
AVENTINE MANAGEMENT GROUP

ANNUAL DISCLOSURE STATEMENT REGARDING
CLIENT RELATIONSHIPS AND CONFLICTS OF INTEREST

SEPTEMBER 2016



AVENTINE
Management Group



RELATIONSHIP DISCLOSURES

The following are specific statements and disclosures which we are obliged to communicate to our clients on a periodic basis under applicable Canadian securities legislation.

Securities Registration Details

Aventine is registered as a portfolio manager (“PM”) and investment fund manager (“IFM”) with the Ontario Securities Commission and the BC Securities Commission and as a PM with the Securities Commissions in Alberta, Saskatchewan, Manitoba and Prince Edward Island. Aventine may seek registration in additional jurisdictions or categories in the future. Aventine is responsible for ensuring that appropriate “know-your-client” information is obtained from clients and that investments are suitable for clients before making a trade on behalf of any client. In order to perform this role, Aventine will collect information on a client’s financial needs and circumstances, investment needs and objectives, and risk tolerance, among other information.

Client Representations

Clients confirm that the information provided to Aventine verbally, in writing, or electronically is true and complete. Clients are expected to notify Aventine immediately of any material change to information provided to us, including, without limitation, any significant change in your financial affairs or a change in your investment objectives, risk tolerance or investment experience. Clients also agree to notify us immediately if you or your spouse acquire a controlling interest in, or otherwise become, an insider of a reporting issuer or if you become a partner, director, officer or employee of a member of the IIROC or a relative of such partner, director, officer or employee living in the same household. You warrant that any securities or assets delivered to us by you or on your behalf are free of any encumbrances or liens.

Account Instructions

We may at our discretion honour investment instructions purporting to be from you given in person or by telephone conversation or by any other licensed employee of ours. We may at our discretion record any telephone communications between you and us. We may refuse to execute any instructions with respect to your account, including without limitation, any order for the purchase or sale of a security or for the deposit or withdrawal of securities or money from your account, whenever we deem it necessary for our protection or for any other purpose and without any obligation to provide you with notice of any such refusal.

Joint Accounts: We may accept instructions for your account from any party so named on a joint account, or any such other party as authorized to us by you, without notifying the other(s). This means that we may buy, sell and transfer securities, money or property to any of you or to any third party, including, without limitation, paying any account proceeds to any of you or to any third party, without giving notice to the others. Further, we are only responsible to send account statements, trade confirmations, notices and other communications as required to one of you, without giving notice to the others, unless you notify us in writing that you would like to receive such account statements, trade confirmations, notices and other communications.

Performance Benchmarks

A benchmark is a standard against which the performance of a security, manager or strategy can be measured. In client reports Aventine presents its investment performance against various broad market or peer indexes for comparative purposes. The particular benchmark used for a specific style of client or portfolio and our rationale for its selection will be discussed in person with clients during the account opening process. In certain instances, specialized benchmarks may be developed in collaboration with clients. More information is available from Aventine upon request.

Consent to Invest in Investment Funds Managed by Aventine

Clients acknowledge that, provided suitability thresholds are met, Aventine may invest client assets in investment funds which are managed by Aventine and therefore deemed to be related or connected issuers to Aventine, as those terms are generally understood under applicable securities law. Clients expressly consent to investment in such investment funds notwithstanding that Aventine may be related or connected to said funds as described in the Conflict of Interest Disclosure attached hereto.

Power of Attorney for Investment in Mutual Fund Trusts

Clients with assets invested in investment funds managed by Aventine, and who are therefore unitholders of such a fund, hereby appoint Aventine as their attorney with full power and discretion to take such action as may be required of a unitholder, or which such unitholder is legally entitled to take, as it relates to the investment



funds including the exercising of any voting rights attached to the purchased securities. For greater certainty, Aventine is empowered to sign any resolution as agent for clients without the consent of the client subject to Aventine acting in what it deems to be the best interests of the client. The client understands and acknowledges that it will be bound by the representations, warranties and other obligations imposed on all unitholders of the investment funds, as set out in each Investment Funds' subscription agreement, offering memorandum or constating documents.

Standing Instructions

Investment funds governed by the laws of Ontario, such as those managed by Aventine, are subject to certain financial statement delivery obligations. Generally we seek standing instructions from clients that excuse us from the obligations to deliver annual and interim financial statements in respect of the funds managed by Aventine unless the client indicates otherwise. Clients should be advised that such documents may be sent electronically to the email address that has been provided to Aventine.

