



**AlphaNorth**  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

December 2012

NAV  
Series A (ANF010) \$6.534  
Series F (ANF011) \$6.625

**Fund Review** The Fund returned 1.8% in December as compared to 2.0% for the TSX Total Return index and 0.0% for the TSX Venture index. It was a tough year for the Fund as we were early in our call to be overweight in resource stocks.

The Fund's resource investments have recently started to outperform. We believe these investments will be the best performing sector in the near term. Recent data continues to support our call for a re-acceleration in global growth.

One position of interest is Labrador Iron Mines Holdings (TSX:LIM). This position detracted from Fund performance in 2012. However, it is making a strong comeback. Iron ore prices declined throughout 2012 until bottoming in September below \$90. Iron ore prices have since rallied to the current price of \$154.90. It is interesting to note that in 2010 as iron ore prices were rallying from a low of \$120 to an ultimate high of \$186.50, the price of LIM was much higher. When iron ore prices were \$155 in 2010, LIM traded in the \$6.50 range. Today the stock is around \$1.50 while the iron ore price is at a similar level. We believe there are many comparable situations in the resource sectors today that offer very attractive upside relative to where commodity prices are currently.

The Fund is currently fully invested. The current sector mix is comprised of 10% in technology, 3% in health care, 7% in consumer discretionary, 2% in financials, 18% in energy and 58% in materials.

**Outlook** Despite several challenging macro issues, the European Crisis and U.S. fiscal cliff, large cap equities have performed well from the summer lows as fears of a U.S. recession have failed to materialize. In fact, we now see an acceleration of the economic recovery in 2013 for both the U.S. and China, the world's two largest influencers of global growth. Recent economic data from China provides strong evidence of accelerating growth which will disproportionately benefit Canadian equities due to the high resource component of the Canadian indices.

Subsequent to the year end, investors and the media have now moved on to the next worry, the U.S. debt ceiling. The deadline for this has been pushed back until March. We believe the 'bears' are running out of negative macro issues to sensationalize. It is only a matter of time before investors return to company fundamentals for which Canadian small/mid cap equities are very attractive, particularly in the context of the inferior return expectations for fixed income investments. Although Canadian equity indices lagged the strong performance of the majority of world indices in 2012, we believe 2013 will be a year of outperformance for Canadian equities.



Regards,

Steven Palmer, CFA  
President and CEO

### 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%)	(6.7%)	1.8%	<b>(22.5%)</b>

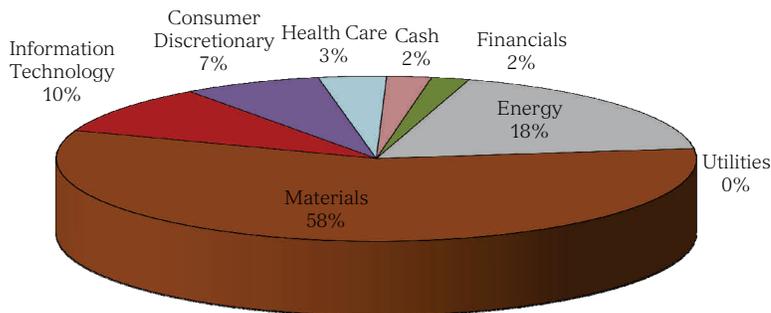
### Performance Analysis

	AlphaNorth Growth Fund	S&P/TSX Composite TRI
<b>Returns *</b>		
1 Month	<b>1.8%</b>	2.0%
YTD	<b>(22.5%)</b>	7.2%
1 Year	<b>(22.5%)</b>	7.2%
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	<b>(23.6%)</b>	(2.2%)
Since Inception (cumulative)	<b>(34.7%)</b>	(3.4%)
Best Month	<b>25.7%</b>	5.6%
Worst Month	<b>(24.9%)</b>	(8.7%)
Advancing Months	<b>31.3%</b>	50.0%
Standard Deviation	-	-
Sharpe Ratio	-	-
Beta	-	-

### Fund Information

<b>Lead Manager:</b>	Steven Palmer
<b>Inception:</b>	July 25, 2011
<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>	\$14.2 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.*