

March 28, 2018

Dear Security holder:

**Re: REPORT TO SECURITYHOLDERS BY THE INDEPENDENT REVIEW COMMITTEE OF FUNDS MANAGED BY ALPHANORTH ASSET MANAGEMENT FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017**

In accordance with regulatory requirements (the “Instrument”) three independent persons, Robert Metcalfe, James Tucker and David Cottingham, were appointed to constitute the Independent Review Committee of the investment funds (the “Funds”) managed by AlphaNorth Asset Management (“AlphaNorth” or the “Manager”). Consistent with the terms of the Instrument, the Independent Review Committee became fully operational on February 25, 2010.

We are pleased to publish this eighth annual report to securityholders of the Funds (the “Securityholders”). The Independent Review Committee serves the interests of the Funds managed by the Manager by reviewing potential conflict of interest matters referred to the Independent Review Committee by the Manager under the terms of the Instrument.

The Instrument provides that the Manager is to identify conflict of interest matters and refer them to the Independent Review Committee with a recommended course of action. The Independent Review Committee then reviews the matter and the proposed action and, if it agrees, provides, as applicable, an approval or a recommendation. Such conflict of interest matters arise in situations where a reasonable person would consider the Manager, or an entity related to the Manager, to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interests of a Fund. In such conflict of interest matters, therefore, the focus of the Independent Review Committee, given the requirements of the Instrument, is on the question of whether the Manager’s proposed action achieves a fair and reasonable result for the Fund or Funds.

The Independent Review Committee looks forward to continuing to work closely with the Manager on potential conflict of interest matters referred to the Independent Review Committee, all in the best interests of the Funds.



Robert Metcalfe  
Chair of the Independent Review Committee

**REPORT TO SECURITYHOLDERS BY  
THE INDEPENDENT REVIEW COMMITTEE  
OF FUNDS MANAGED BY  
ALPHANORTH ASSET MANAGEMENT**

**FOR THE PERIOD FROM  
JANUARY 1, 2017 TO  
DECEMBER 31, 2017**

**March 28, 2018**

**REPORT TO SECURITYHOLDERS BY THE INDEPENDENT REVIEW  
COMMITTEE OF FUNDS MANAGED BY ALPHANORTH ASSET  
MANAGEMENT FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER  
31, 2017**

This report by the Independent Review Committee (the “IRC”) of the investment funds set out on Schedule “A” (the “Funds”) managed by AlphaNorth Asset Management. (“AlphaNorth” or the “Manager”) is provided to Securityholders of the Funds in accordance with the terms of National Instrument 81-107, *Independent Review Committee for Investment Funds* (the “Instrument”).

**REPORTING PERIOD**

The information required to be disclosed in this report covers the period beginning January 1, 2017 and ending on December 31, 2017, the financial year-end for the Funds (inclusively, the “Reporting Period”).

**MEMBERS OF THE INDEPENDENT REVIEW COMMITTEE**

<b>Name</b>	<b>Residence</b>
Robert Metcalfe Chair of the Independent Review Committee	Toronto, Ontario
James Tucker	Ottawa, Ontario
David Cottingham	Toronto, Ontario

Robert James Metcalfe is a Lawyer and has served as President, CEO, Lead Director, Chairman and Committee member on numerous publicly listed natural resource and industry company corporate boards in Canada, the USA, England, South America and Africa. He was a senior partner with the law firm Lang Michener LLP for 20 years. He is the former President and Chief Executive Officer of Armadale Properties and Counsel to all of the Armadale Group of Companies, with significant holdings across numerous industries including finance, construction of office buildings, airport ownership, management and refurbishing, land development, automotive dealerships as well as newspaper publishing, radio and television stations. Mr. Metcalfe was a director of Canada Lands Company Limited, one of the largest real estate corporations in Canada, and was a director and Chairman of the Board of CN Tower Limited, the tallest communications structure in the world. Throughout his career Mr. Metcalfe has served as a director of public and private corporations including publicly listed Radiant Energy Corp. (airplane de-icing company operating in the US), Alberta Oil Sands (Chairman of

the Board); LeadFX (in Australia), Director and Chairman of the Board, and member of the Audit Committee; PetroMagdalena Inc. (oil and gas in Colombia, South America); and currently serves as director of the publicly listed companies Gran Colombia Gold Corp., (Lead Director and Chairman of the Corporate Governance Committee as well as a member of the Audit Committee); WPC Resources Limited (a gold mining company in Nunavut); LSC Lithium Corp. (a lithium company in Argentina); as well as Agility Health Corporation. As a director and shareholder, Mr. Metcalfe has been engaged in numerous acquisitions, divestitures, corporate reorganizations, financings and corporate improvements, as well as serving on numerous special committees across many sectors. He is a member of the Institute of Corporate Directors and a member in good standing of the Law Society of Upper Canada.

