

**Fund Review** The Fund performance was (3.0%) in May. This compares to the TSX Venture index return of (1.8%) and the TSX Small Cap index return of (1.9%). The Fund continues to have strong year to date performance reflecting the recent strength of the resource sector.

We remain optimistic that the junior resource sector has turned positive. The International Energy Agency recently announced that it expects China's natural gas demand to nearly double by 2019, and that only half of the supply will be domestic. We believe that there is still a lot of room for natural gas price improvement, especially in Canada, and believe we could see a substantial price change in the next 12 to 18 months.

In the precious metals space, we are seeing the longest mining strike ever in South Africa. It is the world's largest supplier of platinum and the second largest supplier of palladium. The palladium price rose to three year highs as issues persisted in the country. The Wall Street Journal estimates that there are only about 10 weeks of palladium supply in the market and 23 weeks of platinum supply. This is partly driven by ETF demand.

Nickel has been the first base metal to break out to multi-year highs on the back of a new Indonesian regulatory policy which prohibits exports of unprocessed minerals. Further, from a technical standpoint it appears that we are nearing an inflection point in the copper price and we anticipate seeing some positive momentum in this metal over the next few months.

One of our better performing names this month was Lumina Copper (TSXV:LCC). The stock made a substantial move recently on acquisition rumours but nothing has yet to come of it. We used this as an opportunity to sell our position and reinvested the proceeds in the energy and precious metal sectors.

**Outlook** The financial crisis of 2008 continues to weigh on investor sentiment. Even though many fixed income investments carry risk, this is being ignored by many. These fixed income investments will inevitably underperform as interest rates rise and investors adopt a greater risk tolerance in search of returns.

Canadian equities continue to outperform on a year to date basis with both the TSX and TSX Venture outperforming the major U.S. indices (S&P, Dow, NASDAQ, Russell 2000). We expect that this will accelerate in the second half of 2014. This follows several years of underperformance since the global financial crisis, which was one of the longest periods of underperformance in history for Canadian equities. Our outlook is supported by our technical analysis work which indicates that leadership is shifting away from the defensive sectors. The energy stocks, a major component of the resource sector, have already started to outperform as this sector is the best performing sector in 2014. Volumes in small cap equities has been light over the past couple of months which we attribute to typical seasonal weakness during this period. We remain very bullish for Canadian equities, particularly small cap, which have to date lagged their large cap counterparts. Early investors in Canadian equities will be rewarded as money flows and international investors return to Canadian equities.



Regards,



Steven Palmer, CFA

### Monthly Performance (Series A)\*

	May	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	(3.0%)	15.8%	26.9%	2.3%	-	(10.1%)	(13.2%)
S&P/TSX Venture	(1.8%)	5.6%	5.3%	2.2%	-	(10.5%)	(12.5%)
S&P/TSX Small Cap	(1.9%)	14.7%	11.5%	17.8%	-	10.7%	14.7%

### 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:

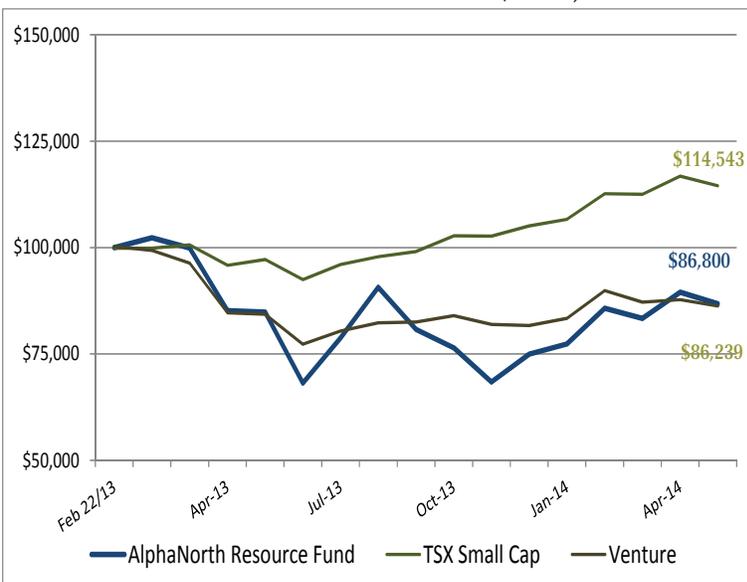
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

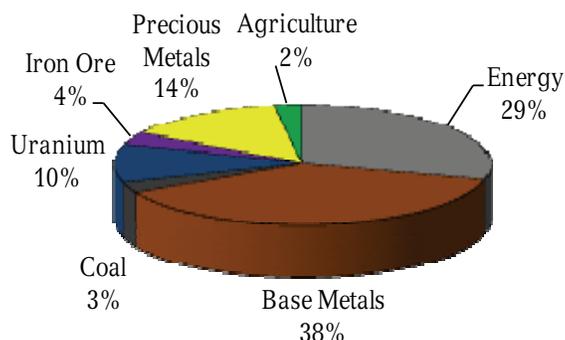
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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%)	7.3%	(3.0%)								15.8%

## 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 date of commencement of operations. \*\*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.