



AlphaNorth
Asset Management

ALPHANORTH
GROWTH FUND

**Annual Management Report of Fund
Performance**

December 31, 2016

AlphaNorth Growth Fund

Management Report of Fund Performance

As at December 31, 2016

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for AlphaNorth Growth Fund (the “Fund”). All references to dollars contained herein are to Canadian dollars. The annual financial statements of the Fund are attached behind this report and you can also get a copy of the annual 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 or SEDAR at 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. There were no significant changes during the year which would attribute to material changes in risk level.

RESULTS OF OPERATIONS

The S&P/TSX Composite Index (the “TSX”) total return was a gain of 21.1% in 2016 as compared to the S&P 500 Index which returned 12.0%. This return differential was largely due to a strong performance of the resource sectors in which the TSX has a larger weighting compared to the S&P 500 Index. After several years of underperformance the resource sectors rebounded strongly. The Fund held several positions which were strong performers which strongly contributed to the Fund’s 39.3% gain in 2016.

Canadian small cap indices experienced strong returns in 2016. The S&P/TSX Venture Index (the “TSX-V”), a benchmark for small cap equities in Canada comprising a high percentage of resource companies returned a gain of 45.0% providing a strong environment for the Fund which had a significant weighting in the junior resource sectors. We believe that equity markets will continue to perform well in 2017 as global growth continues to improve. Resource equities usually outperform during periods of accelerating global growth. We believe that this will be no different in 2017.

During the year ended December 31, 2016, the Fund earned investment income of \$672 from dividends and interest. There were net realized losses on the sale of investments of \$130,558 and unrealized appreciation on the value of investments of \$1,284,962. Operating expenses, excluding management fees and servicing fees totalled \$221,546 during the year. Management fees and servicing fees totalled \$70,502 during the year.

RECENT DEVELOPMENTS

Subsequent to year end, the equity markets have continued to perform well. The TSX has underperformed the major U.S. and European equity indices modestly gaining 1.1% to February 28, 2016. The Fund has continued to outperform returning 13.4% year to date to February 28, 2017. The strong performance can in part be attributed to several key holdings including Blackbird Energy, Neurotrope Inc., Auryn Resources Corp. and Golden Predator Mining. As investor sentiment continues to improve for small cap equities and the global backdrop of accelerating global growth continues, we expect that small cap equities will continue to perform well. The majority of commodity prices have rebounded from their lows which has been

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supportive of the strength in the junior resource equities which are a large percentage of the Canadian junior market.

The TSX Venture Index has been one of the top performing equity indices worldwide returning 7.2% year to date to February 28, 2017. We believe the risk/reward remains in favour of Canadian small cap equities.

Canadian small caps have recovered slightly in recent weeks but remain at depressed valuations and sentiment continues to be very poor. We believe there remains a high number of tremendous opportunities that we have identified which could experience exceptional returns. The Fund is well positioned to capitalize on a recovery in the Canadian junior market.

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 asset value of the Fund, calculated daily and paid monthly in arrears, and is also invested in the Fund.

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FINANCIAL HIGHLIGHTS - Series A

Net Assets Attributable to Holders of Redeemable Shares per share ¹

	2016	2015	2014	2013	2012
Net Assets, beginning of period	\$ 2.01	\$ 3.32	\$ 4.78	\$ 6.53	\$ 8.37
Fund Transactions					
Increase (decrease) from operations					
Total investment income	-	-	0.03	0.01	0.01
Total expenses	(0.24)	(0.33)	(0.33)	(0.34)	(0.46)
Realized gains (losses)	0.11	(1.18)	(0.90)	(2.01)	(0.06)
Unrealized gains (losses)	0.17	0.17	(0.27)	0.49	(1.43)
Total increase (decrease) from operations	1.07	(1.34)	(1.47)	(1.85)	(1.94)
Net Assets at end of period³	\$ 2.84	\$ 2.01	\$ 3.32	\$ 4.78	\$ 6.53

1 This information is derived from the Fund's audited financial statements. 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 Net Assets 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
Net Asset Value (000's) ¹	\$584	\$1,661	\$3,638	\$ 5,778	\$10,073
Number of shares outstanding ¹	205,915	826,871	1,092,048	1,207,830	1,541,725
MER ratio ²	12.23%	11.14%	7.60%	6.19%	6.14%
MER ratio (before waivers or absorptions)	12.23%	11.14%	7.60%	6.19%	6.14%
Portfolio turnover rate ³	167.12%	121.20%	291.69%	181.16%	218.81%
Trading expense ratio ⁴	1.95%	1.27%	2.29%	2.22%	2.39%
Net Asset Value per share ¹	\$2.84	\$2.01	\$3.33	\$ 4.78	\$ 6.53