Dispute Resolution

Aventine provides independent resolution and mediation services through the Ombudsman for Banking Services and Investments ("OBSI"). These services are made available to all clients of Aventine including unitholders of investment funds managed by Aventine to the extent required by National Instrument 31-103, as updated and amended. More information on the OBSI is available at www.obsi.ca.

Risks to Consider

General: Investing is only suitable for investors who understand and are capable of bearing the risks of their investment. All investments in securities risk the loss of invested capital.

Equity: The value of equity securities are influenced by stock market conditions in those markets where the securities held are listed for trading and by changes in the circumstances of the issuers whose securities are held.

Interest Rate: The value of fixed income, equity and other yield-oriented securities are influenced by prevailing interest rate conditions and changes in the circumstances of those issuers whose securities are held.

Market: The value of all securities may be influenced by world political and economic factors beyond the control of Aventine. These risks are non-diversifiable in nature.

Currency: Securities held in your account which are denominated in currencies other than the Canadian dollar will be affected by fluctuations in the exchange rates between such currencies and the Canadian dollar.

Leverage: Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If a Client borrows money to purchase securities, the Client's responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

Liquidity: You may not be able to buy or sell an investment as and when desired or in sufficient quantities because opportunities are limited. This may be specifically pronounced in certain asset classes in which Aventine may invest such as small cap equities or alternative strategies such as hedge funds or structured products.

Concentration risk: Your investment portfolio at Aventine will be relatively concentrated in a limited number of investments. This leads to your risk profile being spread over a smaller number of different types of investments, industries and geographic locations which may or may not lead to favorable results.

Other: Additional risks specific to investments in the funds managed by Aventine are disclosed in the Offering Memorandum of each fund.

Authorization of Collection of Personal Information for OSC

Clients resident in Ontario should be aware that the Investment Funds are required to annually file with the Ontario Securities Commission (the "Commission") a report setting out each unitholder's name, address and telephone number, the number and type of units purchased, the date of issuance and the purchase price of units issued to the unitholder. Such information is collected indirectly by the Commission under the authority granted to it in securities legislation for the purposes of the administration and enforcement of the securities legislation of Ontario. By executing this Agreement, the Client authorizes such indirect collection of the information by the Commission. Questions about the Commission's collection of the information can be directed to: Administrative Support Clerk, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8, Telephone: (416) 593-3684, Facsimile: (416) 593-8122.



CONFLICT OF INTEREST DISCLOSURES

As of September 2016

As per applicable Canadian securities legislation, all clients of Aventine are to receive a copy of the current version of our Conflict of Interest Disclosures at the inception of their relationship with the firm, and will be notified of any material updates when they occur.

Related and Connected Parties

Canadian securities legislation requires that, where a registrant has a director, officer or principal shareholder that is a director, officer or principal shareholder of another registrant, the registrant shall adopt policies and procedures to minimize the potential for conflict of interest resulting from such relationship(s). The registrant, in this case Aventine, is also required to disclose in writing to clients the details of the relationships and any policies and procedures adopted to minimize the potential for conflicts of interest resulting from such relationships. Those relationships are detailed in the following table.

Name of Issuer	Nature of Relationship and Conflict of Interest Policy Adopted
BTH Tactical Growth Fund	<i>Aventine is Trustee and Manager of the fund. Aventine has disclosed its obligations to the fund and identified potential conflicts of interest arising from this relationship in the Fund's Offering Memorandum.</i>
Aventine Canadian Equity Fund	<i>Aventine is Trustee and Manager of the fund. Aventine has disclosed its obligations to the fund and identified potential conflicts of interest arising from this relationship in the Fund's Offering Memorandum.</i>
AlphaDelta Tactical Growth Fund	<i>Aventine is subadvisor to the fund. Aventine has disclosed its obligations to the fund and identified potential conflicts of interest arising from this relationship in the Fund's Prospectus.</i>
New Gold Inc. (TSX:NGD)	<i>A director of Aventine also serves as a director of New Gold. Aventine is prohibited from trading in securities of New Gold so long as the two companies share a director.</i>

One of Aventine's principal shareholders is an investment company called TerraNova Partners LP which holds significant investments in many companies, several of which are publicly traded on stock exchanges in Canada or internationally. Directors of Aventine that are appointed by TerraNova from time to time may also concurrently serve as directors of one or more public companies, requiring disclosure to clients.