James Tucker retired after forty-one years in the Canadian investment industry. His career included over ten years with McLeod Young Weir (currently Scotia Capital Markets) a major Canadian investment dealer, and nine years as Manager of the Canadian Equities Department of Prudential Assurance, a large British insurer. He retired after eighteen years with American International Group, a major international financial institution, where he served as Director of Canadian Equities, Director of North American Equities (in New York) and for the final nine years, as President of the firm's Canadian investment counseling arm and chief investment officer for Canada.

David B. Cottingham is a financial executive engaged for almost 30 years in institutional sales with major Canadian investment dealers. David is founder of Ventoux Investments. Previously until 2012, he served as Vice President of Pinebridge Investments Canada (formerly AIG Global Investments, Canada). Prior to 1989 he was with Metlife Toronto, where he served as National Director of Pension Sales and Marketing, and Director of US Equity Investment Marketing.

Each member of the IRC is independent of the Funds, AlphaNorth and other entities related to AlphaNorth. There were no relationships that may cause a reasonable person to question a member's independence.

#### **MANDATE OF THE INDEPENDENT REVIEW COMMITTEE**

Pursuant to the Instrument and the Charter adopted by the IRC, the scope of the IRC's mandate is to:

- a. review and provide its decision on any potential conflict of interest matter that requires the approval of the IRC that is referred to the IRC by the Manager; and
- b. consider and provide a recommendation to the Manager as to whether, in the opinion of the IRC, the action that the Manager proposes to take achieves a fair and reasonable result for the Fund or Funds, as applicable, with respect to any other potential conflict of interest matter that is referred to the IRC by the Manager.

There are certain potential conflict of interest matters that must be approved or addressed in a previously issued standing instruction by the IRC before the Manager may proceed with the proposed action. These are in general terms:

- a. inter-fund trades;
- b. any trade with the Manager or related parties;
- c. any transaction in securities of an issuer related to the Fund, the Manager or an entity related to the Manager; and
- d. any investment in a class of securities of an issuer underwritten by an entity related to the Manager.

The IRC must not approve any of the actions recommended with respect to these potential conflict of interest matters unless the IRC has determined, after reasonable inquiry, that the action:

- a. is proposed by the Manager free from any influence by an entity related to the Manager and without taking into account any consideration relevant to an entity related to the Manager;
- b. represents the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund or Funds, as applicable;
- c. is in compliance with the applicable written policies or procedures of the Manager; and
- d. achieves a fair and reasonable result for the Fund or Funds, as applicable.

Certain other potential conflict of interest matters required the IRC to make a recommendation with respect to such action, as opposed to approving the action. Any such recommendation is to consist of a positive or negative statement as to whether the IRC determines the action that the Manager proposes to take achieves a fair and reasonable result for the Fund or Funds, as applicable.

The IRC may, as provided for in the Instrument, provide the Manager with a written standing instruction permitting, on a continuing basis, a particular action by the Manager in respect of the potential conflict of interest matter identified in the standing instruction provided the Manager complies with the terms and conditions of the standing instruction. The standing instruction may provide either an approval or a recommendation depending on the type of conflict of interest. Any standing instruction provided by the IRC may include such terms and conditions as the IRC considers appropriate.

The IRC has no power, authority or responsibility for the operations of the Funds or the

operations of the Manager. The IRC only considers matters referred to the IRC by the Manager that, in the Manager's opinion, involve or may be perceived to involve a potential conflict of interest, or such matters that the IRC is required to consider by applicable securities legislation.

