



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

January 2016

NAV  
Series A (ANF010) \$1.880  
Series F (ANF011) \$1.949

**Fund Review** The Fund returned (7.8%) in January. This compared to (5.0%) for the TSX Venture and (1.2%) for the TSX Total Return index.

January was another tough month for Canadian junior markets as the short term strength into the end of the year quickly reversed course.

The Fund holds two investments which trade at a discount to cash value, Committed Capital Acquisition Corp (OTCBB:CCAQU) and Gaming Nation (TSXV:FAN). These positions provide some stability to the portfolio and should rebound once investor fear dissipates. We have highlighted Sintana Energy (TSXV:SEI) in previous commentaries as one of the best opportunities we have seen for a junior international energy company. It was disappointing that the share price declined by 30% in January. The risk/reward opportunity for this company has become even more favourable. Exxon is funding the cost of two wells in order to earn a 70% interest in the company's Columbian project. Exxon has already drilled the first well and indications are positive. However, they have yet to receive permitting to bring in a service rig to complete a well evaluation. It appears that several investors have lost patience given this delay and depressed oil price.

The current sector mix is comprised of 41% in technology, 0% in health care, 0% in financials, 43% in consumer discretionary, 5% in energy and 8% in materials.

**Outlook** Despite what has been a fairly robust earnings season, large cap equity indices worldwide have continued to perform poorly in recent weeks. Investors are piling into fixed income investments, driving yields into negative territory in some cases. We believe this will surely end badly. This is a function of recent investor sentiment, which for U.S. equities has dropped to levels not seen since 2005, according to the American Association of Individual Investors survey (AAII). Sentiment in January, as measured by the percent of bullish respondents, dropped to a lower level than at anytime during the Global Financial Crisis in 2008. This supports our bullish outlook for equities as investor sentiment has proven to be one of the best contrary indicators. The AAII bullish survey has fallen below 20% in 10 previous periods since 1987. In 9 of these occasions, the equity market was substantially higher one year later. This is supportive of Warren Buffet's famous quote, "be greedy when others are fearful".

Notwithstanding the poor equity sentiment readings, recent earnings have been solid outside of the energy sector. According to a recent report by RBC, S&P 500 earnings are tracking towards 4.2% growth year over year excluding energy. As the energy impact dissipates, we expect robust earnings growth in 2016 and 2017. John Aitkens, a top ranked strategist at TD, forecasts TSX earnings growth of 9.0% and 11.8% over the next two years. This provides a strong backdrop for equities. Given the current sentiment and depressed valuations for Canadian small cap equities, we believe the current opportunity presented for investors in this area is exceptional.



Regards,  
Steven Palmer, CFA  
President and CEO

### Performance (as of January 31, 2016)

	Jan	YTD	1 Year	2 Year	3 Year	Inception	Cumulative
AlphaNorth Growth	(7.8%)	(7.8%)	(37.8%)	(40.5%)	(34.1%)	(30.6%)	(81.2%)
S&P/TSX Venture	(5.0%)	(5.0%)	(26.2%)	(27.5%)	(25.8%)	(24.5%)	(75.5%)
S&P/TSX Composite TRI	(1.2%)	(1.2%)	(9.9%)	(0.3%)	3.1%	3.1%	9.3%

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 17.3 year track record of generating industry leading returns (16% annualized)\*\*

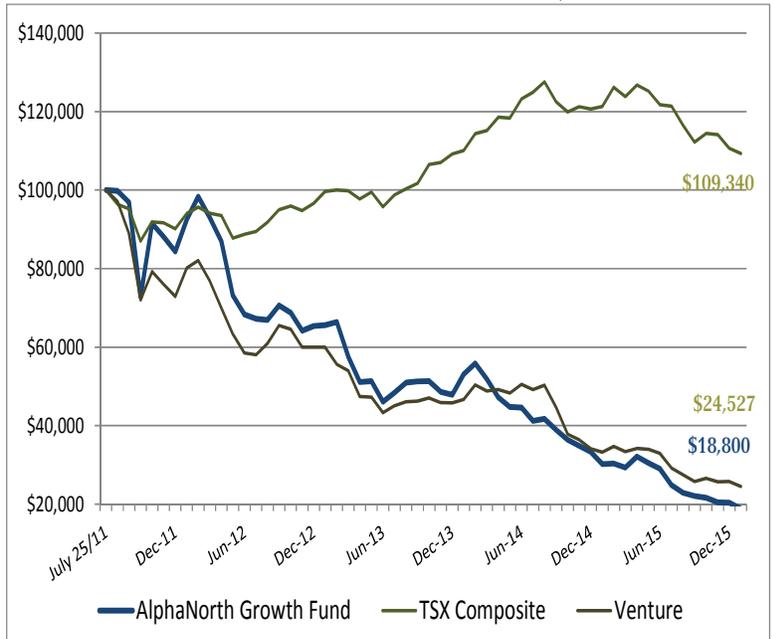
#### DIVERSIFICATION THROUGH SMALL/MID CAP:

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

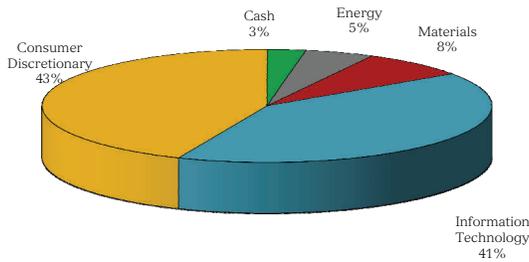
#### ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

- 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>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

## 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%)
2016	(7.8%)												(7.8%)

## 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.