



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Resource Fund

September 2013

NAV  
Series A (ANF020) \$8.078  
Series B (ANF040) \$8.072  
Series F (ANF021) \$8.110

**Fund Review** The Fund performance was (10.9%) in September. This compares to the TSX Venture index return of 0.2% and the TSX Small Cap index return of 1.3%.

Commodity prices were volatile in September with the uncertainty in monetary and fiscal policy changes in the US being large contributors. Investors had been selling precious metals (5.6% lower in September) with the view that the US Government could consider tapering in the near future. Moreover, investors seemed confident that fiscal issues in the US will be resolved soon, adding further downward pressure to these commodities. Energy prices also declined 4.3% as a result of fading tensions in the Middle East. Although these specific commodities have suffered, the reality is that they weakened as a result of a perceived improvement in global strength. We believe that as the economy continues to strengthen, we will see an improvement in other materials, such as industrial and base metals. Our call to minimize exposure to precious metals commodities has curtailed losses in the portfolio.

The Resource Fund performance slipped in the last month after two months of strong performance largely due to weakness in a few concentrated investments. We believe that this underperformance is partially attributable to a selloff related to a misinterpretation of one of our investment's press releases. The resource sector remains deeply undervalued and we are confident that these names will rebound in the long term along with the rest of the materials sector. In the meantime, we remain conscious of the volatility in the fund and are working on addressing this issue.

**Outlook** We believe that these governmental issues are temporary in nature and will be resolved in the near term. Despite the temporary political uncertainty in the U.S., the global economic situation continues to improve. European and US PMI data continues to trend higher while sentiment is improving. Foreign investment in Canadian markets is trending upwards, and there remains room for momentum to build. We are seeing evidence that investors are looking more closely at the Canadian markets and are confident that Canadian equities will outperform as they have done historically in the second half of economic cycles.

The strong trend of underperformance for Canadian small cap equities prevalent since February 2011 ended in June. During this time period the TSX Venture index declined by 64% while the TSX Total Return index declined by 8%. Since June, both indices have generated positive returns while the TSX Venture index has modestly outperformed. We believe the momentum has shifted to positive outperformance for small cap equities.

While the world grows at 2-5%, large cap companies grow at 10-15% and small cap companies grow at 5-20%. We target investing in companies growing at 25% or better and use 25% discount rates in our company models. This strategy has resulted in returns in excess of 25% on average over the past 15 years. The majority of these returns have occurred in periods subsequent to periods of significant market weakness, similar to what we have experienced over the past couple of years.



Regards,  
Steven Palmer, CFA  
President and CEO

### Monthly Performance (Series A)\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
AlphaNorth Resource		2.3%	(2.3%)	(14.8%)	(0.4%)	(19.7%)	15.6%	15.1%	(10.9%)				(19.2%)
S&P/TSX Small Cap		(0.1%)	0.8%	(4.8%)	1.5%	(4.9%)	3.8%	1.9%	1.3%				(0.8%)
S&P/TSX Venture		(0.7%)	(3.0%)	(12.2%)	(0.4%)	(8.4%)	4.1%	2.4%	0.2%				(22.9%)

### 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:

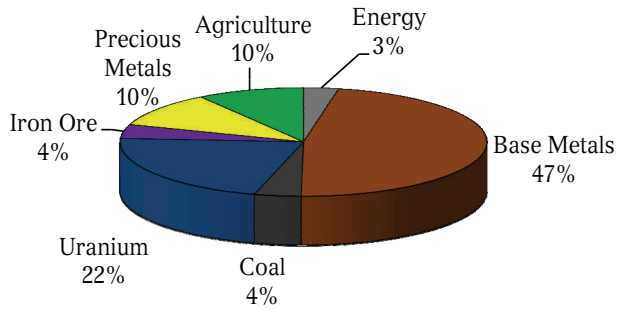
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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	(10.9%)	1.3%
YTD	(19.2%)	(0.8%)
1 Year	-	-
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	-	-
Since Inception (cumulative)	-	-
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>	\$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.