The IRC is to review and assess, at least annually, the adequacy and effectiveness of:

- a. the written policies and procedures that the Manager has established, from time to time, to address potential conflict of interest matters or other matters required by securities legislation to be referred to the IRC and can recommend to the Manager any changes that the IRC believes should be made to those policies and procedures so that they adequately and effectively address the applicable potential conflict of interest matter or other matters required by securities legislation to be referred to the IRC and achieve a fair and reasonable result for the Fund or Funds, as applicable;
- b. all standing instructions provided by the IRC to the Manager; and
- c. compliance by the Manager and, if applicable, the Fund or Funds, as the case may be, with any term or condition imposed by the IRC in any recommendation or approval, including any standing instruction provided by the IRC to the Manager

With respect to the assessment of each standing instruction the IRC will:

- a. review and assess the adequacy and effectiveness of the Manager's written policies and procedures on the matter or on that type of matter with respect to all actions permitted by a particular standing instruction;
- b. review and assess the adequacy and effectiveness of the standing instruction;
- c. review and assess compliance by the Manager and the Fund or Funds, as applicable, with the standing instruction, including any applicable terms or conditions; and
- d. reaffirm or amend each standing instruction, establish new standing instructions, if necessary, and advise the Manager in writing of all changes to the standing instruction.

The IRC then provides a report on these assessments to the Manager.

From time to time the IRC may also consider any new written policies or procedures referred to the IRC by the Manager and any significant change that the Manager proposes to make to any of the policies or procedures previously referred to the IRC by the Manager. The IRC will recommend to the Manager any changes that the IRC believes should be made to those proposed new written policies or procedures or proposed

changes to existing written policies and procedures so that those policies and procedures adequately and effectively address the applicable potential conflict of interest matter or other matter that has been referred to the IRC and achieve a fair and reasonable result for the Fund or Funds, as applicable.

In addition, the IRC is to review, at least on an annual basis, its effectiveness as a committee and the effectiveness and contribution of each member of the IRC. As part of this review, the IRC will consider:

- a. the independence of its members;
- b. the compensation of its members;
- c. its Charter;
- d. the competencies and knowledge that each member is expected to bring to the IRC;
- e. the level of complexity of the issues reasonably expected to be raised in matters considered by the IRC; and
- f. the ability of each member to contribute the necessary time required to serve effectively on the IRC.

The IRC has the authority to engage independent counsel and other experts and advisors it deems useful or necessary to carry out its duties and to set the reasonable compensation and proper expenses payable to those counsel, experts and advisors, which will be an expense of the Fund or Funds, as applicable, and is to be allocated among the Fund or Funds, as applicable, in a fair and equitable manner.

For each Fund's financial year, the IRC will prepare a report to the Securityholders of each Fund covering the IRC's activities. This document is such a report. A copy of each report will be delivered by the IRC to the Manager and posted on the AlphaNorth website ([www.alphanorthasset.com](http://www.alphanorthasset.com)).

The IRC must notify in writing the Ontario Securities Commission, as the principal regulator of the Funds, if the IRC becomes aware of any instance where the Manager, acting with respect to one of the potential conflict of interest matters for which IRC approval is required, did not comply with a condition imposed by securities legislation, or by the IRC in its approval (including a standing instruction) of the matter, unless such a report would raise an inconsequential matter.

If, despite a negative recommendation by the IRC, the Manager decides to proceed with a proposed action, and the Manager so notifies the IRC before proceeding with such action, the IRC may decide whether to require the Manager to notify Securityholders of the Fund or Funds, as applicable, of the Manager's decision. If required by the IRC, the notification

must include the information required by, and shall be filed in accordance with, the provisions of the Instrument.

The IRC also has the power and authority to communicate directly with the securities regulatory authorities or regulators with respect to any matter.

Each member of the IRC in exercising his or her powers and discharging his or her duties related to the IRC (and, for greater certainty, not to any other person) as a member of the IRC must:

- a. act honestly and in good faith with a view to the best interests of the Fund or Funds, as applicable; and
- b. exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

#### **ON-GOING ACTIVITIES OF THE IRC SINCE JANUARY 1, 2017**

The IRC conducted an annual assessment of the Manager's policies and procedures and any applicable corresponding standing instructions that had been granted.

The IRC also reviewed its Charter. The Charter sets out the mandate, various procedures to be followed by the IRC and a list of investment funds for which the Members act as the IRC.

As part of its assessment of the IRC's effectiveness, and on an ongoing basis, the IRC has assessed the independence of the IRC members and its counsel. The IRC continues to be of the view that it is independent of the Manager and the Funds and is not aware of any potential conflicts of interest affecting its duties to the Funds, nor its judgment in considering any matters brought to its attention by the Manager. This self assessment also included a review by the IRC of the competencies of its members, the working relationship among the IRC members, the effectiveness of the IRC and the compensation of the members of the IRC.

