



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Growth Fund

July 2012

NAV
Series A (ANF010) \$6.722
Series F (ANF011) \$6.797

Fund Review The Fund returned (1.6%) in July as compared to the TSX Composite which returned 0.6%. Although Canadian small cap equities have generally stopped declining, they have yet to rebound from the summer weakness. We believe that Canadian small cap equities will soon join the rally which is currently underway in many world markets.

The resource sectors have underperformed over the past several months as investors fear slower economic growth in China and its impact on commodity prices. We believe resource equities have declined more than is warranted by the current commodity prices. We expect that this disconnect will be resolved with higher equity prices over the balance of the year. Thus, we have maintained an overweight position in the resource sectors. (Corporate take-overs will accelerate to realize value even if investors fail to act.) One of our portfolio holdings was subject to a take-over offer in July. We expect that this will not be an isolated incident as there are several Fund holdings which could have this potential over the balance of the year.

The Fund is currently fully invested. The sector mix is comprised of 1% in technology, 3% in health care, 14% in consumer discretionary, 1% in financials, 26% in energy, 52% in materials and 2% in utilities. The Fund is currently fully invested with a small cash position of 1%.

Outlook Investors have had an extreme risk aversion in recent months evidenced by the bubble occurring in government bonds as yields recently hit all time lows. In Germany, Switzerland and Denmark, short term yields are negative. We believe that the degree of negativity is unwarranted and that the ongoing improvement in the North American housing and labour markets, plus the likely containment of the European crisis will result in a re-acceleration of economic growth. In this context, with equity valuations at attractive levels as compared to bond yields, the risk/reward highly favours investment in equities. In addition, the current extreme negative investor sentiment is one of the best contrary indicators for future equity returns. Recent data suggests that investment strategists are the most bearish in 27 years. Extremes in sentiment such as this have historically been an exceptional contrary indicator.

We believe the underperformance of Canadian equities and particularly small cap equities will not persist. This has been largely a result of the high resource component of the Canadian indices. As the strength in large cap equities continues to contribute to improved investor sentiment, it is inevitable that small cap equities will begin to outperform.

Regards,



Steven Palmer
Steven Palmer, CFA
President and CEO

Monthly Performance*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011							(0.2%)	(2.9%)	(24.9%)	25.7%	(3.7%)	(4.3%)	(15.7%)
2012	9.7%	6.3%	(5.4%)	(6.5%)	(15.9%)	(6.6%)	(1.6%)						(20.3%)

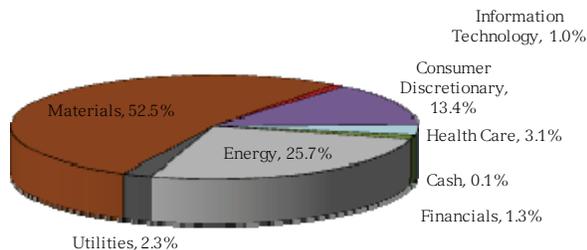
Performance Analysis

	AlphaNorth Growth Fund	S&P/TSX Composite
Returns *		
1 Month	(1.6%)	0.6%
YTD	(20.3%)	(2.4%)
1 Year	(32.8%)	(13.6%)
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	(32.8%)	(13.6%)
Since Inception (cumulative)	(32.8%)	(13.6%)
Best Month	25.7%	5.4%
Worst Month	(24.9%)	(13.9%)
Advancing Months	25.0%	41.7%
Standard Deviation	-	-
Sharpe Ratio	-	-
Beta	-	-

Fund Information

Lead Manager:	Steven Palmer
Inception:	July 25, 2011
Fund Status:	Open
Fund Codes:	Series A - ANF010 Series F - ANF011
Fund Details:	RSP/RESP eligible \$1,000 minimum investment
Sub/Redemption:	Daily
Lock-up:	None
Early Redemption Fee:	2% in first 90 days
Management Fee:	2%
Performance Fee:	20% above TSX return High water mark (no reset)
Trailer:	1% (Series A only)
Auditor:	Deloitte & Touche LLP
Administration:	State Street Trust Company & IFDS
Legal:	Stikeman Elliott LLP
Fund Assets:	\$10.6 million
Account Enquiries:	1-877-506-8122
Sales and Marketing:	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 and 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 2011 Flow-Through LP, the AlphaNorth 2012 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

** 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. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return for the Series A shares of AlphaNorth Growth Fund are the historical, annual compounded total returns including changes in share value and the reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any shareholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The inception date is July 25, 2011.*