



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

July 2013

NAV  
Series A (ANF010) \$4.839  
Series F (ANF011) \$4.922

**Fund Review** The Fund returned 5.0% in July. This compared to 4.1% for the TSX Venture and 3.2% for the TSX Total Return index.

Fund performance in July benefited from our position in Medicigo Inc (TSX:MDG) which was subject to a takeover offer by Mitsubishi Chemical Holdings Corporation. MDG shares rose 39% in July as a result of this development. Despite the poor performance for junior resource stocks over the past couple of years, we realized a couple of highly profitable resource winners which our analysis prompted early investments. One of the best performing resource stocks in the Canadian market over the past year has been Zenyatta Ventures (TSXV:ZEN) which had another strong month returning 39%. Zenyatta has recently discovered a high value graphite deposit in northern Ontario. We believe that the negative sentiment in the commodity space remains overstated. Current share prices in most cases are at very depressed levels and are not reflective of the commodity price outlook. Many commodities have recently shown signs of bottoming. We believe it is only a matter of time before the resource stocks rebound and contribute positively to portfolio returns. Blackberry (TSX:BB) had a negative impact during the month as the stock continued to drift lower after reporting disappointing earnings.

The Fund currently has a 6% cash position. The current sector mix is comprised of 18% in technology, 12% in health care, 7% in consumer discretionary, 4% in financials, 10% in energy and 43% in materials.

**Outlook** Contrary to popular opinion, the main driver of global growth is no longer China. Global growth over the next couple of years is expected to transition to the European Union and North America as they become the primary drivers. Although a Chinese slowdown was inevitable and expected, investors seem overly concerned about it. We believe that near term global growth will be dominated by significant improvements in the U.S. and the EU which will outweigh the lower growth expectations in China. The growth rate target for 2013 set by the Chinese government is 7.5% and analyst estimates have generally declined from 8%+ at the beginning of the year to the 7-7.5% range which recently prompted weakness in resource equities. We believe 7% will be the floor for growth in China this year as suggested by recent press comments by Chinese politicians. China has ample means to stimulate the economy to prevent growth rates from deteriorating further. IMF forecasts predict the U.S. and EU economies will grow by 2.7% and 0.9% respectively in 2014 as compared to growth of 1.7% and (0.6%) in 2013. These are the two largest components of global GDP representing almost 40% relative to China at a 15% weighting.

Although the broader equity markets have performed well more recently, we believe substantial upside remains. We expect the small and mid cap Canadian equity indices, which have lagged in terms of performance to this point, will soon participate in the bull market.



Regards,  
Steven Palmer, CFA  
President and CEO

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

	July	YTD	3 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Growth	5.0%	(25.9%)	(5.3%)	(28.0%)	(30.4%)	(30.4%)	(51.6%)
S&P/TSX Venture	4.1%	(24.9%)	(5.0%)	(26.0%)	(31.9%)	(31.9%)	(55.0%)
S&P/TSX Composite TRI	3.2%	2.3%	1.1%	7.9%	1.2%	1.2%	(1.2%)

### 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)\*\*

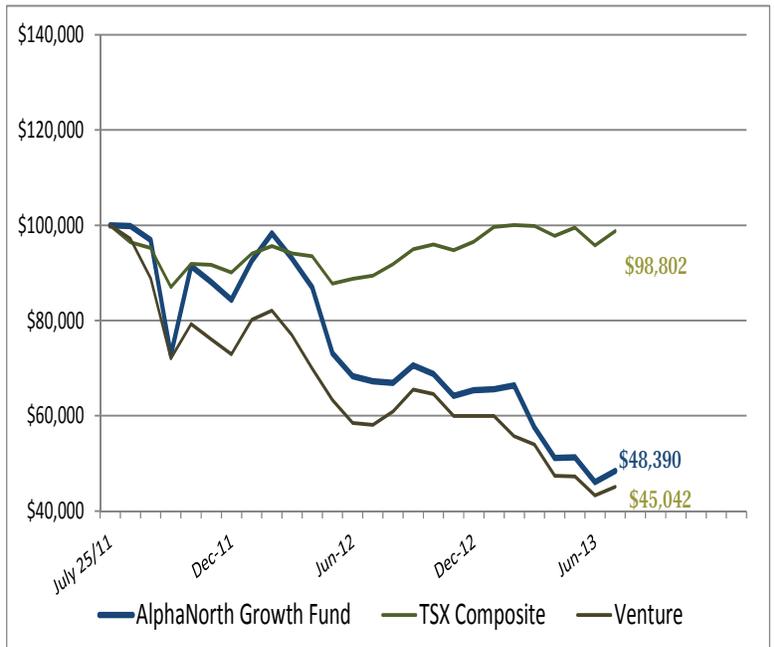
#### DIVERSIFICATION THROUGH SMALL/MID CAP:

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

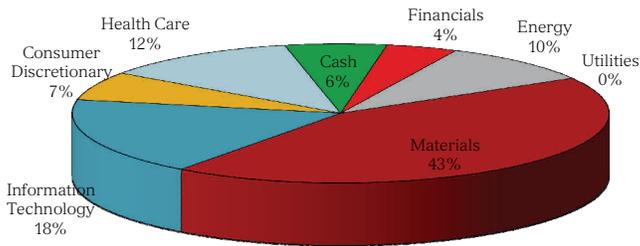
#### ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

- 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 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>	\$7 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
2011							(0.2%)	(2.9%)	(24.9%)	25.7%	(3.7%)	(4.3%)	(15.7%)
2012	9.7%	6.3%	(5.4%)	(6.5%)	(15.9%)	(6.6%)	(1.6%)	(0.5%)	5.6%	(2.6%)	(6.7%)	1.8%	(22.5%)
2013	0.4%	1.3%	(13.3%)	(11.2%)	0.4%	(10.2%)	5.0%						(25.9%)

## 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.