



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

July 2015

NAV  
Series A (ANF010) \$2.481  
Series F (ANF011) \$2.562

**Fund Review** The Fund returned (14.5%) in July. This compared to (11.5%) for the TSX Venture and (0.3%) for the TSX Total Return index.

Indiscriminate selling of Canadian small cap equities in recent weeks continued to negatively impact the portfolio. In several cases, companies have recently raised money in oversubscribed financings only to see their share prices plummet to new lows shortly thereafter. This has nothing to do with fundamentals and we have found it very frustrating. Our bottom-up analysis is based on company fundamentals and it is frustrating at these times when there is a disconnect between fundamentals and share prices. Fortunately, we have learned over the years that fundamentals prevail over the longer term and we have confidence this will prove to be the case for our holdings.

Our largest position in the Fund, Committed Capital Acquisition Corp. (OTCBB:CCAQU) continues to trade at a discount to cash value. The company has approximately US\$40 million in cash and has been evaluating potential acquisition candidates. If a suitable acquisition is not found by next April, these funds will be returned to shareholders as per the terms of the financing agreement completed in April 2014. This position provides a strong risk/reward payoff as we are protected on the downside (as cash is more than the current share price) while maintaining strong upside potential with warrants.

Financing activity has dried up over the past several weeks. This is a function of the poor market conditions and summer holiday schedules.

The current sector mix is comprised of 47% in technology, 0% in health care, 0% in financials, 31% in consumer discretionary, 10% in energy and 12% in materials.

**Outlook** China's devaluing of the Yuan has created considerable distress in the global markets which has exacerbated the view that the world's second largest economy is at risk of a significant slowdown. While a slowdown in the Chinese economy is inevitable, it is unrealistic to expect 10% growth indefinitely. China is in a period of transition and has begun employing monetary and fiscal initiatives in order to maintain growth in the 7% range. It is important to note that this growth is on a much higher base. Although the Chinese economy may be slowing, other major economies are showing improving growth and are projecting improved outlooks. With the Greece debt crisis abating, Euro zone activity is gaining momentum. India is posting strong growth rates. The U.S. economy started slow, but it has been showing signs of momentum. Canada has faced challenges all year especially to its resource and energy sectors, but it is also demonstrating signs of growth and optimism. The weaker Canadian dollar should help balance the negative effects of the energy sector and positively impact Canadian exports. Borrowing costs remain at record lows which are supportive for the economy and improve consumer purchasing power. In light of these facts, we see encouraging signs for Canada and the global economy.

In terms of AlphaNorth's strategy, it is important to understand that the Canadian junior market goes through volatile cycles. Identifying the peaks and troughs before they happen cannot be done with precision. We have experienced a morbid decline in the TSX Venture index since 2011, however, this downturn/bear market is part of the cycle. The current bear cycle has been unprecedented in time (4.5 years) and magnitude (-75%) that we admit we did not anticipate. Typically, bear market cycles last 2 years or more and result in declines of 70-80%, which is where we are today. These bear markets are always followed by bull markets lasting 2 years or more and have historically returned



150-350% (see accompanying Canaccord chart). AlphaNorth's strategy is well positioned to benefit when the cycle changes. We invite anyone to discuss in detail our outlook and the reasons for our conviction, so please feel free to contact any member of our team.

Regards,  
Steven Palmer, CFA

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

	July	YTD	1 Year	2 Year	3 Year	Inception	Cumulative
AlphaNorth Growth	(14.5%)	(25.5%)	(39.8%)	(28.4%)	(28.3%)	(28.9%)	(75.2%)
S&P/TSX Venture	(11.5%)	(14.6%)	(40.7%)	(19.5%)	(20.5%)	(25.5%)	(70.8%)
S&P/TSX Composite TRI	(0.3%)	0.6%	(2.9%)	10.8%	10.7%	5.8%	21.4%

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 16.6 year track record of generating industry leading returns (20%+ annualized)\*\*

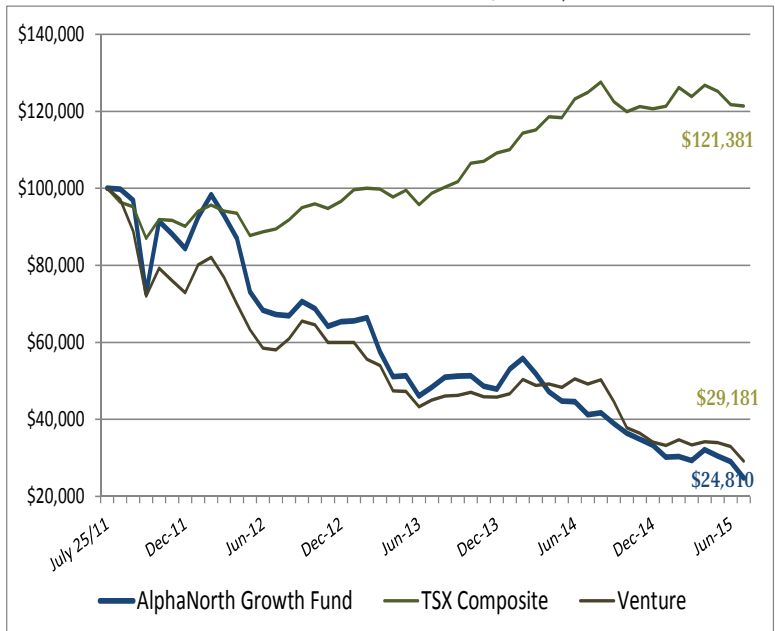
#### DIVERSIFICATION THROUGH SMALL/MID CAP:

