

**Fund Review** The Fund performance was (15.3%) in July. This compares to the TSX Venture index return of (11.5%) and the TSX Small Cap index return of (6.8%).

Pressure on resource equities persisted in July as commodity prices moved lower. The price of oil retraced the gains it made in the spring and metals were also lower on the month. We are not surprised by the negative movement in oil pricing and our initiative to reduce our energy weightings when oil was trading above \$50 proved timely. The energy positions that we held onto did weaken over the month, however at this time the crude price does look to be bottoming and we will be increasing our weighting in energy in the near term. We continue to hold Sintana Energy (TSXV:SEI) which recently combined with Mobius Resources. The company is in the process of drilling a well with Exxon Mobil in Colombia. Management recently provided a positive operational update, acknowledging the presence of hydrocarbons in the conventional zone that the company has a 100% interest in. Sintana owns 30% of the unconventional zone that Exxon is drilling and we expect to receive drilling results shortly. Another holding, Blackbird Energy (TSX-V:BBI), struggled to perform this month largely due to macro factors negatively impacting sentiment on the energy space. We believe there is minimum downside to this name as the company holds a \$24M cash position, which now makes up more than half of its market cap.

We remain excited about the prospects for Canada Carbon (TSXV:CCB), a leader in the ultra high purity graphite sector. The company is due to release a preliminary economic assessment (PEA) in the near term which we believe will be a significant validation and catalyst to further share price gains. Recent independent validation of strong indicative pricing should bode well for the economics of the project and be reflected in the PEA.

**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  
President and CEO

### Monthly Performance (Series A)\*

	July	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	(15.3%)	0.8%	(10.8%)	(35.4%)	(14.0%)	(19.5%)	(41.8%)
S&P/TSX Venture	(11.5%)	(14.6%)	(12.2%)	(40.7%)	(19.5%)	(23.0%)	(48.1%)
S&P/TSX Small Cap	(6.6%)	(7.0%)	(7.3%)	(22.1%)	(1.8%)	(3.0%)	(7.2%)

### 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)\*\*

#### CAPITALIZE ON THE GROWING GLOBAL DEMAND FOR RESOURCES:

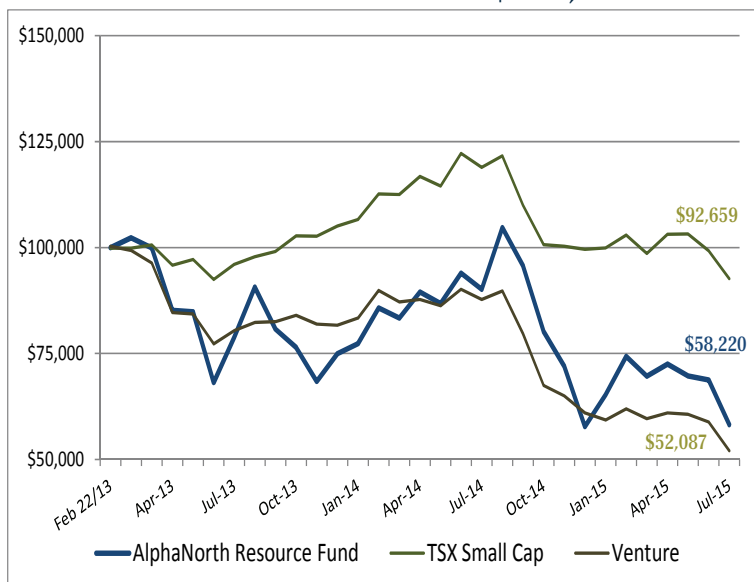
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

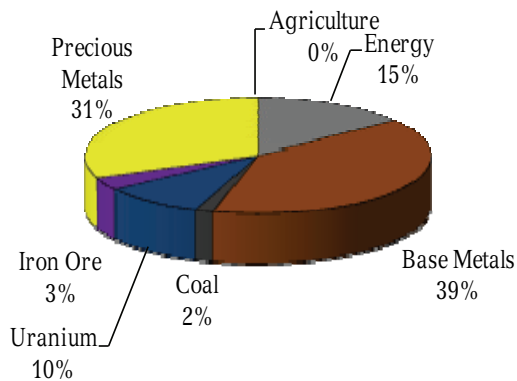
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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>	\$2 million
<b>Account Enquiries:</b>	1-877-506-8122
<b>Sales and Marketing:</b>	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%	13.9%	(6.3%)	4.1%	(3.8%)	(1.4%)	(15.3%)						0.8%

