



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Resource Fund

March 2013

NAV  
Series A (ANF020) \$9.989  
Series B (ANF040) \$9.994  
Series F (ANF021) \$9.979

**Fund Review** The Fund performance was (2.3%) in March. This compares to the TSX Total Return index return of (0.2%) and the TSX Small Cap index return of 0.8%.

We believe the launch of the Fund on February 25th will prove to be quite timely as junior resource equities have been under severe selling pressure in recent months and valuations are currently greatly depressed. Historically, returns from similar valuation levels have been dramatic. We are very excited about the near term prospects. The macro outlook continues to be highly favourable for resource equities. We believe that we are in a period of accelerating global growth which will benefit commodity demand and thus, junior resource equities.

Our strategy is to maintain a portfolio with diversified exposure across multiple commodities. We prefer investments which have company specific catalysts with the potential to outperform without requiring the added benefit of a strong commodity backdrop. However, it is always best to have both.

The current sector mix is comprised of 39% in base metals, 3% in coal, 15% in uranium, 14% in iron ore, 17% in precious metals and 12% in energy.

**Outlook** It has been our call since the fall of 2011 that equities would outperform and achieve new all-time highs. Major equity indices in the U.S., Germany and Mexico have been the first to achieve this with several other countries not far behind. When we first made this prediction in October 2011, our position was an outlier from the consensus. Although this macro call has been correct, it has resulted in some near-term frustration for us in that Canadian small cap equities have diverged from this result. We believe the underperformance of Canadian small cap equities is liquidity driven rather than as a result of any negative fundamentals and this underperformance is unsustainable. The general theme for the past two quarters has been "The Great Rotation" into the stock market. However, Canadian small caps have yet to see this theory come to fruition. Rather, there seems to be a great rotation from the Canadian materials sector into the technology. We remain confident that the fundamentals are in place for a favourable shift back into commodity equities and small cap names in the near future and we have allocated our assets accordingly. We continue to see investors watching from the sidelines, acknowledging that resource and small cap equities are severely undervalued but still waiting for the right moment and catalyst to get back into these markets. We believe that these equities are in the final stages of capitulation and we have positioned our funds to be ahead of the curve in order to reap the benefits of this move when it does occur.



Regards,

*Steven Palmer*  
Steven Palmer, CFA  
President and CEO

### Monthly Performance\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
AlphaNorth Resource Fund		2.3%	(2.3%)										(0.1%)
S&P/TSX Small Cap		(0.1%)	0.8%										0.8%
S&P/TSX Venture		(0.7%)	(3.0%)										(3.7%)

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 15 year track record of generating industry leading returns (30%+ annualized)\*\*

#### CAPITALIZE ON THE GROWING GLOBAL DEMAND FOR RESOURCES:

- Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

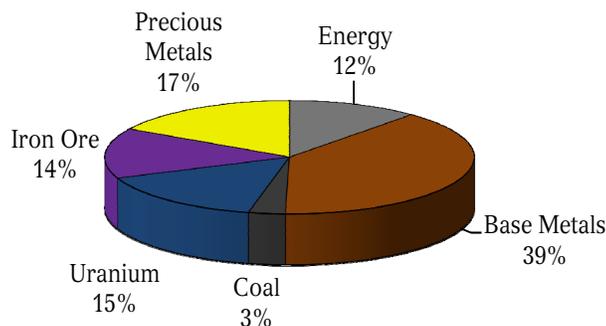
- AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **AlphaNorth Growth Fund (ANF010, ANF011)**  
Ideal for investors who are seeking exposure to a broad range of Canadian small cap equities.

### Performance Analysis

	AlphaNorth Resource Fund	S&P/TSX Small Cap
<b>Returns *</b>		
1 Month	(2.3%)	0.8%
YTD	(0.1%)	0.8%
1 Year	-	-
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	-	-
Since Inception (cumulative)	-	-
Best Month	-	-
Worst Month	-	-
Advancing Months	-	-
Standard Deviation	-	-
Sharpe Ratio	-	-
Beta	-	-

## Current Sector Allocation



## Fund Information

<b>Lead Manager:</b>	Steven Palmer
<b>Inception:</b>	February 25, 2013
<b>Fund Codes:</b>	Series A - ANF020 Series B - ANF040 (rollover vehicle) Series F - ANF021
<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 (except Series B)
<b>Management Fee:</b>	2%
<b>Performance Fee:</b>	20% above TSX return High water mark (no reset)
<b>Trailer:</b>	1% (Series A and B 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>	\$3 million
<b>Account Enquiries:</b>	1-877-506-8122
<b>Sales and Marketing:</b>	Skye Collyer 416-506-0776 x227

## Investment Strategy

The **AlphaNorth Resource Fund** (the "Fund") is an **open-ended mutual fund**. The investment objective of the Fund is to generate strong returns by investing in Canadian resource companies that offer attractive risk-reward characteristics. The Fund invests primarily in junior and intermediate Canadian resource companies, and will evaluate industry and company fundamentals to evaluate investment opportunities which offer the most attractive risk-reward. 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 the AlphaNorth 2012 Flow-Through LP, the AlphaNorth Resource Fund 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 and is a CIM.

## 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 Resource 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. For Series B and F returns, refer to the website at [www.alphanorthasset.com](http://www.alphanorthasset.com). Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The AlphaNorth Resource Fund commenced operations on February 25, 2013. \*\*Based on growth of investment in institutional small cap pooled fund from inception August 1, 1998, to August 1, 2007, and growth of investment in AlphaNorth Partners Fund from inception December 1, 2007 to the current NAV.*