



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Resource Fund

January 2015

NAV
Series A (ANF020) \$6.524
Series B (ANF040) \$6.536
Series F (ANF021) \$6.656

Fund Review The Fund performance was 13.0% in January. This compares to the TSX Venture index return of (2.7%) and the TSX Small Cap index return of (0.3%).

Energy prices once again dropped in January on the back of poor supply side fundamentals. The hit that the oil and gas space took added downward pressure to Canadian markets. In particular, employment and housing numbers have particularly suffered in the west due to weak energy prices, leading the Bank of Canada to issue a more cautious outlook on GDP and to cut rates by 0.25%. Low energy prices have had a cascading effect on capex programs, labour, wages, and energy service margins. We believe that we will not see plans to increase production and capital programs until oil prices have stabilized above \$60/barrel. Recent price action indicates to us that oil prices have likely bottomed. The portfolio is heavily weighted towards energy companies that we believe have strong near term catalysts.

We have been correct over the past months in holding a cautious stance on energy and moving more into precious metal equities. Gold and silver prices lifted nicely over the month, which drove a strong amount of deal flow into the markets. Gold companies have not had many windows of opportunity to raise equity in the past couple of years. We believe that the recent investment has been encouraging although it may be temporary in nature. The volatility of the gold price has created more of a trading opportunity than a long term focus for us at the moment. Overall, we believe that resources have bottomed and we are becoming more constructive in the base metals space. Technicals indicate that copper is poised for an uptrend and nickel and zinc markets are heading into supply deficits.

Current sector allocations are as follows: 47% in energy, 28% in base metals, 2% in coal, 2% in iron ore and 21% in precious metals.

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
Steven Palmer, CFA
President and CEO

Monthly Performance (Series A)*

	January	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	13.0%	13.0%	(27.6%)	(15.6%)	(19.2%)	(19.2%)	(34.8%)
S&P/TSX Venture	(2.7%)	(2.7%)	(32.4%)	(28.9%)	(25.6%)	(25.6%)	(39.2%)
S&P/TSX Small Cap	0.3%	0.3%	(16.0%)	(6.3%)	0.0%	0.0%	0.1%

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)**

CAPITALIZE ON THE GROWING GLOBAL DEMAND FOR RESOURCES:

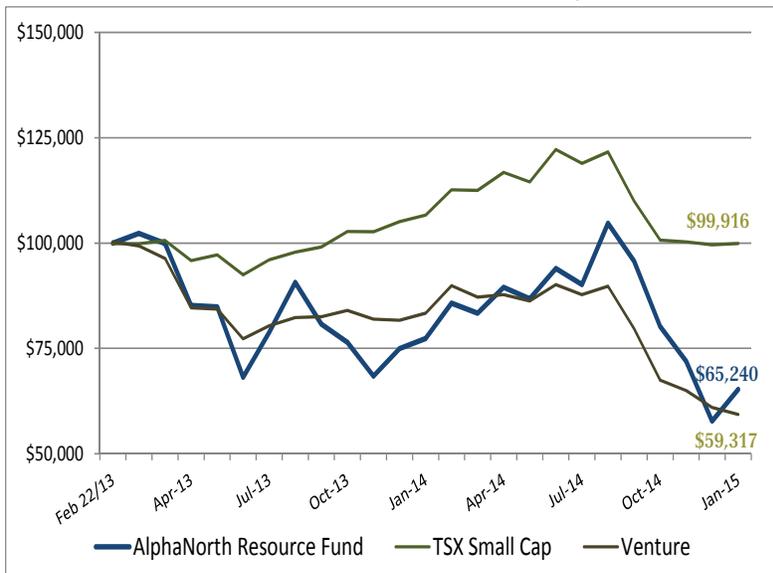
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

TAX-DEFERRED SWITCHING BETWEEN FUNDS:

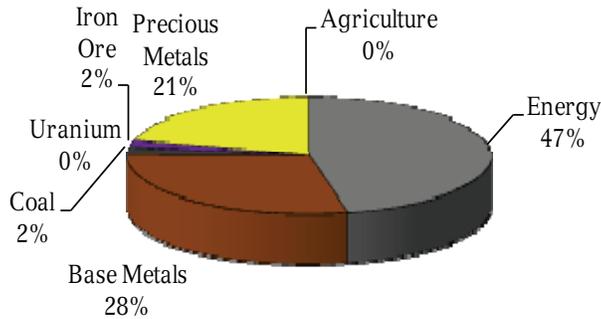
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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:	Steve Palmer 416-488-4448

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%)
2015	13.0%												13.0%

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. 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.