



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Resource Fund

August 2015

NAV
Series A (ANF020) \$5.552
Series B (ANF040) \$5.562
Series F (ANF021) \$5.697

Fund Review The Fund performance was (4.6%) in August. This compares to the TSX Venture index return of (5.9%) and the TSX Small Cap index return of (2.9%).

Stocks were hit hard this month as a long awaited capitulation event occurred throughout the global markets. Industrial metals were generally lower while gold ended the month slightly higher. The price of oil was knocked down below \$40 before rebounding to almost \$50 by month end. Oil actually managed to end the month up 4.4%, while natural gas prices closed lower. The sharp rebound in oil was due to a combination of factors such as a massive U.S. inventory drawdown, potential Middle-East turmoil and short covering. Hedge funds have recently driven the short position on oil to one of the largest on record, which led to a short squeeze towards the end of the month. We believe that oil prices formed a bottom mid-month. We expect that energy companies will continue to be cautious with their spending and prices will migrate higher to more sustainable levels.

We were a bit early on our call for a rebound in oil prices, however there is certainly a lot of value in the energy sector right now. Energy equities have unjustifiably been trading at discounts to levels they traded at during the 2008 Global Financial Crisis. We added to two energy positions earlier in the month, which initially traded down with the oil price but have started to rebound. Rock Energy (TSX:RE) is a name that we have mentioned previously with high conviction. We sold some of our position based on technicals when the share price rallied along with the oil price earlier this summer. We have recently taken advantage of the sell-off to buy back, given our constructive view on the sector. The company has a solid balance sheet and strong well economics. It is one of the more levered names to energy prices and should perform well in the event that energy prices move higher.

Outlook The volatile market action in August strongly suggests capitulation. Many investors have been waiting for a 10% correction in the broader markets and/or some sort of capitulation selloff before committing new capital to equities. Now that this has occurred, it gives us increased confidence that we are near a major low for the TSX Venture index (TSXV). Another indicator that we follow is the VIX (volatility index). This is a measure of the expected future volatility of the S&P 500 index which is calculated using the implied volatility of real time option prices on the index. Higher expected volatility is a measure of investor fear. Historically, spikes in volatility as measured by the VIX have been associated with major turning points for the broader equity market. In August, the VIX rose above 40, signaling investors were fearful. The last occurrence where the VIX was at similar levels was at the lows in 2011 and coincidentally, it was the time of the last 10%+ correction in equities and in fact marked a major low for the broader market.

The recent equity market capitulation after a 4 year downturn (that has taken the TSXV down 79% from the 2011 peak) fits the major criteria in terms of time and magnitude of previous bear market cycles for the TSXV (refer to chart on page 3). Clearly, the venture market is not going to zero and once the bull cycle commences, it is typically quick and powerful. We have positioned our portfolios with a diverse group of companies which have the potential for significant gains. We remain very excited about the prospects for the Canadian equity market over the next 2-3 years as the bull cycle unfolds and we hope to achieve similar outperformance to what we have achieved in previous bull market cycles.



Regards,

Steven Palmer, CFA
President and CEO

Monthly Performance (Series A)*

	August	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	(4.6%)	(3.8%)	(25.3%)	(47.0%)	(21.7%)	(20.4%)	(44.5%)
S&P/TSX Venture	(5.9%)	(19.6%)	(20.9%)	(45.4%)	(22.8%)	(24.1%)	(51.2%)
S&P/TSX Small Cap	(2.9%)	(9.6%)	(12.6%)	(26.0%)	(4.1%)	(4.0%)	(9.8%)

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:

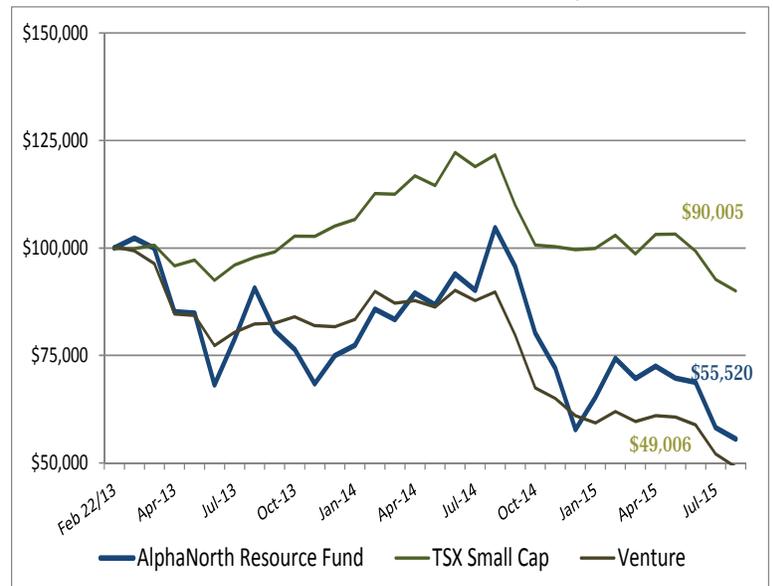
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

TAX-DEFERRED SWITCHING BETWEEN FUNDS:

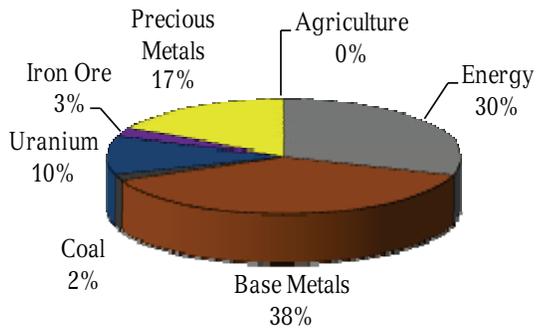
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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

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:	\$2 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%	13.9%	(6.3%)	4.1%	(3.8%)	(1.4%)	(15.3%)	(4.6%)					(3.8%)

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. 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.

Bull and Bear Markets in Canadian Venture Stocks



Return information and months is shown for the TSX Venture Exchange and predecessor exchanges (Vancouver Stock Exchange from Dec 28/84 to Nov 28/99 and Canadian Venture Exchange from Nov 29/99 until renamed on Dec 1/01). Manager Track Record is shown for AlphaNorth Partners Fund Class A net of fees from Dec 2008 to Mar 2011 and for an institutional small cap pooled fund from Sep 1998 to July 2007 gross of fees.