



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

January 2015

NAV  
Series A (ANF010) \$3.021  
Series F (ANF011) \$3.102

**Fund Review** The Fund returned (9.3%) in January. This compared to (2.7%) for the TSX Venture and 0.6% for the TSX Total Return index.

Unfortunately there was some downward pressure on a few of our core names this month, driven both by the macro environment and by stock specific factors. We believe that one of our holdings may have been affected by a group of shareholders who were released from a lock up last month. Our conviction in the name remains strong and we feel that the stock is grossly undervalued at the moment. In a recent call with the company, it expressed that it is still on track to triple unit sales by the end of their fiscal year due to the expansion of its product line over the past few months.

Painted Pony is a name of ours that was quite negatively affected by the negative natural gas sentiment. The company has a large amount of room on their credit facilities and we consider its risk/reward profile to be more attractive than its peers. The company continues to deliver strong production results and we are confident that it can maintain a healthy balance sheet while we are in a difficult pricing environment and it will have the flexibility to ramp up quickly in the event of a turnaround in prices.

Looking towards the rest of the year, we are excited about the potential of our core holdings, and expect to be able to share positive news on some of these names in the near term. We have started to see a rebound in the small cap space over the past weeks and we expect our names to follow suit.

We continue to have no major sector biases. The current sector mix is comprised of 38% in technology, 0% in health care, 3% in financials, 22% in consumer discretionary, 22% in energy and 12% in materials.

**Outlook** January was a volatile month for North American equity markets. This was largely driven by the uncertainty in the resource space centered around weaker oil and natural gas prices. Excluding energy, Q4/14 earnings have been robust for both the S&P 500 and TSX. The 2015 earnings estimates for the TSX have been greatly impacted by the nearly 50% reduction in earnings forecast for the energy sector. We expect this to have some offsetting benefits to other sectors. In our view, it is unlikely that oil and natural gas prices will remain at current depressed prices for the long term. Investors always overreact and we believe that it will be no different this time. Looking forward, it is likely that earnings revisions will be positive for the energy sector. We continue to have a positive outlook for the broader equity markets. This is largely predicated on the favourable interest rate environment which should persist for the foreseeable future due to subdued inflationary pressures and the increasing growth rate of the global economy. These are supportive of continued strength in equities.

In previous commentaries, we have predicted that Canadian equities would start to outperform after a long period of underperformance versus the major U.S. indices. In 2015, this has been the experience to date. Although this performance has been over a short period of time, we are optimistic that this will continue and that the Canadian small cap stocks will also perform well.



Regards,

Steven Palmer, CFA  
President and CEO

### Performance (as of January 31, 2015)

	January	YTD	1 Year	2 Year	3 Year	Inception	Cumulative
AlphaNorth Growth	(9.3%)	(9.3%)	(43.1%)	(32.1%)	(31.1%)	(28.4%)	(69.8%)
S&P/TSX Venture	(2.7%)	(2.7%)	(28.9%)	(25.6%)	(25.4%)	(25.9%)	(66.8%)
S&P/TSX Composite TRI	0.6%	0.6%	10.3%	10.4%	8.9%	6.6%	21.3%

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 16 year track record of generating industry leading returns (21%+ annualized)\*\*

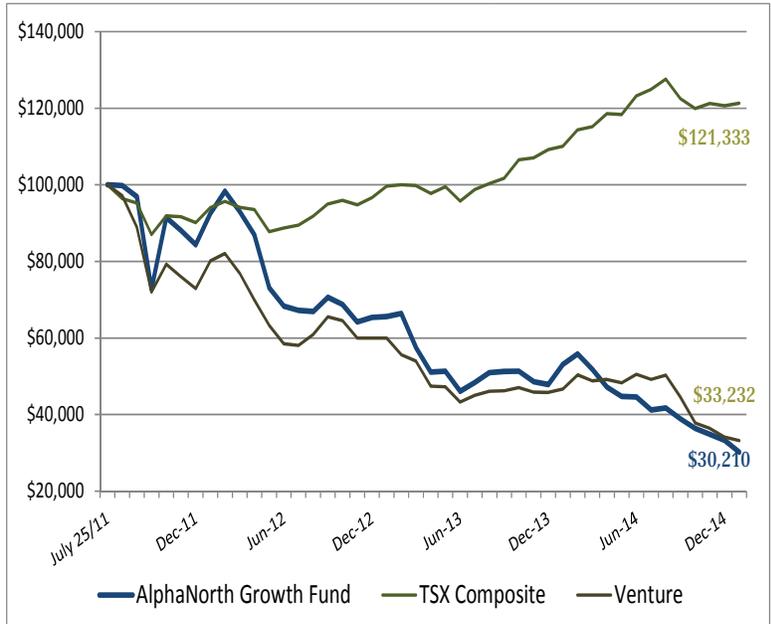
#### DIVERSIFICATION THROUGH SMALL/MID CAP:

- AlphaNorth Growth Fund is well diversified across the resource, technology and life sciences sectors

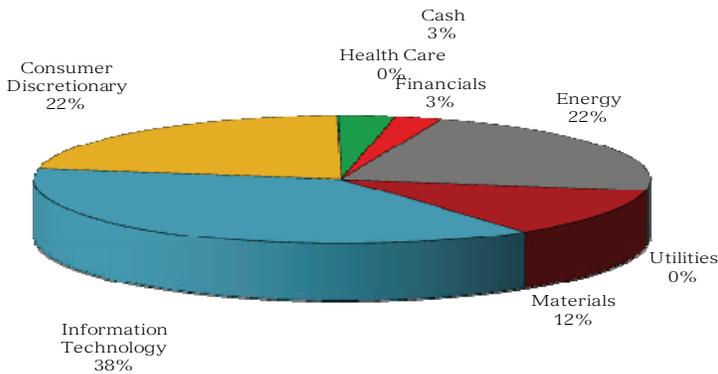
#### ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

- Complements any investment portfolio and greatly enhances wealth accumulation over the long term

### Growth of Initial Investment \$100,000



## Current Sector Allocation



## Fund Information

<b>Lead Manager:</b>	Steven Palmer
<b>Inception:</b>	July 25, 2011
<b>Fund Codes:</b>	Series A - ANF010 / Series F - ANF011
<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
<b>Management Fee:</b>	2%
<b>Performance Fee:</b>	20% above TSX return High water mark (no reset)
<b>Trailer:</b>	1% (Series A only)
<b>Auditor:</b>	Deloitte & Touche LLP
<b>Administration:</b>	State Street & IFDS
<b>Legal:</b>	Stikeman Elliott LLP
<b>Fund Assets:</b>	\$3 million
<b>Account Enquiries:</b>	1-877-506-8122
<b>Sales Contact:</b>	Steve Palmer 416-483-4448 info@alphanorthasset.com

## Monthly Performance\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011							(0.2%)	(2.9%)	(24.9%)	25.7%	(3.7%)	(4.3%)	(15.7%)
2012	9.7%	6.3%	(5.4%)	(6.5%)	(15.9%)	(6.6%)	(1.6%)	(0.5%)	5.6%	(2.6%)	(6.7%)	1.8%	(22.5%)
2013	0.4%	1.3%	(13.3%)	(11.2%)	0.4%	(10.2%)	5.0%	5.3%	0.6%	0.2%	(5.4%)	(1.5%)	(26.8%)
2014	11.0%	5.2%	(7.2%)	(8.9%)	(5.2%)	(0.3%)	(7.7%)	1.3%	(6.8%)	(6.5%)	(4.2%)	(4.5%)	(30.4%)
2015	(9.3%)												(9.3%)

## Investment Strategy

The **AlphaNorth Growth Fund** (the "Fund") is an **open-ended mutual fund** focusing primarily on Canadian small to mid-capitalization equities, between \$100 million and \$5 billion market capitalization. The Fund employs a similar style and investment methodology as the highly successful AlphaNorth Partners Fund. The Fund's investment objective is to maximize returns over the long term through superior selection of principally Canadian securities. 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, 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 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 Growth 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 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 inception date is July 25, 2011. \*\*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.