## 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.

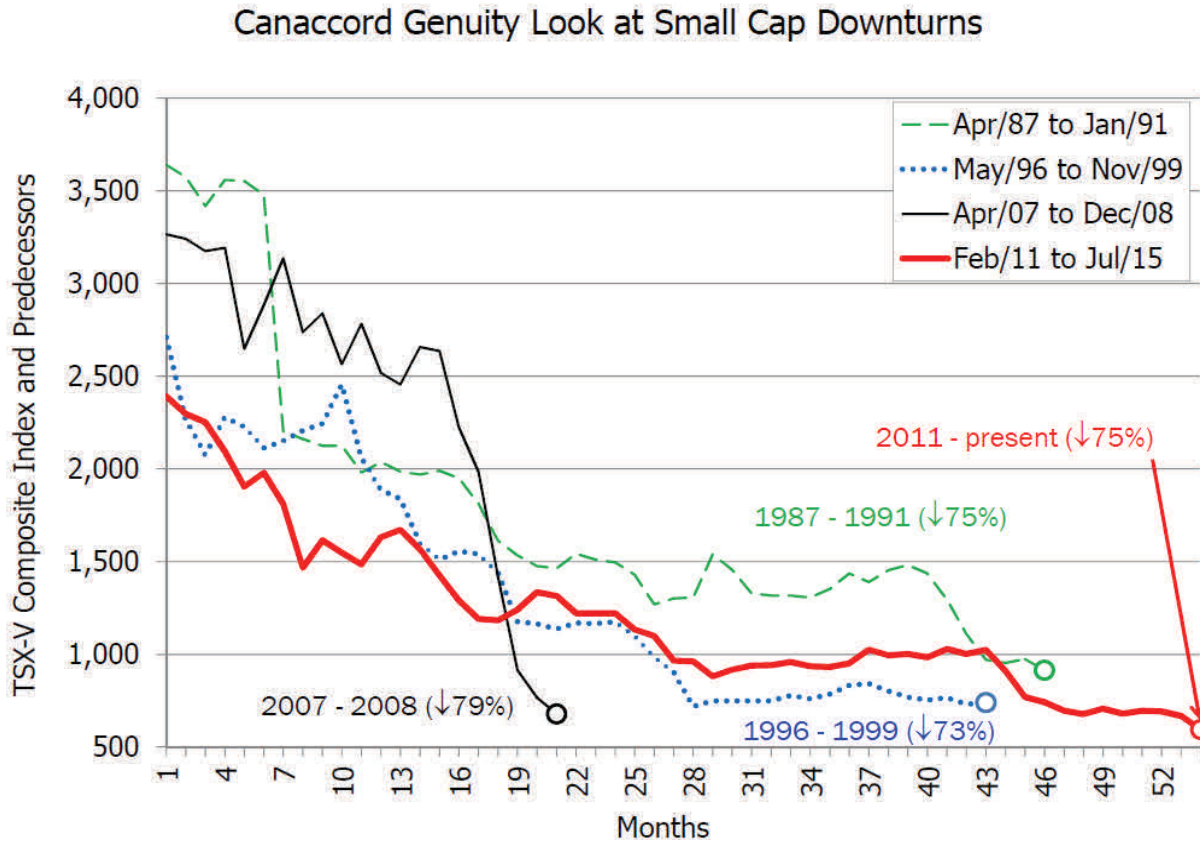
**Joey Javier** is Vice President and Secretary of AlphaNorth Asset Management. Mr. Javier started his career in the investment industry in 1997 as an Equity Trader for one of the world's largest financial institutions where he worked together with Mr. Palmer as the equity team. Mr. Javier was responsible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

**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**

