Net Assets Attributable to Holders of Redeemable Shares per share <sup>1</sup>

	2016	2015	2014	2013	2012	2011 <sup>5</sup>
<b>Net Assets, beginning of period</b>	\$ 2.08	\$ 3.41	\$ 4.88	\$ 6.62	\$ 8.41	\$ 10.00
<b>Fund Transactions</b>						
<b>Increase (decrease) from operations</b>						
Total investment income	-	-	0.01	0.01	0.02	0.02
Total expenses	(0.15)	(0.31)	(0.29)	(0.29)	(0.39)	(0.27)
Realized gains (losses)	(0.28)	(1.13)	(0.92)	(2.34)	(0.08)	(0.21)
Unrealized gains (losses)	0.53	0.16	(0.23)	0.26	(1.88)	(1.02)
<b>Total increase (decrease) from operations</b>	<b>0.10</b>	<b>(1.28)</b>	<b>(1.43)</b>	<b>(2.36)</b>	<b>(2.33)</b>	<b>(1.48)</b>
<b>Net Assets at end of period<sup>3</sup></b>	<b>\$ 2.14</b>	<b>\$ 2.08</b>	<b>\$ 3.41</b>	<b>\$ 4.88</b>	<b>\$ 6.62</b>	<b>\$ 8.41</b>

<sup>1</sup> This information is derived from the Fund's unaudited financial statements for the six month period ended June 30, 2016, and audited financial statements for the years ended December 31, for the years shown. Net Assets Attributable to Holders of Redeemable Shares referred to as "Net Assets" herein. Information from 2016 to 2013 is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP. National Instrument 81 - 106 - Investment Fund Continuous Disclosure requires that net asset value for transactional purposes ("Net Asset Value"), be calculated based on the fair value of investments using the close or last trade price. The Fund prices warrants for transaction purposes using the intrinsic value. IFRS requires that net assets for financial reporting purposes ("Net Assets") be calculated using a price within the bid-ask spread. The Fund prices warrants for financial reporting purposes using the Black-Scholes model of an investment. Net Assets per share and Net Asset Value per share could be different due to the use of different valuation techniques.

<sup>2</sup> Net Assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.

<sup>3</sup> This schedule is not a reconciliation of NAV since it does not reflect shareholders' transactions as shown on the Statement of Changes in Net Assets.

#### Ratios and Supplemental Data

	2016	2015	2014	2013	2012	2011 <sup>5</sup>
Net Asset Value (000's) <sup>1</sup>	\$ 382	\$ 270	\$ 506	\$ 731	\$ 4,219	\$ 2,212
Number of shares outstanding <sup>1</sup>	178,359	129,844	148,025	149,667	636,886	260,943
MER ratio <sup>2</sup>	9.28%	10.12%	6.55%	4.84%	5.14%	7.22%
MER ratio (before waivers or absorptions)	9.28%	10.12%	6.55%	4.84%	5.14%	7.22%
Portfolio turnover rate <sup>3</sup>	175.00%	121.20%	291.69%	181.16%	218.81%	135.16%
Trading expense ratio <sup>4</sup>	1.28%	1.27%	2.29%	2.22%	2.39%	4.57%
Net Asset Value per share <sup>1</sup>	\$ 2.14	\$ 2.08	\$ 3.42	\$ 4.88	\$ 6.62	\$ 8.48

<sup>1</sup> This information is provided as at June 30, 2016 and December 31st for prior years shown.

<sup>2</sup> Management expense ratio ("MER") is based on total expenses for the stated period (excluding brokerage commissions) and is expressed as an annualized percentage of daily average net assets during the period. The MER has been presented after the cost of issuance of shares of the Fund. Issuance costs are one-time costs incurred at inception and the inclusion of interest expense does not consider the additional earnings that have been guaranteed from the investment of the leverage.

<sup>3</sup> The Fund's portfolio turnover rate indicates how actively the Fund's Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio's turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

<sup>4</sup> The trading expenses ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

<sup>5</sup> The results shown are for the period from July 25, 2011 to December 31, 2011.

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### MANAGEMENT AND OTHER FEES

As noted above, the Fund pays an aggregate annual management fee equal to 2% of the net assets attributable to the holders of redeemable shares payable to the Manager. In addition to the management fee, the Fund also pays trailer commissions equal to 1% of the net assets attributable to the holders of redeemable shares for Series A shares. These trailer commissions are paid by the fund to the dealers.

