



**AlphaNorth**  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

October 2012

NAV  
Series A (ANF010) \$6.880  
Series F (ANF011) \$6.962

**Fund Review** The Fund returned (2.6%) in October as compared to 1.1% for the TSX Composite. Canadian small cap equities have continued to rebound from the lows in June. In fact, small caps have begun to significantly outperform other stock indices since August.

The Fund's overweight position in the resource sectors have yet to provide the gains that we expect. Several of these holdings are coal and iron ore names which have lagged other resource names focused on other commodities. We are early in this positioning but believe there is significant upside in these investments once the underlying commodities obtain further traction. We believe the resource sector offers the best returns in the short term. Recent strength in many commodities prices will ultimately benefit share prices.

Notable transactions during the month included the sale of Canadian Satellite Radio Holding (TSX:XSR). This investment had returned over 40% since our purchase at \$3.00 earlier in the year. We averaged down on Labrador Iron Mines (TSX:LIM) during the month. Iron ore prices have weakened since our initial purchases at much higher prices. We are encouraged by the recent uptick in iron ore pricing and believe that averaging down on this investment was warranted by the risk/reward outlook.

The Fund currently has a small cash position. The current sector mix is comprised of 6% in technology, 3% in health care, 5% in consumer discretionary, 1% in financials, 26% in energy, 49% in materials and 2% in utilities.

**Outlook** The macro picture for equities continues to unfold as we have previously forecast. We believe the recent consolidation in the broader markets and improving economic data are setting the stage for another "leg up" over the next few months. Strength in U.S. employment data, housing and retail sales are all a reflection of the improving economic outlook. The recent uptick in the Chinese PMI data is also supportive for a re-acceleration of Chinese growth. This will benefit the commodity sector and will have disproportionate benefits to Canadian equities. We have already witnessed the outperformance of the TSX Composite over the S&P 500 index since the end of June.

Historically, the best months of the year for Canadian small cap equities are December, January and February. Data we have compiled for the venture indices since 1982 shows that the December to February period has generated positive returns over 80% of the time while over the past 10 years, the returns have been consistently positive. In the context of the current cheap and depressed status of Canadian small cap equities, we have confidence that this year will be no different.



Regards,

Steven Palmer, CFA

### Monthly Performance\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2011</b>							(0.2%)	(2.9%)	(24.9%)	25.7%	(3.7%)	(4.3%)	<b>(15.7%)</b>
<b>2012</b>	9.7%	6.3%	(5.4%)	(6.5%)	(15.9%)	(6.6%)	(1.6%)	(0.5%)	5.6%	(2.6%)			<b>(18.4%)</b>

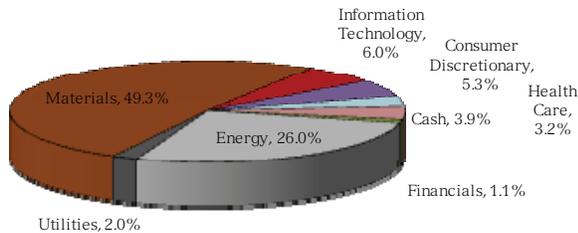
### Performance Analysis

	AlphaNorth Growth Fund	S&P/TSX Composite TRI
<b>Returns *</b>		
1 Month	(2.6%)	1.1%
YTD	(18.4%)	6.5%
1 Year	(24.8%)	4.5%
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	(23.2%)	(2.9%)
Since Inception (cumulative)	(31.2%)	(4.0%)
Best Month	25.7%	5.4%
Worst Month	(24.9%)	(13.9%)
Advancing Months	29%	50%
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 \$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 High water mark (no reset)
<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>	\$13.4 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 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.*