1 This information is provided as at December 31st for the 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 expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

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FINANCIAL HIGHLIGHTS - Series F

Net Assets Attributable to Holders of Redeemable Shares per share ¹

	2016	2015	2014	2013	2012
Net Assets, beginning of period	\$ 2.08	\$ 3.41	\$ 4.88	\$ 6.62	\$ 8.37
Fund Transactions					
Increase (decrease) from operations					
Total investment income	-	-	0.01	0.01	0.02
Total expenses	(0.28)	(0.31)	(0.29)	(0.29)	(0.39)
Realized gains (losses)	0.13	(1.13)	(0.92)	(2.34)	(0.08)
Unrealized gains (losses)	1.25	0.16	(0.23)	0.26	(1.88)
Total increase (decrease) from operations	1.10	(1.28)	(1.43)	(2.36)	(2.33)
Net Assets at end of period³	\$ 3.30	\$ 2.08	\$ 3.41	\$ 4.88	\$ 6.62

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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 Net Assets 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
Net Asset Value (000's) ¹	\$270	\$270	\$ 506	\$ 731	\$ 4,219
Number of shares outstanding ¹	212,494	129,844	148,025	149,667	636,886
MER ratio ²	9.30%	10.12%	6.55%	4.84%	5.14%
MER ratio (before waivers or absorptions)	9.30%	10.12%	6.55%	4.84%	5.14%
Portfolio turnover rate ³	167.12%	121.20%	291.69%	181.16%	218.81%
Trading expense ratio ⁴	1.95%	1.27%	2.29%	2.22%	2.39%
Net Asset Value per share ¹	\$3.30	\$2.08	\$ 3.42	\$ 4.88	\$ 6.62

1 This information is provided as at December 31st for the 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 expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

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FINANCIAL HIGHLIGHTS - Series D

Net Assets Attributable to Holders of Redeemable Shares per share ¹

	<u>2016 ⁵</u>
Net Assets, beginning of period	-
Fund Transactions	
Increase (decrease) from operations	
Total investment income	-
Total expenses	(0.27)
Realized gains (losses)	0.12
Unrealized gains (losses)	<u>1.19</u>
Total increase (decrease) from operations	<u>2.23</u>
Net Assets at end of period³	<u>\$ 3.15</u>

¹ This information is derived from the Fund's audited financial statements. 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 Net Assets since it does not reflect shareholders' transactions as shown on the Statement of Changes in Net Assets.

Ratios and Supplemental Data	<u>2016</u>
Net Asset Value (000's) ¹	\$270
Number of shares outstanding ¹	672,742
MER ratio ²	20.49%
MER ratio (before waivers or absorptions)	20.49%
Portfolio turnover rate ³	104.55%
Trading expense ratio ⁴	1.61%
Net Asset Value per share ¹	\$3.15

¹ This information is provided as at December 31st for the 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 expense 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 September 30, 2016 to December 31, 2016.

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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 Asset Value payable to the Manager. In addition to the management fee, the Fund also pays trailer commissions equal to 1% of the Net Asset Value for Series A and D 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. The performance bonus paid for the year ended December 31, 2016 was \$22,736.

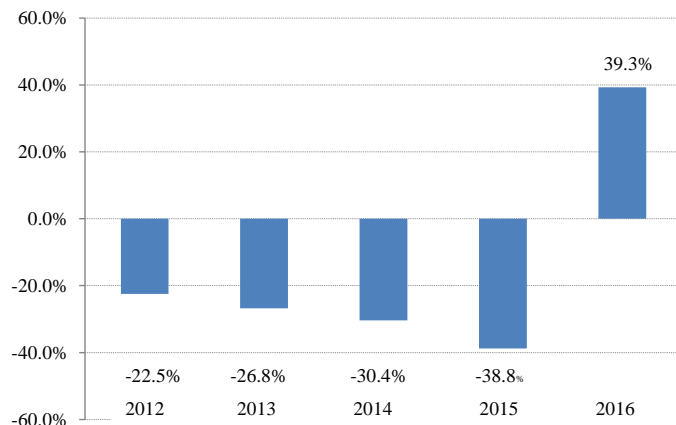
PAST PERFORMANCE

The indicated rates of return are the historical total returns including changes in share values and assume reinvestment of all distributions in additional shares 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 Asset Value 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 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. The first period of the Fund was from July 25, 2011 to December 31, 2011.