### PERFORMANCE BONUS

The Fund pays a performance fee equal to the excess return per Share over the TSX Composite (including distributions) multiplied by 20% and by the number of the Shares outstanding at the end of the quarter. There have been no performance bonus amounts accrued at June 30, 2016.

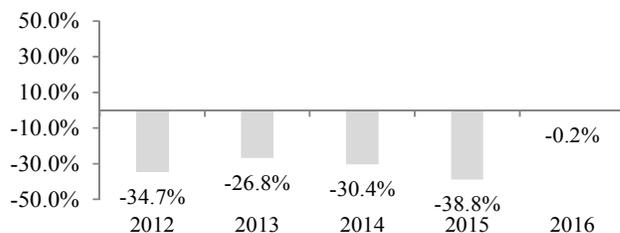
### PAST PERFORMANCE

The indicated rates of return are the historical total returns including changes in Share values and assume reinvestment of all distributions in additional units of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any Shareholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of return are calculated based on the net assets attributable to the holders of redeemable shares of the particular Series of the Fund.

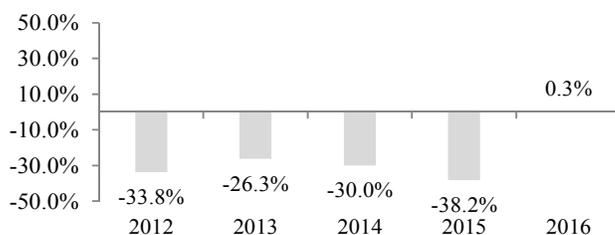
### YEAR-BY-YEAR RETURNS

The following chart indicates the non-annualized performance of each Series of the Fund for the six months ended June 30, 2016, and each of the previous 12-month periods ended December 31. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each period.

#### Series A:



#### Series F:



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### SUMMARY OF INVESTMENT PORTFOLIO

The following summary of the Fund's investment portfolio reports the portfolio as at June 30, 2016, breaks down the entire portfolio into appropriate subgroups, reports the percentage of the aggregate net assets attributable to the holders of redeemable shares in each, and discloses the top positions held by the Fund as a percentage of the net assets attributable to the holders of redeemable shares of the Fund. The information contained in this section is subject to change due to the ongoing portfolio transactions of the Fund.

As at June 30th, 2016

Top Holdings		Portfolio Allocation	
Issuer	% of NAV		% of NAV
Eguana Technologies Inc.	12.3%	<b>Long Positions</b>	
Blackbird Energy Inc.	10.8%	Information Technology	28.1%
Spectral Medical Inc.	7.1%	Consumer Discretionary	6.2%
Ion Acquisition Corp.	6.5%	Materials	31.1%
The ONE Group Hospitality Inc.	6.1%	Energy	16.8%
NexGen Energy Ltd.	6.0%	Industrials	0.1%
Walker Innovation Inc.	5.7%	Healthcare	16.3%
Canada Carbon Inc.	5.6%	<b>Total Long Positions</b>	<b>98.7%</b>
Intellipharma International Inc.	5.0%	<b>Short Positions</b>	0.0%
DataWind Inc.	4.7%	<b>Total Investment Portfolio</b>	<b>98.7%</b>
Evolving Gold Corp.	4.6%	Cash	8.7%
NeuLion Inc.	4.6%	Other net liabilities	-7.4%
Sintana Energy Inc.	3.8%	<b>Total Net Assets</b>	<b>100.0%</b>
Helius Medical Technologies Inc.	3.6%		
Vogogo Inc.	3.2%		
UrtheCast Corp.	2.5%		
Canadian Overseas Petroleum Ltd., Restricted	2.3%		
Trevali Mining Corp.	1.5%		
Nanotech Security Corp.	1.1%		
Stonegate Agricom Ltd.	0.6%		
Helius Medical Technologies Inc., Warrants (Exp. 04/18/19)	0.6%		
Anconia Resources Corp.	0.3%		
Mason Graphite Inc.	0.2%		
Committed Capital Acq Corp. II, Warrants (Exp. 04/19/19)	0.2%		
MBAC Fertilizer Corp., Warrants (Exp. 04/17/19)	0.1%		

The "Top Holdings" excludes any temporary cash investments.



AlphaNorth  
Asset Management

**ALPHANORTH ASSET MANAGEMENT**

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