

**Fund Review** The Fund performance was (4.1%) in July. This compares to the TSX Venture index return of (2.6%) and the TSX Small Cap index return of (2.7%).

We continue to see strong performance in the industrial metals space, with nickel and cobalt up 38% and 24% respectively in 2014. Most of the industrial metal prices continued to improve in July, while all precious metals were also up. Both the energy sector and agricultural commodities were markedly down throughout the month, causing the related stocks to decline. We believe that base metals are moving back into favour, and we intend to focus on this area in the near term as the energy sector experiences a seasonal lull. Over the long term, we remain positive on the fundamentals of the energy sector.

China economic data has been relatively mixed over the past few weeks. The manufacturing PMI for July was at 51.7. This is the highest level in 27 months. This is particularly relevant to the resource sector and we view this as positive for the resource outlook. Concern over US inflation risk has become evident over the past few weeks and market influencers have highlighted China's increased demand for gold and as an example of a positive shift into the precious metals space. We believe that we are seeing a healthy level of inflation at this time and are not concerned about it in the near term. Though inflation has increased over the past few months, it is still around the 2% level that the Fed has been targeting. As such, our outlook on precious metals in the near term is perhaps less constructive than others, although we will be watching for indications of upward pressure on inflation as an indication to increase our precious metals holdings.

Current sector allocations are as follows: 32% in base metals, 2% in coal, 9% in uranium, 3% in iron ore, 22% in precious metals, 3% in agriculture,

**Outlook** Unsurprisingly, Janet Yellen recently announced that bond buying would be cut back from \$35B to \$25B per month, and it is expected that it will be halted completely in October. This news came after the news of higher than expected U.S. GDP growth and improving labour market statistics. We view this as a positive sign and if the stock market is a forward economic indicator, markets should improve as we approach the potential end of easing. We believe that the recent market pullback is temporary in nature and that markets will continue to move upwards rather than correct further. Investors waiting for the much talked about 10% will be denied yet again.

The major large cap equity indices have been routinely setting new all time highs as we predicted back in 2011. Canadian equities, as measured by the TSX Composite, have lagged U.S. markets until 2014. However, in July the TSX Composite also climbed to a new all time high. The TSX Venture index (TSXV), which best reflects the nature of our portfolios, has dramatically underperformed in the current bull market and pulled back slightly this month, moving back below the 1,000 mark. It is notable that the TSXV remains far from its 2007 highs. We have seen a strong lag in the TSXV due to the large resource weighting, but recent outperformance from this sector has contributed to positive returns which we expect to continue over the coming quarters. The high beta nature of this index often results in spectacular returns at momentum inflection points.



Regards,



Steven Palmer, CFA  
President and CEO

### Monthly Performance (Series A)\*

	July	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	(4.1%)	20.3%	16.5%	14.4%	-	(6.7%)	(9.9%)
S&P/TSX Venture	(2.6%)	7.5%	5.3%	9.2%	-	(8.3%)	(12.5%)
S&P/TSX Small Cap	(2.7%)	19.1%	11.5%	32.1%	-	12.2%	19.1%

### 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:

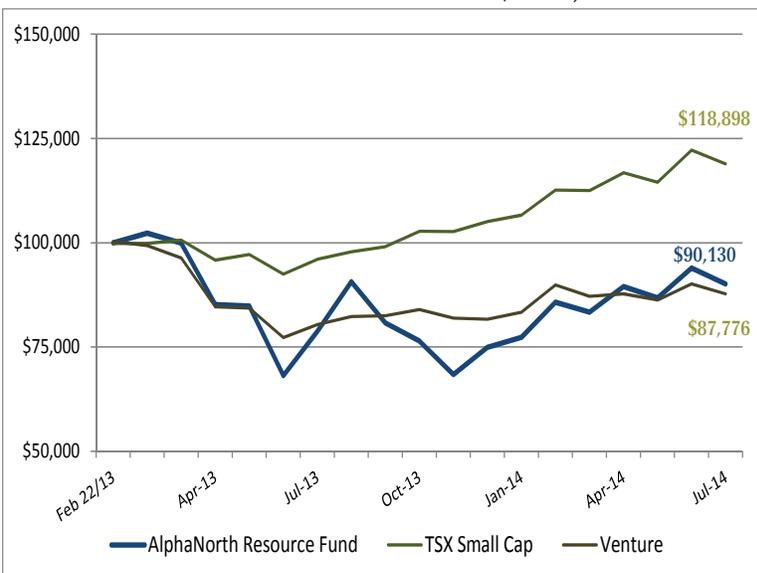
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

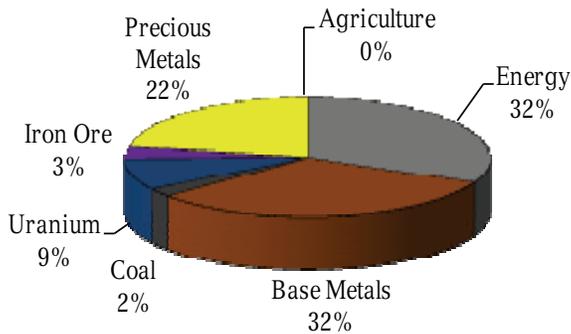
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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%)	8.2%	(4.1%)						20.3%

## 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 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.