

**Fund Review** The Fund performance was (2.8%) in March. This compares to the TSX Venture index return of (3.0%) and the TSX Small Cap index return of (0.1%).

March started off strong for commodities, but ended on a sour note for some of the precious and industrial metals. Weak Chinese economic and trade data put some downward pressure on the price of copper in March. Natural gas prices remained relatively stable through the month, but softened from recent highs. Energy equities continued to perform well on the back of strong annual reports and well results. As energy companies enter spring breakup and a seasonally weaker period, it would be normal to see a bit of a pullback. We note, however, that North American natural gas storage levels remain far below the five year average and new production is not compensating for low inventories. Further, the breakup will lead to even lower inventories as fewer wells come online, perpetuating the supply/demand imbalance. We are surprised that natural gas prices are not higher than they are currently and we remain particularly bullish on the sector. One of our holdings with high natural gas exposure that faced some negative headwinds this month was Donnycreek Energy (TSXV:DCK). The company disappointed investors with results from one of its exploratory assets, and fast money poured out of the name. The latest well result from its flagship Kakwa play was very positive as it confirmed the possibility of adding multiple new drilling locations to the company's inventory and could double the resource. We believe that we should see a shift in focus back to the company's main assets and that there is still a lot of value in the Kakwa area.

The current sector mix of the portfolio is comprised of 44% in base metals, 4% in coal, 13% in uranium, 2% in iron ore, 9% in precious metals, 5% in agriculture, and 23% in energy.

**Outlook** The excess that caused the Global Financial Crisis continues to dissipate. Tighter banking regulations and corporate conservatism are reflected on corporate balance sheets with record cash levels. In the U.S., the threat from budget deficits has been rapidly declining while in Canada, a budget surplus is on the near term horizon. Investor concern seems to have shifted to equity market valuations in light of the strong bull run of the major indices over the past five years. Despite these improvements, investors are fearful of a major correction in the equity markets. Recent market weakness has prompted much debate in the media on this. Investors often cite equity valuations which have risen close to historical averages as well as high levels of government debt. We believe that valuations should be assessed in the context of the current interest rate environment. This results in an earnings yield of 6.6% for the S&P compared to 2.6% for the U.S. 10 year bond. This spread remains unjustifiably wide in our view, particularly with the backdrop of strong corporate balance sheets and improving economic conditions. Certainly there are areas of the equity market which are overheated as there typically is at any given time. This is likely the case for two of the best performing sectors over the past year, the U.S. Biotech and Social Media stocks. The two indices which track these sectors have both already corrected 22% from their recent highs. As we have stated repeatedly in recent commentaries, we expect Canadian equities to begin to outperform and this has proven to hold true to date in 2014.



**We believe that corrections in equity markets in the near term will be modest in magnitude and will resume to the upside, likely catching the majority of investors off guard.**

Regards,

Steven Palmer, CFA

### Monthly Performance (Series A)\*

	March	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	(2.8%)	11.3%	6.2%	(14.1%)	-	(12.3%)	(14.2%)
S&P/TSX Venture	(3.0%)	6.7%	5.7%	(9.5%)	-	(11.1%)	(13.1%)
S&P/TSX Small Cap	(0.1%)	12.7%	13.6%	11.9%	-	10.7%	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:

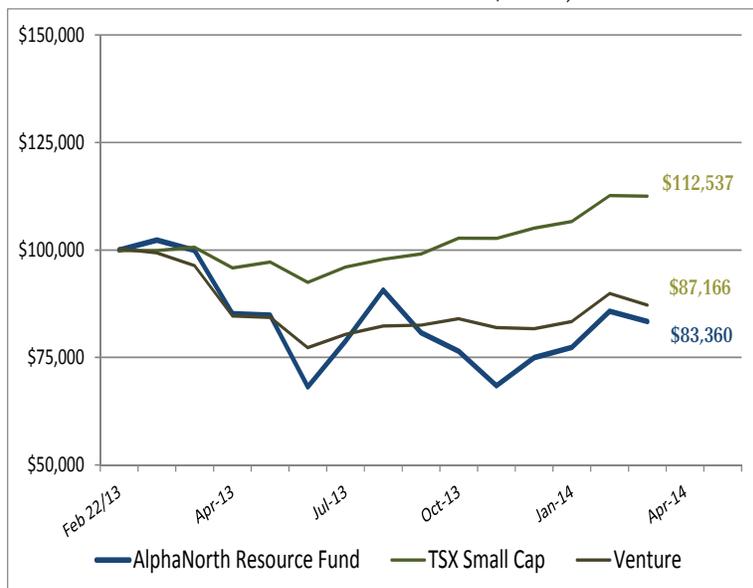
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

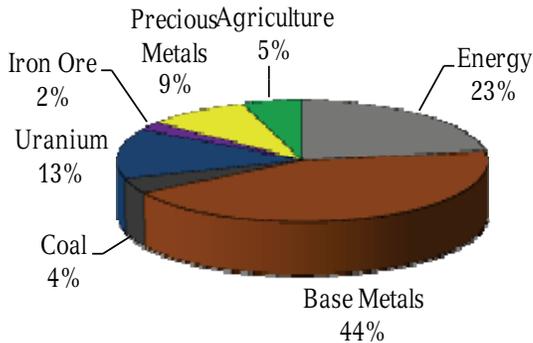
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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%	(2.8%)										11.3%

## 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.