



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Resource Fund

December 2013

NAV

Series A (ANF020) \$7.493

Series B (ANF040) \$7.494

Series F (ANF021) \$7.549

Fund Review The Fund performance was 9.6% in December. This compares to the TSX Venture index return of (0.3%) and the TSX Small Cap index return of 2.3%.

Resources strongly lagged other sectors this year, but December commodity price improvements provided hope for 2014. Industrial metals rallied last month and it appears that fertilizer prices have bottomed. The precious metals space softened slightly but overall, we are starting to see a positive trend in the commodity space.

There are some important catalysts this year that we anticipate will boost commodity prices. Continued momentum from the housing market in the U.S. should be a positive contributor to lumber prices as well as to industrial materials, and we anticipate that the restart of several reactors in Japan will push uranium prices higher. We expect that continued global recovery will drive demand for resources in 2014, which should expedite resource equity outperformance.

Delphi Energy (TSX:DEE) is a Fund holding that has performed quite well in December. Investors have historically been concerned about the company's levered balance sheet, but we believe that management is doing a good job at resolving this issue and getting the company's debt levels under control. Delphi recently announced a joint venture for 10 wells in 2014 and 2015, which has resolved the funding gap that investors had been concerned with. Wells have started to perform above expectations and we believe investors will be positively surprised with overall performance in 2014.

The current sector mix of the portfolio is comprised of 40% in base metals, 7% in coal, 11% in uranium, 1% in iron ore, 17% in precious metals, 4% in agriculture, and 20% in energy.

Outlook Broader equity markets delivered strong returns in 2013 as we forecasted. In 2014, we believe equities will continue to perform well as the backdrop of strong corporate earnings, accelerating global growth (3.5% in 2014 compared to 3.0% in 2013) and rising bond yields are very accommodating for equities. Given this environment, we believe that resource equities will begin to outperform the broader market as is usually the case in the second half of an equity bull market. This should contribute to outperformance for the TSX in 2014.

Now that the major issues (European crisis, U.S. debt ceiling) are no longer sensationalized in the press, the "perma-bears" have less to dwell on. It is clear they have lost the debate as the S&P has experienced one of the strongest equity rallies in history, up almost 200% from the low of the financial crisis in 2009. The current positive datapoints are clearly overwhelming. We believe that 2014 will be another strong year for equity returns with the TSX Venture index likely to rebound after three straight years of losses totaling 61%. The low in June 2013 for Canadian small cap equities, as measured by the TSX Venture index, is now well in the past yet the majority of investors have yet to acknowledge this and remain on the sidelines. This is typically the case after a major low. We expect a reversal in fund flows will propel small caps significantly higher in 2014. In addition, **our technical analysis work signalled a major buy signal in December for the TSXV. We believe that there is substantial upside for Canadian small cap equities from current levels.**



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%)	(5.4%)	(10.5%)	9.6%	(25.1%)
S&P/TSX Small Cap		(0.1%)	0.8%	(4.8%)	1.5%	(4.9%)	3.8%	1.9%	1.3%	3.7%	(0.1%)	2.3%	5.2%
S&P/TSX Venture		(0.7%)	(3.0%)	(12.2%)	(0.4%)	(8.4%)	4.1%	2.4%	0.2%	1.9%	(2.5%)	(0.3%)	(18.3%)

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:

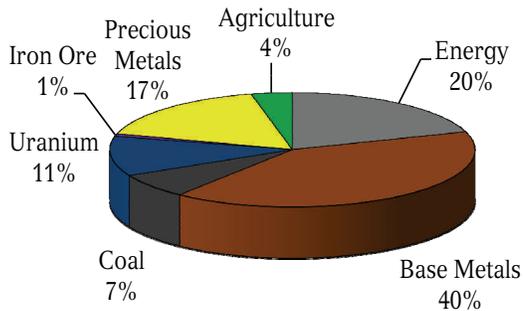
- AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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
Returns *		
1 Month	9.6%	2.3%
YTD	(25.1%)	5.2%
1 Year	-	-
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	-	-
Since Inception (cumulative)	(25.1%)	5.2%
Advancing Months	-	-
Standard Deviation	-	-
Sharpe Ratio	-	-
Beta	-	-

Current Sector Allocation



Fund Information

Lead Manager:	Steven Palmer
Inception:	February 25, 2013
Fund Codes:	Series A - ANF020 Series B - ANF040 (rollover vehicle) Series F - ANF021
Fund Details:	RSP/RESP eligible \$1,000 minimum investment
Sub/Redemption:	Daily
Lock-up:	None
Early Redemption Fee:	2% in first 90 days (except Series B)
Management Fee:	2%
Performance Fee:	20% above TSX return High water mark (no reset)
Trailer:	1% (Series A and B only)
Auditor:	Deloitte & Touche LLP
Administration:	State Street Trust Company & IFDS
Legal:	Stikeman Elliott LLP
Fund Assets:	\$4 million
Account Enquiries:	1-877-506-8122
Sales and Marketing:	Steve Palmer 416-483-4448

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. 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.