



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Resource Fund

December 2014

NAV
Series A (ANF020) \$5.774
Series B (ANF040) \$5.785
Series F (ANF021) \$5.886

Fund Review The Fund performance was (19.8%) in December. This compares to the TSX Venture index return of (6.3%) and the TSX Small Cap index return of (0.7%).

Resource stocks continued to move lower and were materially impacted by weak energy prices, particularly natural gas which sold off due to the warmer winter that we have been seeing thus far. Oil prices hit multi-year lows as well, fueled by high inventory levels, increased production, and competitive pricing pressure. In December alone, WTI decreased almost 19%, while Henry-Hub natural gas prices were down a whopping 29.5%. We remain more positive on the natural gas space than oil, as we believe that we will need to see a major change in supply/demand fundamentals to really drive sustainable increase in oil prices. In the near term, this seems unlikely.

On the materials side, precious metals prices were relatively unchanged. The base metals continued to slide and copper recently reached a five year low. We believe that a trend reversal in the USD will be an important catalyst for the resource space, although this is taking longer than anticipated. The supply/demand fundamentals are supportive of higher base metals prices in the long term due to anticipated deficits in several of the base metals.

Last month we saw quite a bit of pressure on Sanatana Resources (TSXV:STA). This was mostly as a result of a major shareholder selling its position in the name. We are not concerned about the operations of the company. In fact, management has been buying stock in response to this price move. The company is currently in legal proceedings with IAMGOLD over an asset in Ontario, and we believe that Sanatana will win this dispute in the coming months. This will be a major catalyst for the company and should create significant value for shareholders. One of our recent top performers, Blackbird Energy (TSXV:BBE), gave up some gains which negatively impacted performance in December.

Outlook The month of December marked the all-time low for the TSX Venture index (TSXV) which has lost 80% of its value since its all-time high in 2007. During 2014, the TSXV decreased 25.4%. This has been very frustrating for us given the worldwide bull market in equities that has prevailed over the past several years. However, we have recently experienced a slight rebound as we enter what has historically been a seasonally strong period for Canadian small cap equities. The latest challenge for junior markets has been precipitated by the dramatic decline in oil prices which have caught investors offguard and has caused another blow to investor confidence. In this instance, it has not only been the small cap energy names which have suffered but the mid and large cap energy companies have also experienced dramatic declines.

Attempts to call the bottom for Canadian junior equities have been elusive. However, in the context of an 80% decline in the TSXV over the past 7 years we believe better times for the TSXV are near. Given the extent of the decline in both magnitude and time, the coming rally will be greatly rewarding to resilient investors who are positioned early.



Regards,

Steven Palmer, CFA
President and CEO

Monthly Performance (Series A)*

	December	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	(19.8%)	(22.9%)	(38.5%)	(22.9%)	-	(25.9%)	(42.3%)
S&P/TSX Venture	(6.3%)	(25.4%)	(32.4%)	(25.4%)	-	(23.7%)	(39.2%)
S&P/TSX Small Cap	(0.7%)	(0.3%)	(18.5%)	(0.3%)	-	(0.2%)	(0.2%)

Key Reasons to Own This Fund

PROVEN LONG TERM PERFORMANCE:

- ◆ Management team has a 16 year track record of generating industry leading returns (24%+ annualized)**

CAPITALIZE ON THE GROWING GLOBAL DEMAND FOR RESOURCES:

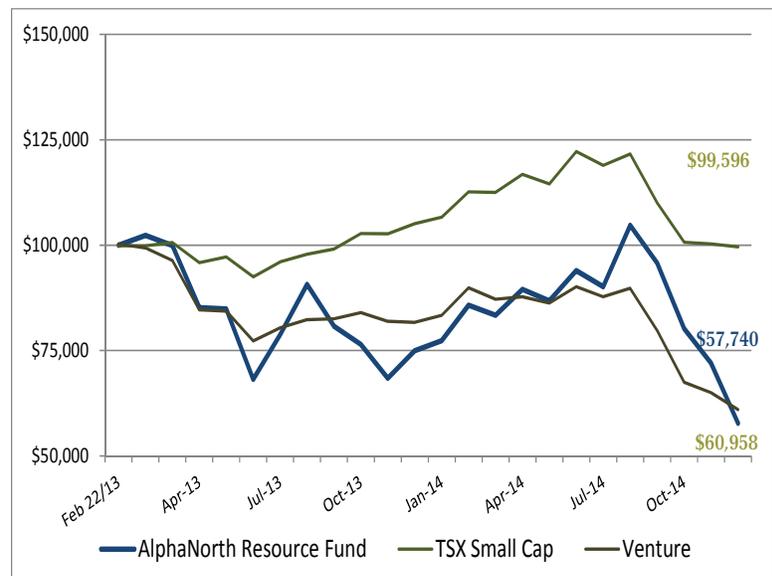
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

TAX-DEFERRED SWITCHING BETWEEN FUNDS:

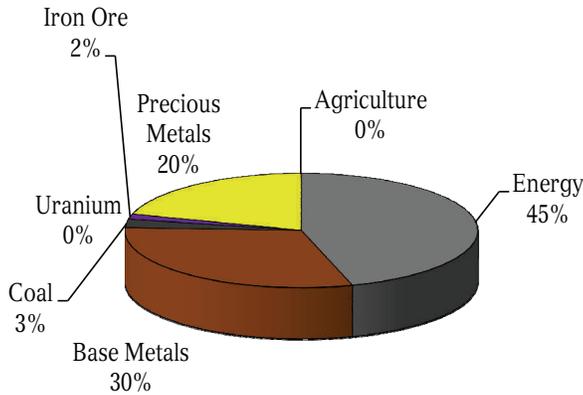
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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%)	(16.3%)	(10.2%)	(19.8%)	(22.9%)

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.