



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

December 2015

NAV  
Series A (ANF010) \$2.038  
Series F (ANF011) \$2.111

**Fund Review** The Fund returned (5.8%) in November. This compared to (3.4%) for the TSX Venture and (0.2%) for the TSX Total Return index.

Junior markets performed poorly in early December before recovering in the last two weeks of the year to increase the string of positive returns over that period to 26 consecutive years. This strong finish to the year quickly reversed course as investor fear over soft economic data and fears of slower growth in China gripped the equity market. The majority of technical indicators which we follow quickly became dramatically oversold in early January. There were few places to hide as even large cap equities and preferred shares declined.

The prospects for our core portfolio names generally declined over this period resulting in even more compelling risk/reward outlooks. It has been very frustrating that we continue to be in a period where company fundamentals are not the primary drivers of share price performance. However, we know from our many years of experience investing in the Canadian small cap space that over the longer term, the fundamentals will prevail.

The current sector mix is comprised of 40% in technology, 0% in health care, 0% in financials, 39% in consumer discretionary, 11% in energy and 10% in materials.

**Outlook** We recently held our 3rd Annual AlphaNorth Capital Conference where 43 companies presented to institutional fund managers, investment advisors and high net worth individuals. The majority of attendee companies were companies which we do not own in the portfolio. This provided a good source of new investment ideas for the fund and an opportunity to get overviews on many new companies and spend time with management. The conference also provided the opportunity to profile some of our portfolio holdings which will benefit from increased investor awareness and liquidity.

The year 2015 marked the fifth consecutive double digit negative year for Canadian small cap equities, taking the TSX Venture index down over 80% from the 2011 peak. We believe the risk/reward opportunity is highly skewed to the upside from current levels and we have positioned the portfolio to capitalize on the inevitable rebound in Canadian small cap equities over the coming months.

Regards,



*Steven Palmer*  
Steven Palmer, CFA  
President and CEO

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

	Dec	YTD	1 Year	2 Year	3 Year	Inception	Cumulative
AlphaNorth Growth	(0.2%)	(38.8%)	(38.8%)	(34.7%)	(32.2%)	(29.8%)	(79.6%)
S&P/TSX Venture	0.4%	(24.4%)	(24.4%)	(24.9%)	(24.5%)	(24.0%)	(74.2%)
S&P/TSX Composite TRI	(3.1%)	(8.3%)	(8.3%)	0.7%	4.6%	3.4%	10.6%

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 17 year track record of generating industry leading returns (17% annualized)\*\*

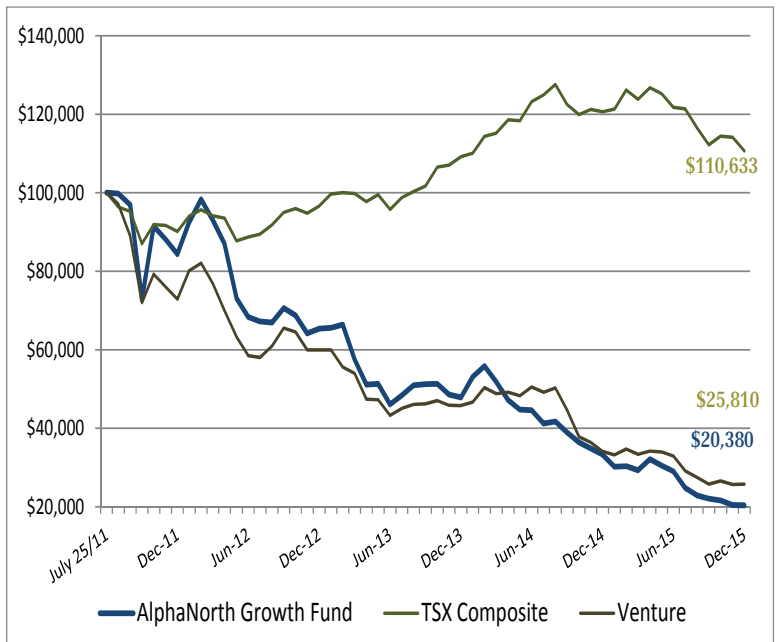
#### DIVERSIFICATION THROUGH SMALL/MID CAP:

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

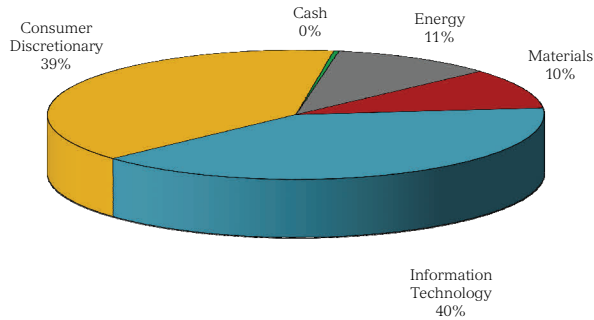
#### ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

- 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%)	(7.8%)	(3.6%)	(1.7%)	(5.8%)	(0.2%)	(38.8%)

## 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.