Aventine has adopted policies and procedures to minimize the potential for conflicts of interest resulting from its relationship as Trustee and Manager of the investment funds it manages. Aventine and TerraNova have adopted policies and procedures to minimize the potential for conflicts of interest resulting from their

relationship. Each supervisor of both Aventine and TerraNova are responsible for ensuring proper segregation of operations, books and records, as well as for maintaining confidentiality of all personal information.

Aventine carries on business relationships with a number of public and private companies in the financial industry as well as a number of investment dealers whose primary business is the underwriting and trading of securities. These entities are not considered related parties of Aventine in a regulatory sense, however they may be at times viewed to be connected parties of Aventine by virtue of our business relationship and the fact that they may be acting as underwriter for securities sold to clients of Aventine. Our major custody, trading and research counterparties are listed below.

Name of Issuer	Business Relationship	Description of Relationship
National Bank Financial	<i>Prime Broker</i>	<i>Custody, Trade Execution & Research</i>
Scotia Capital	<i>Broker</i>	<i>Trade Execution & Research</i>
TD Securities	<i>Broker</i>	<i>Trade Execution & Research</i>
CIBC World Markets	<i>Broker</i>	<i>Trade Execution & Research</i>
Goldman Sachs	<i>Broker</i>	<i>Trade Execution & Research</i>
J.P. Morgan	<i>Broker</i>	<i>Trade Execution & Research</i>
Industrial Alliance Securities	<i>Broker</i>	<i>Trade Execution & Research</i>
Canaccord Financial	<i>Broker</i>	<i>Trade Execution & Research</i>
Beacon Securities	<i>Broker</i>	<i>Trade Execution & Research</i>
Cormark Securities	<i>Broker</i>	<i>Trade Execution & Research</i>
Altacorp Capital	<i>Broker</i>	<i>Trade Execution & Research</i>
Cambridge Mercantile	<i>FX Broker</i>	<i>Trade Execution</i>



Trading in the Securities of Related and Connected Parties

We may transact for clients in securities where the issuer or the other party to the transaction has a significant business relationship with us. Since these transactions may create a conflict between our interests and yours, we are required by law to disclose certain relevant matters relating to the transactions. In these situations, we must disclose either our relationship with the issuer of the securities, or that we are the issuer.

We must also make disclosure where we know or should know that, as a result of our acting as your dealer or adviser, or of our exercising discretion on your behalf, securities will be purchased from or sold to us, an associated party or, in the course of an initial distribution, a connected party. The following is a list of the time and manner in which these disclosures must be made:

- I. Where we underwrite securities, the required disclosure will be contained in the prospectus or other document being used to qualify those securities.
- II. Where we buy or sell securities for client accounts, the required disclosure will be contained in the confirmation of trade which we prepare and send to you.
- III. Where we advise clients with respect to the purchase or sale of securities, the disclosure must be made prior to our giving the advice.

In addition, where we exercise discretion under your authority in the purchase or sale of securities for your account, we may not exercise that discretion for the types of transactions described above unless we have obtained your specific and informed consent.

Best Execution

When placing trades, Aventine is primarily concerned with achieving best execution for our clients. Due to our existing electronic execution arrangements, our cost of transacting is extremely low. As a result, we execute the majority of our buy and sell orders directly to the market through electronic channels. In instances where we are attempting to transact in large share blocks or in less liquid securities, we will generally execute trades manually through a desk and best execution becomes an issue. The commissions charged by our partners are standardized and we seek to direct the trades through channels that provide the best execution for our clients.

Aventine utilizes the trade execution facilities and systems provided by its key trading partners. Under the current framework Aventine clients and funds pay between \$0.01 and \$0.03 per share for

electronic execution on North American stock exchanges, typically between \$0.02 and \$0.05 for trades executed manually through the trading desk of our brokers and negotiated amounts for trades in dealer markets like bonds. Generally speaking, the rates we pay on trades are comparable with rates paid by major mutual fund companies or pension funds. Aventine maintains trading relationships with a number of counterparties because not every broker actively trades in every stock, and not every dealer has access to every new issue. Trading desks generally choose to specialize in a specific sector or segment of the market.

