



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

August 2011

NAV  
Series A (ANF010) \$9.691  
Series F (ANF011) \$9.704

### Fund Review

The Fund was launched on July 25th, 2011 at an initial NAV of \$10.00. Although we had a model portfolio lined up at the time of launch, we made a conscious decision to hold off on purchases in an attempt to take advantage of short term market weakness. On July 29th, we invested a substantial amount of the cash in the Fund. The NAV for the Fund at the end of July was \$9.98. The TSX Composite returned (4.1%) during the same period in July. The Fund's NAV at the end of August was \$9.69. This compares to the TSX Composite return of (1.4%) in August.

Currently, the cash position is 3.3%. The sector mix is comprised of 10% in technology, 6% in health care, 7% in financials, 22% in energy and 52% in materials. It is our intent to maintain as diversified a portfolio as possible across multiple sectors. We believe that the launch of the Fund is quite timely as the weakness in equity markets has allowed us to initiate positions at very attractive levels. We foresee substantial upside in these positions if our bullish assessment for the remainder of the year proves correct.

### Outlook

Investors remain cautious as concerns about global growth continued in August. Despite the recent slowdown in economic activity, we do not believe that we are heading into another recession at this time. Equities remain extremely attractive relative to historical valuation and they are particularly attractive relative to other asset classes such as bonds. The yield alone on the top 60 TSX listed stocks represented by the S&P/TSX 60 Index yields 2.7% as compared to 2.3% for 10 year Government of Canada bonds. Rarely has the equity market yield exceeded the yield on government bonds as is currently the case in both the U.S. and Canada. Other metrics such as the low investor sentiment, high insider buying, strong corporate balance sheets and earnings support our bullish outlook. Investors who are piling into 10 year government debt at 2% yields are almost guaranteeing the loss of capital unless they are prepared to ride out the 10 year period in order to earn a meagre return.

Regards,



Steven Palmer, CFA  
President and CEO

### Monthly Performance\* (NAV)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011							\$9.983	\$9.961	-	-	-	-	-

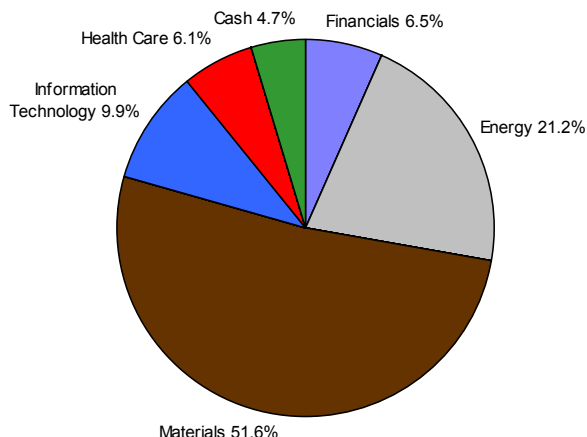
### Performance Analysis

	AlphaNorth Growth Fund	S&P/TSX Composite
<b>Returns *</b>		
1 Month	-	(1.4%)
YTD	-	-
1 Year	-	-
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	-	-
Since Inception (cumulative)	-	(5.4%)
Best Month	-	-
Worst Month	-	-
Advancing Months	-	-
Standard Deviation	-	-
Sharpe Ratio	-	-
Beta	-	-

### Fund Information

<b>Lead Manager:</b>	Steven Palmer
<b>Inception:</b>	July 25, 2011
<b>Fund Status:</b>	Open
<b>Fund Codes:</b>	Series A - ANF010 Series F - ANF011
<b>Fund Details:</b>	RSP/RESP eligible High water mark (no reset) \$1,000 minimum investment
<b>Sub/Redemption:</b>	Daily
<b>Lock-up:</b>	None
<b>Early Redemption Fee:</b>	2% in first 90 days
<b>Management Fee:</b>	2%
<b>Performance Fee:</b>	20% above TSX return
<b>Trailer:</b>	1% (Series A only)
<b>Auditor:</b>	Deloitte & Touche LLP
<b>Administration:</b>	State Street Trust Company & IFDS
<b>Legal:</b>	Stikeman Elliott LLP
<b>Fund Assets:</b>	\$4.9 million
<b>Account Enquiries:</b>	1-877-506-8122
<b>Sales and Marketing:</b>	Skye Collyer 416-506-0776 x227

## Sector Allocation



## Investment Strategy

The **AlphaNorth Growth Fund** (the "Fund") is an **open-ended mutual fund** focusing primarily on Canadian small to mid-capitalization equities, between \$100 million and \$5 billion market capitalization.

The Fund employs a similar style & investment methodology as the highly successful AlphaNorth Partners Fund. The Fund's investment objective is to maximize returns over the long term through superior selection of principally Canadian securities.

AlphaNorth believes that superior long term investment returns are achievable by exploiting inefficiencies in the Canadian small to medium-cap universe through careful security selection. Fundamental analysis of companies is used in combination with technical analysis techniques, which has proven to be successful, to assist in the timing of buy/sell decisions. The firm combines both a bottom-up and top-down strategy in the selection of investments offering the best risk/reward characteristics.

## Company Profile

Founded in 2007, AlphaNorth Asset Management's goal is to achieve superior long term returns for investors. Our value added approach combines the successful track record and investment experience of Steven Palmer and Joey Javier who have worked together as a team since 1998 in the investment industry. Presently, AlphaNorth manages the AlphaNorth Partners Fund, a long biased small cap focused hedge fund, the AlphaNorth 2010 Flow-Through LP, the AlphaNorth 2011 Flow-Through LP and the AlphaNorth Growth Fund.

### Key Personnel:

**Steven Palmer** is the President and CEO of AlphaNorth Asset Management. Mr. Palmer started his career in the investment industry in 1995 on the sell side of the business before transitioning to the buy side in 1997. Most recently, from July 1998 to August 2007 he was employed as Vice President - Canadian Equities at one of the world's largest financial institutions where he managed the Canadian equity assets of approximately \$350 million. Mr. Palmer managed a pooled fund focused on small capitalization companies from inception in 1998 to August 2007 achieving returns that were ranked #1 in performance by a major fund ranking service in their small cap pooled fund category (35.8% annualized over 9 years as compared to 10.0% for the S&P/TSX Composite and 13.0% for the BMO Weighted Small Cap Total Return Index) over the same period. Mr. Palmer also managed a large cap fund which was ranked in the first quartile for the following time periods: one year, two year, 3 year, 4 year, 5 year and 10 year. Mr. Palmer earned a BA in Economics from the University of Western Ontario and is a CFA.

**Joey Javier** is Vice President and Secretary of AlphaNorth Asset Management. Mr. Javier started his career in the investment industry in 1997 as an Equity Trader for one of the world's largest financial institutions where he worked together with Mr. Palmer as the equity team. Mr. Javier was responsible for all equity and money market trading as well as back-up for the fixed income portfolio manager. Mr. Javier has a BA in Economics from York University.

## Disclaimer

*\* In accordance with NI 81-102 returns are not published for the first 12 months. The information contained in this document is not a solicitation to sell any investment products offered by AlphaNorth Asset Management. The information contained herein is for discussion purposes only. Please refer to the Prospectus or Offering Memorandum for complete details of any investment products offered by AlphaNorth Asset Management. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. There is no guarantee of performance and past performance is not indicative of future results. Returns are the historical annual compounded total returns including changes in share or unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Returns are presented for Series A shares on an annualized basis except where noted. Returns subsequent to 2010 are unaudited. The inception date is July 25, 2011.*