



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

August 2013

NAV  
Series A (ANF010) \$5.094  
Series F (ANF011) \$5.187

**Fund Review** The Fund returned 5.3% in August. This compared to 2.4% for the TSX Venture and 1.6% for the TSX Total Return index.

Air Canada (TSX:AC.B) had a strong earnings report which propelled the shares 29% higher in August. The company's cost reduction program and the improving macro environment for the airlines are expected to increase earnings materially. These factors contribute to a strong earnings growth profile over the coming quarters. We believe the risk/reward remains very favourable for Air Canada and we continue to hold a major position in the Fund.

GMP Capital (TSX:GMP) was one of the poorer performers in the Fund during August, declining by 9%. We believe that recent cost cutting and improving Canadian equity markets will be a catalyst for strong returns over the coming months. GMP has strong leverage to improving equity markets which fits with our macro outlook.

The Fund currently has a 3% cash position. The current sector mix is comprised of 18% in technology, 7% in health care, 9% in consumer discretionary, 4% in financials, 15% in energy and 44% in materials.

**Outlook** Investor risk tolerance is beginning to return to the higher beta areas of the equity markets. The strong performance of virtually every investment product with a yield has rewarded investors in recent years. However, outperformance of specific investment products and sectors does not last indefinitely. These yield based investments are no different and are beginning to face the headwind of rising interest rates. It is notable that both non-dividend paying and growth names outperformed dividend paying and value names respectively in August. This indicates a shift in sentiment toward higher beta asset classes. Historically, growth stocks have typically outperformed value stocks in periods of rising yields. As this sentiment continues to shift, it will provide a better environment for our investment strategies.

We have observed that over the past two months, the TSX Composite has outperformed the S&P 500 index. We have previously noted in our commentaries that this was likely to begin in 2013. In addition, the small cap indices notably, the TSX Venture index, have begun to outperform the TSX Composite. Although this outperformance has been modest to date, we expect that this will accelerate over the balance of 2013. We believe that as the economy rebounds and interest rates increase, investors will reallocate funds toward growth equities and smaller cap names will outperform.

Regards,



*Steven Palmer*

Steven Palmer, CFA  
President and CEO

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

	August	YTD	3 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Growth	5.3%	(22.0%)	(0.7%)	(23.8%)	(27.5%)	(28.6%)	(49.1%)
S&P/TSX Venture	2.4%	(23.1%)	(2.4%)	(22.5%)	(28.0%)	(31.1%)	(53.9%)
S&P/TSX Composite TRI	1.6%	3.9%	0.8%	10.5%	2.6%	2.0%	0.3%

### 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)\*\*

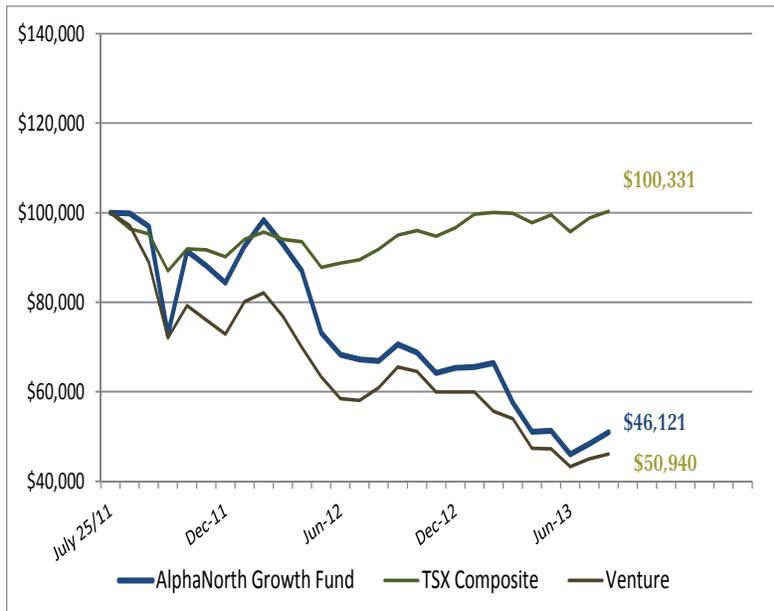
#### DIVERSIFICATION THROUGH SMALL/MID CAP:

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

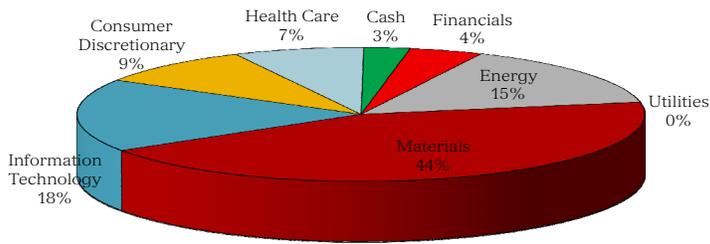
#### ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

- ◆ 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 416.506.0776 ext.227 skye@alphanorthasset.com

## 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%	(10.2%)	5.0%	5.3%					<b>(22.0%)</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.