



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

May 2013

NAV  
Series A (ANF010) \$5.130  
Series F (ANF011) \$5.212

**Fund Review** The Fund returned 0.4% in May. This compared to (0.4%) for the TSX Venture and 1.8% for the TSX Total Return index.

In recent months, our new additions to the portfolio have been skewed toward the technology sector. We have identified several companies which have the potential for significant growth. One example was Halogen Software (TSX:HGN) which we purchased in May. The company completed its initial public offering during the month and performed well, rising by 15%.

Trimel Pharmaceutical (TSX:TRL), which we mentioned in last month's commentary, detracted from the monthly return as it declined by 31%. There was no fundamental change to prompt this drop. Short term fluctuations like this will be smoothed out over the long term. In this case, the company has several upcoming material milestones over the next year and it has recently raised \$45 million in order to execute on its plans.

In general, there are several major catalysts over the next few months which could have a significant impact on the Fund holdings. Some of these catalysts include bankable feasibility studies, re-ratings from developer to producer status, partnership deals, offtake deals and resource updates.

The Fund currently has a 12% cash position. The current sector mix is comprised of 17% in technology, 6% in health care, 8% in consumer discretionary, 4% in financials, 11% in energy and 42% in materials.

**Outlook** It is interesting to note how quickly the U.S. has gone from a bankrupt nation on the verge of a fiscal cliff to the star of the global economic recovery. Despite the prognostications of the perma-bears, tax increases combined with spending cuts and improved economic growth have gone a long way to balance budgets in many jurisdictions in the U.S. Therefore, it seems the U.S. is not spiraling into a debt abyss as predicted by these bearish forecasters and as sensationalized by the media. The strength in housing, retail sales, employment, consumer confidence and ongoing global stimulus, which we have been highlighting in our commentaries, continues to play out and has resulted in U.S. large cap equity outperformance in 2013. Despite this strength in U.S. large caps and to a lesser extent the TSX, Canadian small caps have continued to perform poorly. The TSXV has declined by more than 60% since March 2011. We strongly believe that investors who are selling at this late stage will be disappointed.

In our view, the current prospects are highly skewed in favour of higher prices for small cap equities. There are many indicators which support this: extremely poor investor sentiment, declining volumes, attractive valuations, improving economy, accelerating global growth, rising bond yields and insider buying, to name a few. Perhaps we are already witnessing the beginning of this shift as the TSXV has started to outperform the TSX over the past several weeks.



Regards,

Steven Palmer, CFA  
President and CEO

### Performance (as of May 31, 2013)

|                       | May    | YTD     | 3 Month | 6 Month | 1 Year  | Inception | Cumulative |
|-----------------------|--------|---------|---------|---------|---------|-----------|------------|
| AlphaNorth Growth     | 0.4%   | (21.5%) | (22.7%) | (20.1%) | (29.9%) | (30.5%)   | (48.7%)    |
| S&P/TSX Venture       | (0.4%) | (21.2%) | (15.1%) | (21.2%) | (25.4%) | (33.6%)   | (52.7%)    |
| S&P/TSX Composite TRI | 1.8%   | 3.0%    | (0.5%)  | 5.0%    | 13.3%   | (0.3%)    | (0.5%)     |

### 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)\*

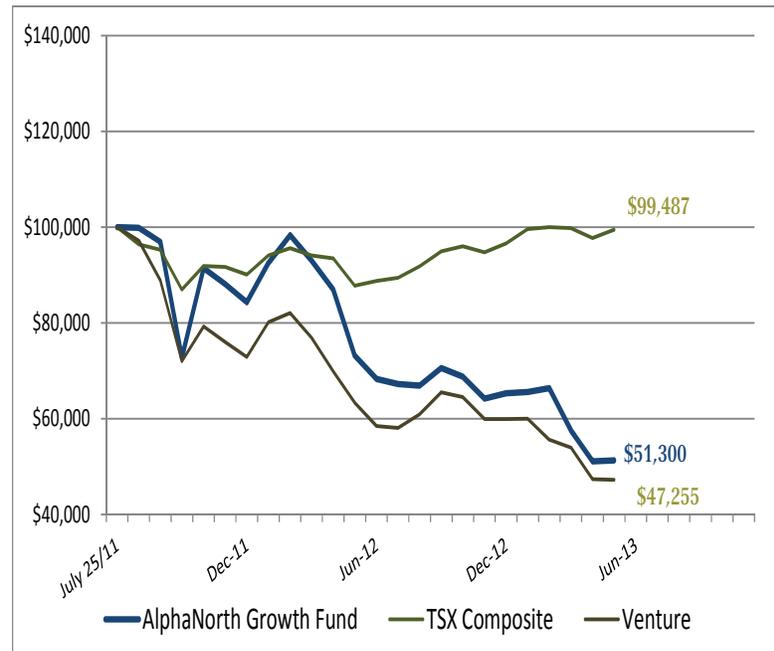
#### DIVERSIFICATION THROUGH SMALL/MID CAP:

- AlphaNorth Growth Fund is well diversified across the resource, technology and life sciences sectors

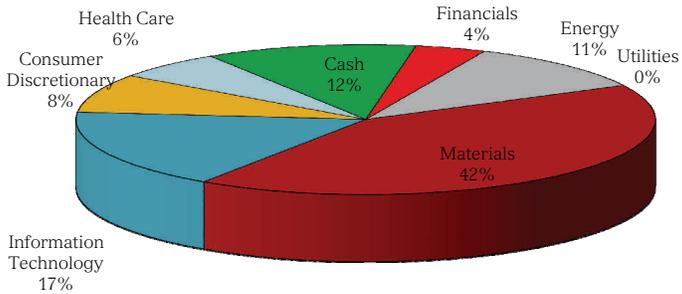
#### ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

- Complements any investment portfolio and greatly enhances wealth accumulation

### Growth of Initial Investment \$100,000



## Current Sector Allocation



## Fund Information

|                              |  |
|------------------------------|--|
| <b>Lead Manager:</b>         | Steven Palmer                                      |
| <b>Inception:</b>            | July 25, 2011                                      |
| <b>Fund Codes:</b>           | Series A - ANF010<br>Series F - ANF011             |
| <b>Fund Details:</b>         | RSP/RESP eligible<br>\$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<br>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>          | \$9 million  |
| <b>Account Enquiries:</b>    | 1-877-506-8122                                     |
| <b>Sales and Marketing:</b>  | Skye Collyer                                       |

## 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> |
| <b>2013</b> | 0.4% | 1.3% | (13.3%) | (11.2%) | 0.4%    |        |        |        |         |        |        |        | <b>(21.5%)</b> |

## 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 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 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. For Series 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 inception date is July 25, 2011. \*\*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.