



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Resource Fund

June 2013

NAV  
Series A (ANF020) \$6.816  
Series B (ANF040) \$6.810  
Series F (ANF021) \$6.825

**Fund Review** The Fund performance was (19.7%) in June. This compares to the TSX Venture index return of (8.4%) and the TSX Small Cap index return of (4.7%).

Junior resource shares were again crushed in an unprecedented liquidation of junior resource shares. Gold equities led the decline in junior resource shares in June as the commodity plunged a further 11% during the month as investors liquidated positions in gold ETFs. Unfortunately, the sentiment affected the majority of junior resource shares as reflected by the decline of 26% for the BMO Small Cap Materials index.

We currently favour energy companies as we believe they will follow the oil price higher. Oil has recently broken out above \$100 per barrel.

Uranium is also an area on which we are currently focusing. We noted last month that Japan was likely to begin restarting its nuclear reactors. This week, four power companies asked the Nuclear Regulation Authority in Japan to assess the safety of 10 reactors which they would like to restart. We believe the restart of Japanese reactors is inevitable given the high cost of alternative energy sources.

The current sector mix of the portfolio is comprised of 50% in base metals, 5% in coal, 21% in uranium, 5% in iron ore, 9% in precious metals and 10% in energy.

**Outlook** It continues to be a challenging and frustrating environment for Canadian small cap equities, largely due to continued weakness in the resource sector. The current economic outlook is nowhere near as dire as it was in 2008, yet many share prices are back to 2008 levels. The Canadian economy remains strong as unemployment continues to trend lower and auto sales are on track for their best year since 2002. In the U.S., home sales continue to rise. Moreover, commodity prices are generally much higher than what they were at during the 2008 market lows. We believe that investors will soon take notice of the dichotomy between Canadian market performance and economic data, and fear will subside as they realize that companies are in a much better position than they were five years ago.

Another potential catalyst for an improvement in this sector, which we have previously noted, is for a change in fund flows out of bonds as yields begin to rise. This is beginning to occur as yields have risen materially in a period of only a few weeks. This has prompted fund flows out of bonds for the first time in years. We believe that this change in fund flows will continue. As funds flow out of debt, we are confident that a large portion will be placed into equities, resulting in higher equity returns.

Recent management updates have been very positive and the management teams share their frustration with the lagging share prices which are currently not reflecting the value they are building in their companies. We remain confident that positive fundamentals will ultimately be rewarded in the coming months.



Regards,  
Steven Palmer, CFA

### Monthly Performance (Series A)\*

|                          | Jan | Feb    | Mar    | Apr     | May    | Jun     | Jul | Aug | Sep | Oct | Nov | Dec | Year    |
|--------------------------|-----|--------|--------|---------|--------|---------|-----|-----|-----|-----|-----|-----|---------|
| AlphaNorth Resource Fund |     | 2.3%   | (2.3%) | (14.8%) | (0.4%) | (19.7%) |     |     |     |     |     |     | (31.8%) |
| S&P/TSX Small Cap        |     | (0.1%) | 0.8%   | (4.8%)  | 1.5%   | (4.9%)  |     |     |     |     |     |     | (7.4%)  |
| S&P/TSX Venture          |     | (0.7%) | (3.0%) | (12.2%) | (0.4%) | (8.4%)  |     |     |     |     |     |     | (22.3%) |

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- ◆ Management team has a 15 year track record of generating industry leading returns (25%+ 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:

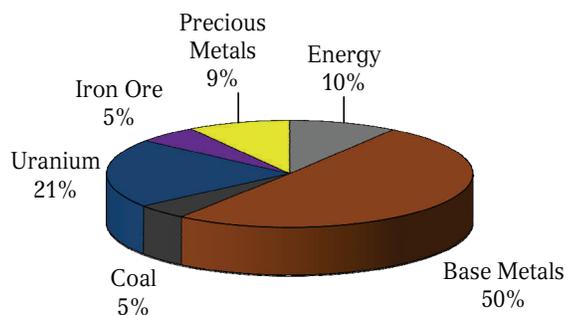
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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                      | (19.7%)                  | (4.9%)            |
| YTD                          | (31.8%)                  | (7.4%)            |
| 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<br>Series B - ANF040 (rollover vehicle)<br>Series F - ANF021 |
| <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 (except Series B)  |
| <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 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>          | \$2 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. 2013 year to date data is calculated from inception date. \*\*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.