



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

February 2014

NAV  
Series A (ANF010) \$5.583  
Series F (ANF011) \$5.709

**Fund Review** The Fund returned 5.2% in February. This compared to 7.8% for the TSX Venture and 3.9% for the TSX Total Return index.

In February, the energy and materials sectors continued to perform well contributing the most to returns. Continental Gold (TSX:CNL) and Copper Mountain Mining (TSX:CUM) were the best performers in February gaining 45% and 41% respectively. We are increasingly confident in our outlook that junior resource stocks will rebound in 2014. We have already started to see several areas of the resource sector begin to perform, particularly precious metals and uranium. Given how depressed some of the share prices are and the poor sentiment towards the resource sector, returns could be substantial from current levels. We have recently added a couple of names in the technology sector. Applied Optoelectronics (NASDAQ:AAOI) which manufactures optical semiconductor devices has performed strongly. The company is expected to be a key beneficiary of Google fibre expansion. We cut our losses in Baylin Technologies (TSX:BYL), as the technicals were not favourable despite the strong demand for the IPO. The technicals were vindicated as the share price has declined even further since our exit.

The current sector mix is comprised of 34% in technology, 13% in health care, 2% in financials, 3% in consumer discretionary, 28% in energy and 19% in materials.

**Outlook** North American economic indicators softened in February, though we expect much of this can likely be attributed to poor weather conditions. The Canadian picture improved as manufacturing numbers were better month over month. Net foreign flows into Canadian stocks grew this month and GDP growth came in at 2.9% in Q4 2013, better than the 2.5% expectation.

Global small cap performance improved overall during February, with Canadian small caps performing in the middle of the pack. Precious metals performed the best over the month (up almost 16%), while technology was the only sector that had a slight negative performance. While our focus has largely been on the technology sector in recent months, we have started to shift our attention back towards mining and energy. The materials sector has outperformed in the past couple of months, and we are seeing renewed enthusiasm from investors. **We believe that outperformance of the resource sectors will result in the TSX outperforming U.S. equities in 2014.** Since June 2013 the TSX has outperformed the S&P.

Current earnings in the U.S. are the strongest since 2011 as increased revenues, margins and buybacks have all made positive contributions. **We expect that ongoing strength in corporate earnings combined with low yields will result in strong equity markets in 2014.**



Regards,

Steven Palmer, CFA

### Performance (as of February 28, 2014)

	February	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Growth	5.2%	16.7%	9.6%	(15.9%)	(24.6%)	(19.6%)	(44.2%)
S&P/TSX Venture	7.9%	10.0%	9.2%	(9.5%)	(21.7%)	(22.7%)	(49.7%)
S&P/TSX Composite TRI	3.9%	4.8%	14.0%	14.3%	9.4%	5.2%	14.4%

### 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)\*\*

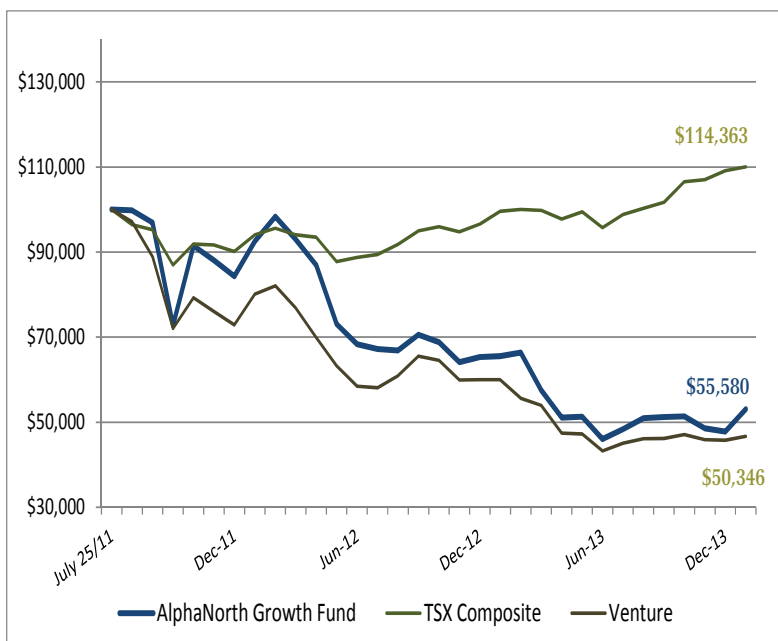
#### DIVERSIFICATION THROUGH SMALL/MID CAP:

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

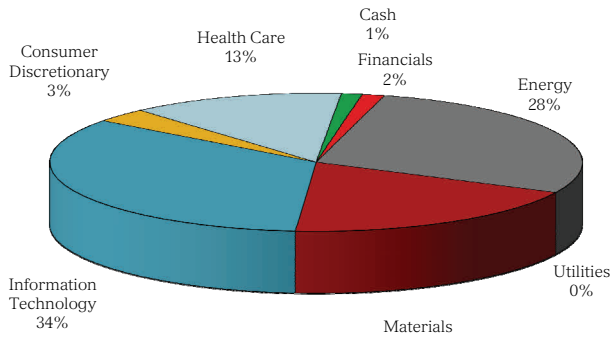
#### ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

- ◆ Complements any investment portfolio and greatly enhances wealth accumulation over the long term

### 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>	Tanya Ali 416-506-0776 x227 info@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%	0.6%	0.2%	(5.4%)	(1.5%)	<b>(26.8%)</b>
<b>2014</b>	11.0%	5.2%											<b>16.7%</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, have 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 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.