



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Resource Fund

September 2014

NAV
Series A (ANF020) \$9.572
Series B (ANF040) \$9.593
Series F (ANF021) \$9.735

Fund Review The Fund performance was (8.6%) in September. This compares to the TSX Venture index return of (11.2%) and the TSX Small Cap index return of (9.6%).

The resource space has taken a beating for some time now. The month of September was particularly bad for oil prices as supply outstripped demand and negative sentiment prompted a selloff in the energy sector. There was also softness in the materials sector, which paralleled the general market weakness over the month. Investors continue to be in a "risk-off" state of mind, which has prolonged the negative sentiment towards commodities.

In the past, the US Dollar has typically been a good indicator of where commodity prices will head going forward. A weakening USD is typically correlated with positive price momentum for commodities. Recently, the USD nearly reached its 5 year high set in 2009. We believe that the price of the USD is now very stretched. At the time of writing, the USD has started to decline from recent highs and metals prices, in particular, have reacted positively. We believe this momentum will continue and we expect resource equities to garner more market attention. In the near term, we favour base and precious metals over the energy space as a function of expected USD weakness. Near term uncertainty in oil and gas prices will likely weigh on the energy sector in the short term.

In light of our outlook for the resource space, we have increased our exposure to precious metals equities and taken profit in one of our better performing energy names.

The Fund is fully invested. Current sector allocations are as follows: 51% in energy, 25% in base metals, 2% in coal, 2% in iron ore and 20% in precious metals.

Outlook Strong U.S. economic data in September relative to the G7 resulted in a dramatic spike higher in the U.S. dollar. The repercussions of this were far-reaching as they negatively impacted commodity prices which generally declined during the month. This was a significant catalyst for prompting a decline in Canadian equities. At the time of writing, this correction has continued into October resulting in a more than 10% decline. Many investors have been on the sidelines waiting for such a correction for some time. Junior equities, as reflected by the TSX Venture index (TSXV), have been more severely impacted. We believe the US dollar strength is very overextended and will decline versus other major currencies. This should coincide with a significant low for the TSX Venture index which historically has been highly inversely correlated to the USD.

We view the recent equity market decline as a healthy correction within a secular bull market for large cap equities. The lack of participation in this bull market to date by the TSXV has proven to be very frustrating. Identifying the bottom for the TSXV has been elusive. However, we believe the evidence is building in support of our view that the current period of capitulation will mark a major low for the TSXV. The broad correction in equity markets sets the stage for a potential strong rebound over what is seasonally a strong period from December to May. **The severe magnitude and prolonged period of decline (3.5 years and 68% decline) for the TSX Venture will inevitably provide the basis for a powerful bull cycle.**



Regards,

Steven Palmer, CFA
President and CEO

Monthly Performance (Series A)*

	September	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	(8.6%)	27.7%	14.8%	18.5%	-	(2.7%)	(4.3%)
S&P/TSX Venture	(11.2%)	(2.4%)	5.3%	9.2%	-	(8.3%)	(12.5%)
S&P/TSX Small Cap	(9.6%)	10.2%	(2.2%)	11.0%	-	6.2%	10.2%

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:

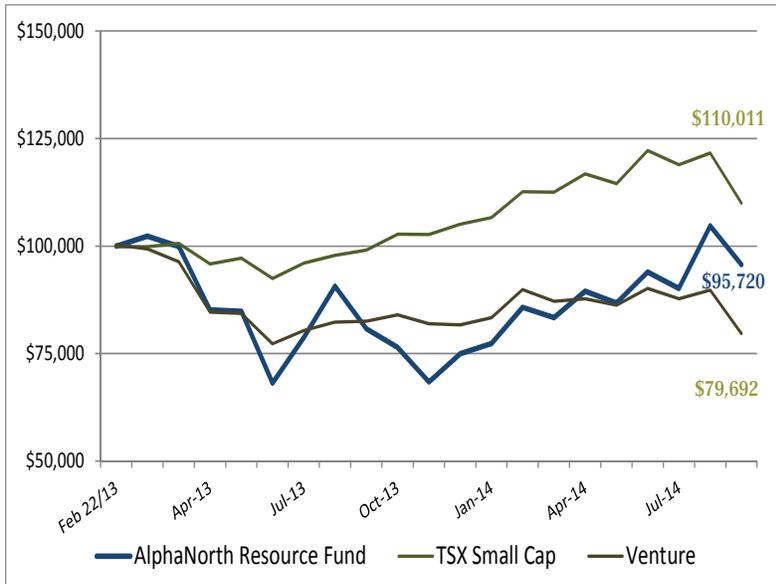
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

TAX-DEFERRED SWITCHING BETWEEN FUNDS:

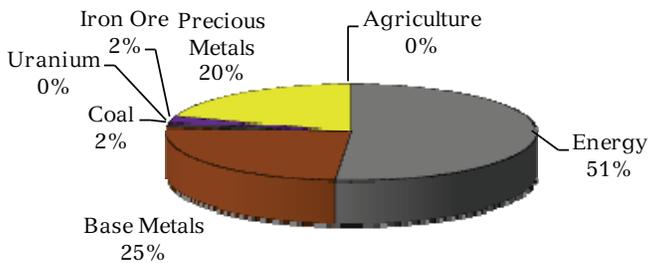
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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%	(4.1%)	16.2%	(8.6%)				27.7%

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. 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.