Soft Dollars

The term “Soft Dollars” is used to describe financial or other benefits received by Aventine from a trading partner as a result of the brokerage commissions that are generated from trades executed on behalf of Aventine Clients and Funds. Aventine and its employees derive absolutely no income from directing client trading to any specific broker-dealer with whom we trade securities, however we do receive financial and non-financial benefits as a result of this activity. Aventine employs the following general principles and standards with respect to Soft Dollars:

- I. Soft Dollars are the property of Clients;
- II. Aventine has a duty to ensure the quality of transactions executed on behalf of Clients including seeking best execution (see above), minimizing transaction costs, and using Client Soft Dollars to benefit Clients; and
- III. All Soft Dollar arrangements with brokers must be governed by a formal contract.

Aventine does not allocate Client trades to brokers based on referrals received from, or the Soft Dollar benefits offered by, any broker. In determining whether a product or service is eligible for payment by a broker using Client Soft Dollars, Aventine uses the 3-level analysis recommended by CFA Institute. This involves (1) Defining the product or service to be purchased; (2) Determining if the primary use of the product or service will directly assist Aventine in its investment decision making process; and (3) If the usage of the service or product is mixed between investment-related and firm-related activities, determining what percentage of the product or service directly relates to the investment process.

The non-financial benefits that Aventine receives from its trading partners include research, invitations to attend conferences, company site tours, and meetings with management, or invitations to other sponsored events. Aventine utilizes analyst research received from trading partners on a continual basis as part of a broader investment selection discipline. Aventine only attends sponsored events that provide a direct and measurable benefit to



the investment assessment abilities of its employees, and Aventine covers all costs associated with attendance.

The financial benefits that Aventine receives from its trading partners include payment for market data, independent research services, electronic trading platforms, access to proprietary investment databases, and investment analytics terminals. Aventine limits the use of Soft Dollar payments to only those services and products for which 100% of the service or product is used to benefit Clients. A full list of the exact services and products purchased with Client Soft Dollars, along with the names of the vendors of each is available from Aventine upon request at any time.

Allocation of Trades

When opening or closing investment positions in Fully Managed Portfolios we seek to have clients with similar mandates hold positions of similar relative weights. To achieve this we trade securities in large blocks representing the aggregate supply or demand of our clients and funds and once the block had been completed allocate securities pro rata across client accounts at the average price of the block. In some situations, suitability or available liquidity may be limiting factors. It should also be noted that clients following similar portfolio mandates can have different account structures or personal circumstances, and as a result not every portfolio will be exactly identical. We pledge that while not all client accounts of similar mandate will be identical in letter, they will be identical in spirit and constructed in such a way as to reflect a common theme and outlook on the markets.

Two clients with different investment mandates will generally hold similar securities in their portfolios - and trade these securities at the same time - however the position weights will be different between the two portfolios to reflect their different asset allocations and investment objectives.

Allocation of New Issues

Aventine's policy on allocating new issues is summarized as this: We try to be fair and when in the odd situation that we cannot receive an adequate allocation, we will determine who among our clients the new security best fits. Otherwise, we will simply fill client orders on a pro-rata basis to ensure fairness. No one gets special treatment and our own accounts are the last to receive an allocation. Aventine does not receive any compensation on new issue allocations secured through any of our trading partners.

Portfolio Manager Personal Trading Policy

Aventine Portfolio Managers have a significant percentage of their liquid net worth invested alongside clients in our Investment Funds. Outside of these investments Aventine has a detailed policy

outlining various restrictions and requirements with respect to personal trading. In general, Aventine Portfolio Managers (as well as other employees) are encouraged to invest in the same strategies, hedge funds, or securities held by clients, subject to the following principles:

- I. No Portfolio Manager may take a meaningful position in securities that are directly contrary to the positions held by ("trade against") client or fund accounts under their control.
- II. No Portfolio Manager may transact in any securities immediately in advance ("front run") of a planned purchase or sale in that same security on behalf of client or fund accounts under their control.
- III. Portfolio Managers may participate alongside clients in securities transactions provided that all client allocations are filled in priority sequence ("no self-dealing").

Aventine has access to the investment statements and personal trading records of all the company's Portfolio Managers and advising representatives, and regularly reviews these records to ensure that these policies are strictly upheld.

Insider Positions

Aventine's policy is to prevent Portfolio Managers from acquiring material ownership position in a publicly traded company such that they may become exposed to, or gain access to, material non-public information on either a temporary or a permanent basis. All Portfolio Management clients of Aventine are required to complete insider disclosure forms for each company in which they have access to material non-public information or would otherwise be classified as an "inside" trader. These companies are identified on a firm-wide watch list.

