



**AlphaNorth**  
Asset Management

# FUND COMMENTARY

## AlphaNorth Resource Fund

November 2014

NAV  
Series A (ANF020) \$7.195  
Series B (ANF040) \$7.210  
Series F (ANF021) \$7.329

**Fund Review** The Fund performance was (10.2%) in November. This compares to the TSX Venture index return of (3.6%) and the TSX Small Cap index return of (0.4%).

The big news in the resource sector in recent weeks has been the rapid decline in oil prices. This has caught most investors off guard. Although, we were cautious on the energy sector as we mentioned in last month's commentary, we were surprised by the magnitude and swiftness of the decline. We are not aware of anyone who accurately predicted this outcome. This has had an immediate impact on energy companies. Analysts have been prompted to revise forecasts lower and companies have cut dividends which will inevitably result in 2015 capital expenditures being significantly reduced. Fortunately, we have little exposure to energy companies that are reliant on oil prices as a primary driver of their valuation. We have focused on gas weighted names and catalyst driven stories where we expect that the positive nature of a discovery can overwhelm the offsetting weakness of the lower oil price. Interestingly, natural gas was minimally positive on the month, though it has pulled back since the end of November. We are more constructive on natural gas over the coming months as it is predicted to be another harsh winter.

Performance was negatively impacted during the month by a pullback in Blackbird Energy (TSXV:BB1) after recent strong performance. We expect this to be short term in nature as we believe that exploration results of two wells in Q1/15 could be a large positive catalyst.

Current sector allocations are as follows: 49% in energy, 28% in base metals, 2% in coal, 2% in iron ore and 19% in precious metals.

**Outlook** Our previous calls for a bottom in the TSX Venture have been premature and particularly frustrating in the context of the general strength in the broader equity markets worldwide over the past year. This disconnect has been exacerbated in recent weeks by another round of tax loss selling which has taken the TSXV to fresh all time lows at the time of writing. Although it is disappointing to see another leg down for the TSXV, which has now declined by 36% since August, we are encouraged that the recent capitulation in many junior names comes at a time of year when major market lows for small cap equities often occur. The lows set in previous cycles were made in December (notably 1991, 1994, 1999, 2002 and 2008). It is important to note that in each of these prior situations, junior stocks rallied by a minimum of 100%. Seasonally, the three months of December through February are the strongest for Canadian small caps. Returns over this period have been positive 80% of the time since 1982 and have averaged returns of 9.3%. We believe that the odds of positive returns are particularly likely given the strong negative returns leading up to this period which has reset valuations to extremely low levels. The current macro environment is far better than it was in December 2008 yet sentiment and level of the TSXV are worse. We believe that this disconnect cannot continue indefinitely.



Regards,

Steven Palmer, CFA  
President and CEO

### Monthly Performance (Series A)\*

	November	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	(10.2%)	(4.0%)	(17.1%)	5.2%	-	(17.1%)	(10.2%)
S&P/TSX Venture	(3.6%)	(20.4%)	(24.6%)	(20.6%)	-	(20.2%)	(32.8%)
S&P/TSX Small Cap	(0.4%)	0.5%	(12.4%)	(2.3%)	-	0.2%	0.5%

### 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:

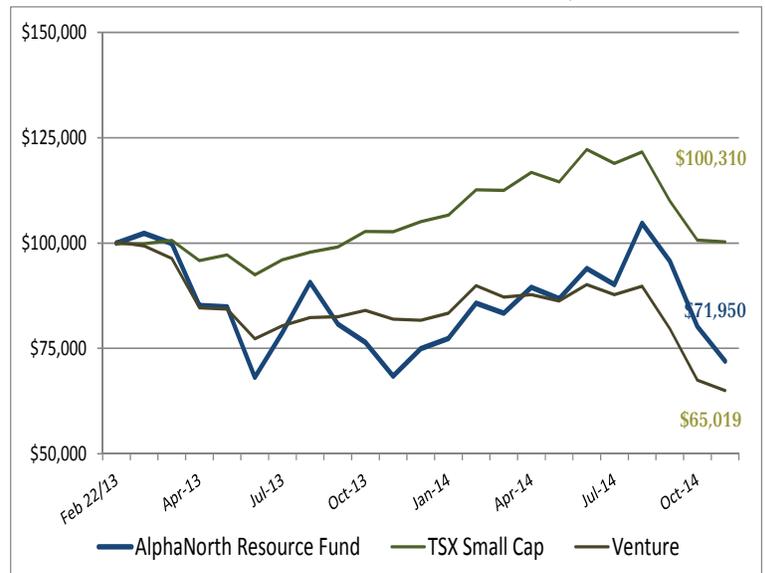
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

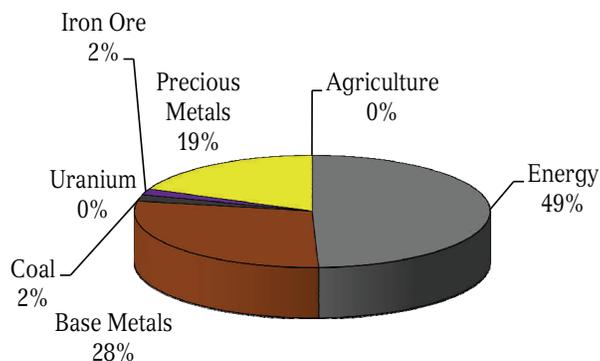
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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%	(8.6%)	(16.3%)	(10.2%)		(4.0%)

## 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.