Meetings of the IRC also included updates with respect to trends in the Manager's business, the Funds and the markets.

#### **CONFLICT OF INTEREST MATTERS**

The Manager referred a conflict of interest matter to us in respect of both Funds during 2017, relating to its proposed actions to resolve errors that were made in calculating performance fees payable to it by both Funds. We gave the Manager a positive recommendation to proceed to reimburse the Funds for these errors and to make any affected shareholders whole in the manner proposed by the Manager. We considered that the Manager's proposed actions were fair and reasonable for both Funds.



There were no other conflict of interest matters identified during the period that were referred to us by the Manager.

### **Standing Instructions**

The Manager, in making investment decisions for a Fund, may want to participate in an offering by an issuer for which an affiliate of the Manager or the Manager would receive a finder's fee.

In accordance with the terms of its Charter, the Manager's Related-Party Transaction Policy and the provisions of NI 81-107, the IRC provides standing instructions for recurring conflict of interest matter.

The Manager may, on behalf of one or more Funds, participate in an offering of an issuer where an Affiliate or the Manager is to receive a finder's fee for such offering, provided:

- a) the Manager complies with the terms of its Charter, its Related-Party Transaction Policy and the provisions of NI 81-107, as applicable; and
- b) the Manager provides, on a quarterly basis, a written report to the IRC, describing each instance that it acted in reliance on this Standing Instruction and whether it has fulfilled the terms of this Standing Instruction.

The Manager continues to rely on this standing instruction until such time as the IRC notifies the Manager that it has been amended or is no longer in effect.

The IRC considered the Manager's request to consider a revised Related-Party Transaction Policy at its meeting held on March 28, 2018, whereby the Manager requested the IRC to consider its referral of the conflicts of interest inherent in the Manager receiving finders fees in certain circumstances. This referral was made to recognize this practice, in addition to the potential that an affiliate of the Manager may receive finders fees. The IRC amended the standing instruction and recommended that the Manager proceed on the basis of the amended Related Party Transaction Policy.

### **HOLDINGS OF SECURITIES**

#### *(a) Funds*

As at December 31, 2017, the percentage of units of the Funds or, if applicable, each series of the Funds, beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed the 10% threshold referred to in the Instrument.

*(b) Manager*

As at December 31, 2017, no member of the IRC beneficially owned, directly or indirectly, securities of any class or series of voting or equity securities of the Manager.

*(c) Service providers*

As at December 31, 2017, no member of the IRC beneficially owned, directly or indirectly, more than 1% of the securities of any class or series of voting or equity securities of a service provider to the Manager or the Funds.

**COMPENSATION**

The aggregate compensation paid by the Funds to the members of the IRC for the Reporting Period was \$14,125.

The initial compensation of the IRC was set by the Manager at the time the IRC was appointed on February 25, 2010. Thereafter, under the Instrument, the IRC has the authority to set its own compensation after considering the Manager's recommendation.

At least annually, in a manner consistent with good corporate governance practices, the IRC reviews the compensation paid to its members. In its review of compensation matters, the IRC considered, among other factors, the following:

1. the best interests of the Funds;
2. the number, nature and complexity of the Funds;
3. the most recent annual self-assessment of the IRC;
4. any recommendations about compensation and expenses of the IRC made by the Manager;
5. industry best practices, including relevant industry surveys on compensation of other independent review committees, to the extent available;
6. the nature and extent of the workload of each member of the IRC, including the commitment of time that is expected from each member.

**INDEMNITIES**

No amounts were paid to the members of the IRC by the Funds pursuant to indemnities given by the Funds to the IRC during the Reporting Period.

This report is respectfully submitted by the IRC of the investment funds managed by AlphaNorth Asset Management this 28th day of March, 2018.

*“Robert Metcalfe”*  
Robert Metcalfe, Chair

*“James Tucker”*  
James Tucker, Member

*“David Cottingham”*  
David Cottingham, Member

**SCHEDULE "A"**

**INVESTMENT FUNDS COVERED BY THIS REPORT**

<b>No.</b>	<b>Mutual Funds (NI 81-102)</b>		
1	AlphaNorth Growth Fund		
2	AlphaNorth Resource Fund		