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

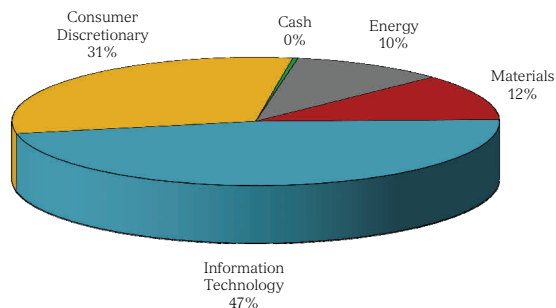
#### ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

- 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%)	0.5%	(3.5%)	9.7%	(5.1%)	(4.9%)	(14.5%)						(25.5%)

## 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.

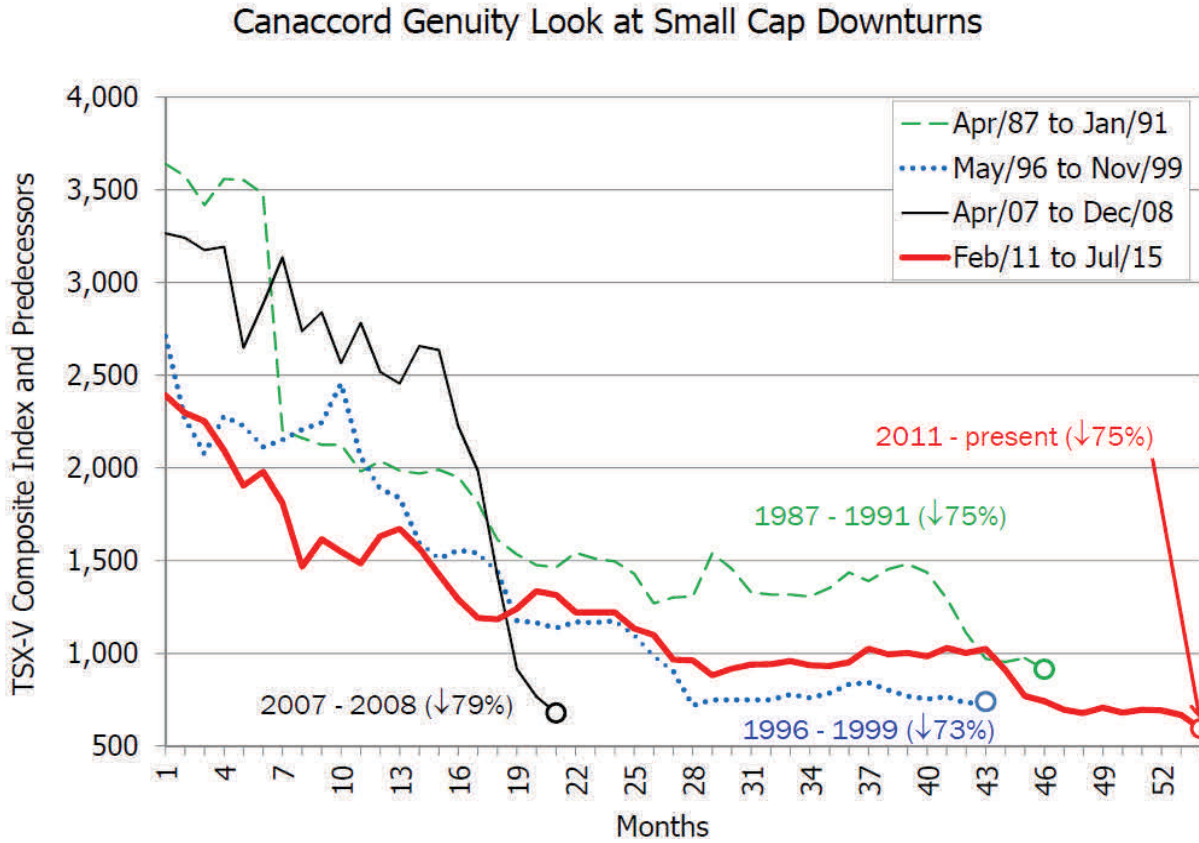
**Joey Javier** is Vice President and Secretary of AlphaNorth Asset Management. Mr. Javier started his career in the investment industry in 1997 as an Equity Trader for one of the world's largest financial institutions where he worked together with Mr. Palmer as the equity team. Mr. Javier was responsible 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.

**Peak to trough corrections for the S&P/TSX Venture composite and predecessor indices over the past several decades (Figure 1) followed by trough to peak resurrections (Figure 2)**

**Figure 1**



**Figure 2**

