



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Resource Fund

August 2014

NAV  
Series A (ANF020) \$10.469  
Series B (ANF040) \$10.492  
Series F (ANF021) \$10.639

**Fund Review** The Fund performance was 16.2% in August. This compares to the TSX Venture index return of 2.2% and the TSX Small Cap index return of 2.3%. We are pleased that junior resources are recovering as we anticipated and the Fund performance reflects this. We believe the resource recovery to be in the early stages and that continued strength will ensue. The escalation of the recovery should translate very favourably in the returns of the Fund. Outperformance relative to the TSX and TSX Venture is a characteristic of the Fund in strong markets.

We had three holdings during the month that performed particularly well. Blackbird Energy (TSXV:BBE) had the biggest positive impact on performance gaining 49% during the month. Despite this sizable increase in share price, we believe the company remains undervalued. The company plans to initiate a drill program in November on its Montney prospective land in Alberta. We believe there is a good chance of success which would be a catalyst for further share price gains.

Nexgen Energy (TSXV:NXE) released further results from their ongoing drill program which is proving to be a new uranium discovery in Saskatchewan. The stock gained 76% during the month. We took advantage of the liquidity, selling the position and realizing a gain of nearly 100% on our investment. We believe that risk/reward is less favourable after the recent price appreciation. We will consider repurchasing if the stock pulls back.

Canada Carbon (TSXV:CCB) was another strong performer, gaining 34% in August. Further positive results from the company's high grade graphite deposit have given investors increased confidence that the deposit is on track to becoming an operating mine.

The Fund has a cash position of 18%. Current sector allocations are as follows: 44% in energy, 34% in base metals, 3% in coal, 0% in uranium, 2% in iron ore, 13% in precious metals and 3% in agriculture.

**Outlook** As one would expect following an event such as the Global Financial Crisis, investor risk aversion has remained high for longer than would otherwise be the case in a normal equity market cycle. The equity market rally was initially driven by the lowest risk components of the index: anything large cap, profitable and paying a dividend. In recent quarters, leadership has transitioned to the technology and life sciences sectors which have performed strongly and offer higher returns over the long term. In recent months, we have noted that sentiment is slowly changing to include the more speculative small cap stocks. The fact that the TSXV bottomed over a year ago and has outperformed the majority of the major equity indices worldwide on a year to date basis illustrates this point. Despite this modest improvement in the Canadian small cap space, many small cap stocks have not responded favourably to positive news events. This has been frustrating for both management and investors. We expect returns to become more broad based as the number of strong performers grows. It is interesting to note that the Shanghai Stock Exchange Composite which has traded in a similar pattern to the TSXV over the past decade has recently broken out to new short term highs. The data points continue to accumulate to support our view that Canadian small cap equities are poised for a substantial move higher.



Regards,

Steven Palmer, CFA  
President and CEO

### Monthly Performance (Series A)\*

	August	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	16.2%	39.7%	22.1%	15.5%	-	3.1%	4.7%
S&P/TSX Venture	2.2%	9.9%	5.3%	9.2%	-	(8.3%)	(12.5%)
S&P/TSX Small Cap	2.3%	21.8%	8.0%	24.3%	-	13.9%	21.8%

### 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:

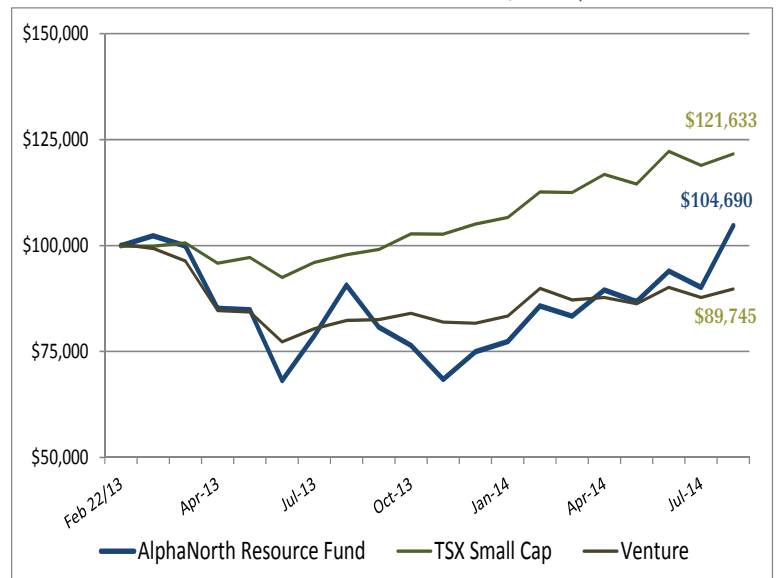
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

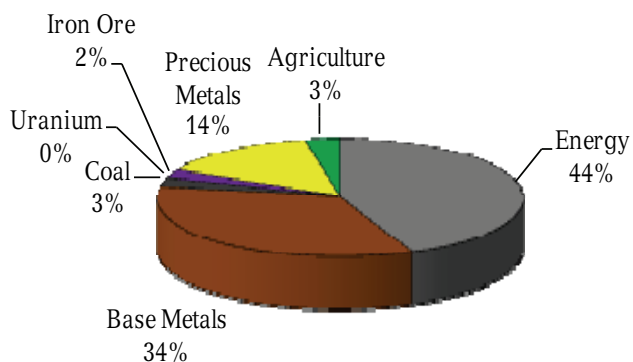
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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%)	16.2%					39.7%

## 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.