



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Resource Fund

February 2014

NAV  
Series A (ANF020) \$8.576  
Series B (ANF040) \$8.579  
Series F (ANF021) \$8.657

**Fund Review** The Fund performance was 10.9% in February. This compares to the TSX Venture index return of 7.8% and the TSX Small Cap index return of 5.7%.

The energy and materials sectors were the top performers in the TSX Small Cap space this month. Precious metals prices were up during the month, while industrial metals were relatively mixed due in part to lower factory activity in China. The noise surrounding the threat of war in the Ukraine pushed gold higher, as investors sought flight to safety. Oil was higher, as tensions increased with Russia. Natural gas prices were also strong in February before pulling back as the cold weather in North America persisted reducing inventories well below the 5 year average.

Nexgen Energy (TSXV:NXE) was the strongest performer for the Fund in February gaining 100%. Nexgen drilled a discovery hole in Saskatchewan for uranium. The macro picture for uranium improved this month as the Japanese government took a more bullish stance on the uranium sector. The government released a draft of its Basic Energy Plan, indicating the potential to restart some of the reactors which have been idled since 2011, and potentially fast track expansion plans. Uranium equity performance subsequently surged as sentiment in the space improved.

The energy space has been performing very well year to date, with the macro picture heating up. In the lithium space, we also saw some positive news from Tesla Motors, as co-founder Elon Musk announced plans to build a "gigafactory", which, according to Goldman Sachs, has the potential to consume as much as 17% of current lithium output.

We are very encouraged by all of these recent developments in the energy space, and continue to believe that this sector and the resource sector will be strong performers this year.

**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

### Monthly Performance (Series A)\*

	February	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	10.9%	14.5%	(5.4%)	(16.1%)	-	(13.2%)	(14.2%)
S&P/TSX Venture	7.8%	10.0%	9.2%	(9.5%)	-	(9.4%)	(10.1%)
S&P/TSX Small Cap	5.7%	12.8%	15.1%	12.8%	-	11.6%	12.7%

### 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:

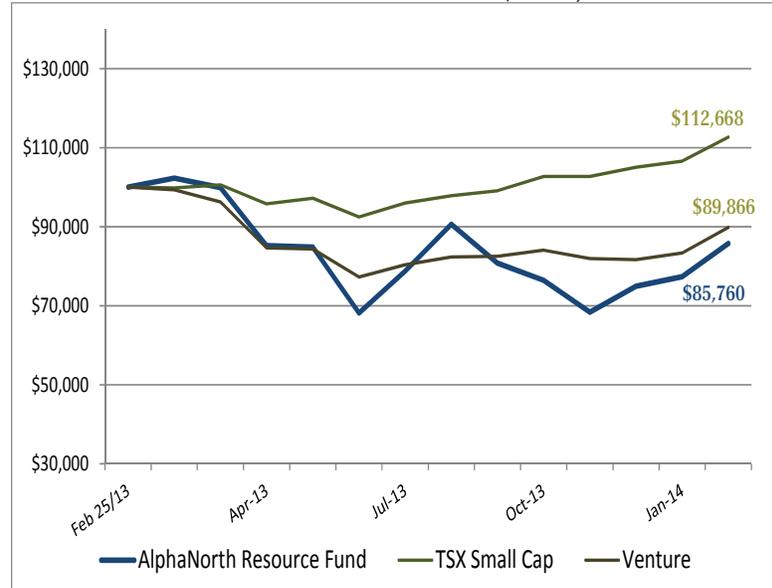
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

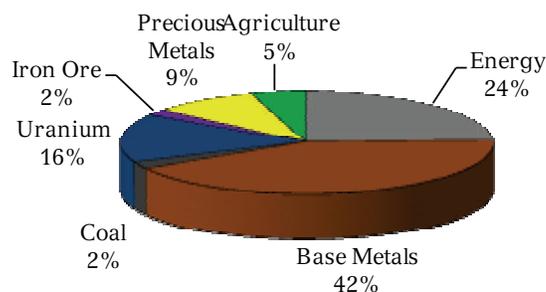
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **AlphaNorth Growth Fund (ANF010, ANF011)**  
Ideal for investors who are seeking exposure to a broad range of Canadian small cap equities.

### Growth of Initial Investment \$100,000



## 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>	\$3 million
<b>Account Enquiries:</b>	1-877-506-8122
<b>Sales and Marketing:</b>	Tanya Ali 416-506-0776 x227

## Monthly Performance\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2013		2.3%	(2.3%)	(14.8%)	(0.4%)	(19.7%)	15.6%	15.1%	(10.9%)	(5.4%)	(10.5%)	9.6%	(25.1%)
2014	3.2%	10.9%											14.5%

## 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 characteristics. 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 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, 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.