



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Resource Fund

June 2014

NAV
Series A (ANF020) \$9.395
Series B (ANF040) \$9.410
Series F (ANF021) \$9.525

Fund Review The Fund performance was 8.2% in June. This compares to the TSX Venture index return of 4.5% and the TSX Small Cap index return of 6.7%.

In the month of June the strongest performance came from the base metals and junior golds. Until recently, these sectors have lagged in the recovery. Copper prices have been moving upwards and the zinc price surpassed the \$1/lb mark as inventories shrank and the supply/demand imbalance was brought into light. Copper prices are almost near 5 month highs, aluminum reached a 13 month high, and zinc prices have neared three year highs recently. Nickel prices, however, have seen weakness due to more elevated inventories and the speculation that Indonesia may ease its export ban.

We have recently been highlighting the run that energy names have had over the past few months. We saw an opportunity to lighten up on our better performing energy holdings and invested the proceeds in the precious metals space. This proved to be very timely. Continental Gold (TSX:CNL), one of the additions, has performed very well since our purchase. The summer months are seasonally weaker for oil and gas names, and as such we have been exploring other opportunities in the base and precious metals sectors. Brent pricing has dipped sharply, and crude and natural gas prices are correcting as supplies expand and demand for gas has weakened.

We are more optimistic about the resource space as a whole than we have been over the past few months. In particular, we are seeing sentiment change towards the base metals and it seems that both buy side and sell side firms have been trying to get more active in this area.

Current sector allocations are as follows: 35% in base metals, 2% in coal, 10% in uranium, 3% in iron ore, 14% in precious metals, 3% in agriculture, and 33% in energy.

Outlook We believe the Chinese economy has stabilized and is beginning to re-accelerate. A recent research piece by BCA Research notes that the latest purchasing managers surveys have shown a broad-based improvement. The readings on new orders have recovered to near multi-year highs while export orders have also returned to expansionary territory. This data supports our view that the resource component of the TSX will continue to perform well allowing Canadian equity markets to continue to outperform the major U.S. indices.

With respect to small cap equities, a year ago there was much talk about the number of TSX Venture listed companies that were going to disappear due to the perceived inability for them to raise money. Not only has this not happened but many companies have reinvented themselves and are raising capital. Financings of TSX Venture listed companies has increased to \$2.6 billion year to date compared to \$1.8 billion at this time last year.

It is very clear to us that the junior markets have bottomed and are primed for a substantial move higher over the coming months. Our portfolios are well positioned to capitalize on this move. Many of our holdings have upcoming catalysts which could result in triple digit returns. The significant warrant portfolio across our portfolios which we have accumulated over the past year will provide further leverage to positive returns.



Regards,

Steven Palmer, CFA
President and CEO

Monthly Performance (Series A)*

| | June | YTD | 6 Month | 1 Year | 2 Year | Inception | Cumulative |
|---------------------|------|-------|---------|--------|--------|-----------|------------|
| AlphaNorth Resource | 8.2% | 25.4% | 25.4% | 37.8% | - | (4.3%) | (6.1%) |
| S&P/TSX Venture | 4.5% | 10.4% | 10.3% | 16.7% | - | (7.1%) | (10.2%) |
| S&P/TSX Small Cap | 6.7% | 22.4% | 16.3% | 32.1% | - | 15.2% | 22.4% |

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)**

CAPITALIZE ON THE GROWING GLOBAL DEMAND FOR RESOURCES:

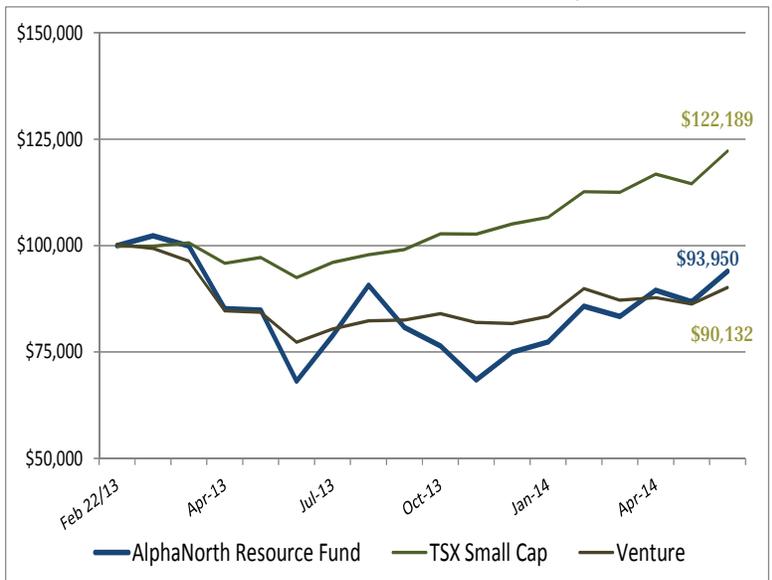
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

TAX-DEFERRED SWITCHING BETWEEN FUNDS:

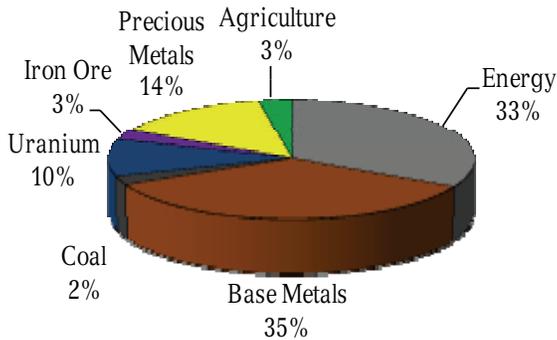
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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

| | |
|------------------------------|--|
| 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: | \$3 million |
| Account Enquiries: | 1-877-506-8122 |
| Sales and Marketing: | 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%) | 8.2% | | | | | | | 25.4% |

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. 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.