



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Resource Fund

December 2015

NAV
Series A (ANF020) \$4.753
Series B (ANF040) \$4.762
Series F (ANF021) \$4.893

Fund Review The Fund performance was 2.2% in December. This compares to the TSX Venture index return of 0.4% and the TSX Small Cap index return of (1.9%).

It was another dismal year for the resources in 2015. The collapse of the oil price towards the end of 2014 persisted into 2015, putting a huge strain on equity prices. Natural gas also ended the year on a bad note as supply concerns and a potentially warmer winter presented another headwind for the energy sector. Investors continue to be cautious on energy names in the near term, although we believe that the current depressed energy prices will not hold for the balance of the year.

Even though it had looked like the Canadian dollar was nearing a bottom towards the end of the year, it pushed through a resistance level and traded to almost \$0.68 versus the U.S. dollar. This is a level not seen in nearly 13 years. We have been surprised to see this trend play out in 2015 and into 2016, but believe it is overdone. We believe that a weakening of the US currency will be a catalyst for mining and energy equities to regain traction.

One of the better performing commodities is uranium. Several uranium companies had strong performance in December, as Asian demand has sparked interest in the area. We continue to hold NexGen Energy (TSXV:NXE), which outperformed during the month due to its release of some of the world's best uranium drill results. NXE is best-of-class and we believe that despite the difficult market we've been facing, this company will continue to have support from the market and continue to deliver shareholder value regardless of the macro environment. We expect a major catalyst will be a strong initial resource which is expected by midyear.

Current sector allocations are as follows: 38% in energy, 41% in base metals, 12% in uranium, 2% in coal, 1% in iron ore, 6% in precious metals.

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, CFA
President and CEO

Monthly Performance (Series A)*

	Dec	YTD	6 Month	1 Year	2 Year	Inception	Cumulative
AlphaNorth Resource	2.2%	(17.7%)	(30.9%)	(17.7%)	(20.4%)	(22.5%)	(52.5%)
S&P/TSX Venture	0.4%	(24.4%)	(21.7%)	(24.4%)	(24.9%)	(23.3%)	(54.1%)
S&P/TSX Small Cap	(1.9%)	(15.8%)	(15.5%)	(15.8%)	(10.7%)	(5.9%)	(16.0%)

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)**

CAPITALIZE ON THE GROWING GLOBAL DEMAND FOR RESOURCES:

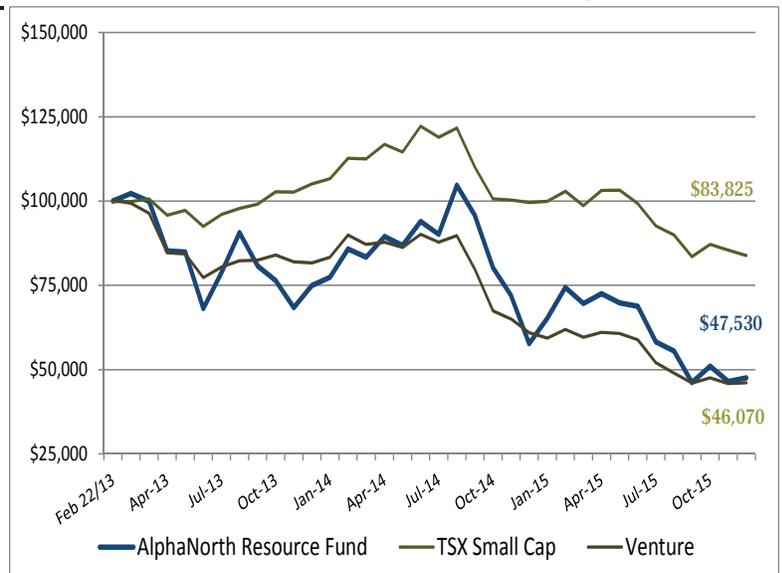
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

TAX-DEFERRED SWITCHING BETWEEN FUNDS:

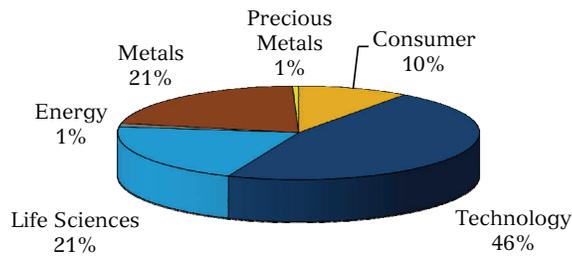
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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%)	(16.8%)	10.4%	(8.8%)	2.2%	(17.7%)

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.