Series A:

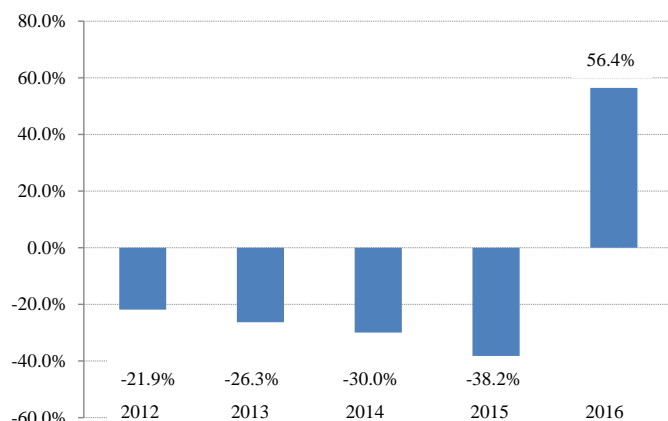


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Series F:



Annual Compound Returns

The following table illustrates the annual compound total return for Series A, F and D shares of the Fund for the periods shown. The S&P/TSX Composite Index (the “TSX Composite”) and S&P/TSX Venture Index (TSX Venture) are capitalization-weighted indices where the TSX Composite represents some of the largest float-adjusted stocks. Since the Fund does not necessarily invest in the same securities as the TSX Composite or TSX Venture or in the same proportion, the performance of the Fund is not expected to equal their performance. In addition, the Fund is subject to costs, such as fees and trading expenses that are not borne by the indices.

	1-Year	3-Year	Since Inception*
AlphaNorth Growth Fund - Series A	39.3%	-16.0%	-21.0%
AlphaNorth Growth Fund - Series F	56.4%	-11.6%	-18.8%
AlphaNorth Growth Fund - Series D**	-	-	-
S&P/TSX Venture Index	45.0%	-6.5%	-16.8%
S&P/TSX Total Return Index	35.2%	2.6%	5.6%

*Inception of the Fund was July 25, 2011

**Past performance has not been provided because Series D is less than one year old.

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SUMMARY OF INVESTMENT PORTFOLIO

The following summary of the Fund's investment portfolio reports the portfolio as at December 31, 2016, breaks down the entire portfolio into appropriate subgroups, reports the percentage of the aggregate net asset value in each, and discloses the top positions held by the Fund as a percentage of the net assets of the Fund. The information contained in this section is subject to change due to the ongoing portfolio transactions of the Fund.

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Top Holdings		Portfolio Allocation	
Issuer	% of NAV		% of NAV
Blackbird Energy Inc., Warrants (Exp. 21/05/19)	11.2%	Long Positions	
Copper Mountain Mining Corp.	9.8%		
NexGen Energy Ltd	9.0%	Materials	48.1%
POET Technologies Inc.	7.9%	Energy	21.2%
Walker Innovation Inc.	6.2%	Technology	19.1%
Global Energy Metals Corp. RSTD	5.5%	Consumer Discretionary	7.6%
Golden Predator Mining Corp.	5.1%	Health Care	3.4%
Auryn Resources Inc.	4.9%	Other	1.0%
Eastmain Resources Inc.	4.9%		
iON Worldwide LLC	3.9%	Total Long Positions	100.4%
UrtheCast Corp.	3.8%		
American Lithium Corp.	3.2%		
Diamcor Mining Inc. RSTD	3.1%	Total Investment Portfolio	100.4%
The One Group Hospitality Inc.	3.1%		
Canada Carbon Inc.	3.0%		
Diamcor Mining Inc.	3.0%	Cash	-0.7%
Helius Medical Technologies Inc.	2.7%	Other net liabilities	0.2%
Terrax Minerals Inc.	2.4%		
Vogogo Inc.	1.3%	Total Net Assets	100.0%
Evolving Gold Corp.	0.9%		
Global Energy Metals Corp.	1.1%		
Sintana Energy Inc.	0.9%		
Mezzi Holdings Inc.	0.6%		
Helius Medical Technologies Inc., Warrants (Exp. 19/04/18)	0.7%		
Copper Mountain Mining Corp., Warrants (Exp. 19/08/02)	1.0%		
Other	1.0%		

The "Top Holdings" excludes any temporary cash investments.



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ALPHANORTH ASSET MANAGEMENT

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