In order to prevent any real or perceived conflict of interest, or potential to engage in insider trading in client or personal accounts, Aventine Portfolio Managers are not permitted to have external business relationships with non-affiliated publicly traded companies without written consent of Aventine's board. This policy includes but is not limited to Aventine Portfolio Managers serving on a board of directors or advisory board to any public company, unless that public company is a direct affiliate of Aventine.

Aventine will make all reasonable efforts to ensure that insider disclosures are full, complete and up to date. Portfolio Managers may receive inside information from a client in the course of executing their client service or investment management duties. In this situation employees are bound by client-advisor confidentiality and are prohibited from acting on or passing along any inside information.



Referral Agreements

In managing portfolios for both private clients and investment funds, Aventine utilizes the specialized talents of other parties that provide unique exposure or services in areas where we lack direct expertise, such as alternative investments or foreign exchange hedging. In some instances we may receive a referral payment from the third party out of their fee revenue.

Vertex One Asset Management (Vertex)

For a short period of time about 10 years ago, 50% of our company was owned by a Vancouver-based asset manager named Vertex One. At that time a referral agreement was put in place between our two firms whereby Vertex would pay to Aventine a 1% annual fee based on the value of Aventine client assets invested in the Vertex Fund. We continue to hold the Vertex Fund in some client accounts but have remained objective and over the past several years our allocation to this fund has been reduced significantly. Referral fees from Vertex comprise an insignificant portion of our firm's revenue.

Cambridge Mercantile Group (CFX)

When Aventine's clients and funds have a material allocation to securities priced in foreign currencies, the impact of exchange rate fluctuations becomes a concern for us. When Aventine refers clients to specialized currency market participants such as CFX for FX risk management solutions, a referral payment of 0.0003% of notional transaction volume is paid to Aventine out of CFX's revenue. CFX provides clients lower overall transaction costs and better FX hedging options versus our prior relationships with various banks, in our experience. Referral fees from Cambridge comprise an insignificant portion of our firm's revenue.

Privacy Policy

What Information We Collect

Establishing a business relationship with Aventine requires that you consent to our obtaining:

- Information establishing your identity such as social insurance number and other personal data.
- Information about your income, net assets, financial position and financial behavior.
- Information about your health, family, personal relationships and personal goals.

How We Use this Information: Aventine uses this information exclusively to verify your identity, provide you with services of ours that you request, determine your suitability for any services we offer, manage our risks and operations, and meet our regulatory and legal requirements. We will not share your information with anyone other than internal Aventine staff or professional advisors

such as lawyers or accountants that you identify to us and duly authorize us to disclose your information to them. In certain cases we may be required to share your information with domestic or international authorities to comply with laws and regulations.

Your Rights: You are always in control of your personal information. If you wish to request more information or revoke your consent to our use of your personal information simply contact us at (416) 847-1767.

Other Items

Custody

Aventine does not hold direct custody of client funds or securities at any time. All assets of Portfolio Management clients are held at NBCN Inc., an affiliate of National Bank of Canada. Aventine also uses NBCN Inc. for custody of the assets owned by the investment funds it manages. Although Aventine has discretionary trading authority over client assets this is executed under a limited power of attorney and clients at all times maintain sole control over their investment assets. Aventine and National Bank have processes in place to prevent the expropriation of client funds, including the requirement of client signed letters of authorization for all outgoing transfers of securities or funds.

Discretionary Trading Authority

As a Portfolio Manager, Aventine and its representatives hold discretionary authority to place trades on behalf of clients without requiring their prior consent. In order to meet our fiduciary duty to clients and fund unitholders, Aventine requires certain documents be in place that clearly lay out the asset management framework and governance guidelines of the relationship. In each instance where Aventine has discretionary investment authority over an account, we have a legal obligation to ensure that the investment activity taken on behalf of the client or fund at all times lies within the parameters of suitability and investment policy.

Reporting

Securities regulations require us to provide regular reporting to clients on a periodic basis.

- **Portfolio Clients** will receive a quarterly report containing portfolio performance and asset allocation information, along with their current securities holdings. They will also receive an annual report containing information required for their tax filing. Periodic market commentary pieces will be delivered.
- **Investment Fund Clients** will receive copies of audited annual and unaudited semiannual financial statements by mail or email. Monthly commentary from the fund's Portfolio Managers and periodic investment factsheets will be provided by email and also hosted on Aventine's website for download.



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Management Group

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