



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

March 2016

NAV  
Series A (ANF010) \$1.768  
Series F (ANF011) \$1.836

**Fund Review** The Fund returned (0.8%) in March. This compared to 7.3% for the TSX Venture and 5.3% for the TSX Total Return index.

We anxiously await the monetization of the Fund's largest position which is expected to occur in April. We have been actively researching ideas to redeploy this cash and have several compelling companies targeted for investment once funds are received.

We have recently added exposure to the energy sector as we believe it has bottomed. Both the energy index and the price of oil have rallied meaningfully off the January lows already.

**Nexgen Energy (TSXV:NXE)** has also been recent addition to the portfolio. This is one of our top resource ideas. Just prior to PDAC, the company announced an initial resource estimate which greatly exceeded expectations in both size and grade. The most recent drilling program will increase the size of the resource and we expect that further drilling could increase the resource meaningfully still. The current drill program is expected to grow the resource as the company steps out from Arrow, the main zone, and in-fill drilling could even further increase the grades. At the time of writing the shares have already doubled.

The current sector mix is comprised of 31% in technology, 6% in health care, 0% in financials, 44% in consumer discretionary, 6% in energy and 10% in materials.

**Outlook** Equity markets have rallied strongly from the correction that unfolded over the latter half of 2015. Many investor sentiment indicators which we highlighted in last months commentary exhibited levels often experienced at major lows for the equity market. It has been our view for some time that Canadian small cap equities, as represented by the TSX Venture index, have been long overdue to outperform. This is finally starting to materialize as the TSX Venture index has been the best performing broad equity index worldwide in 2016 which we can find, increasing 10.5% to the end of March. This performance has been initially driven by a strong rebound in the Materials sector which can be primarily attributed to the junior gold companies. This strength will have a positive impact on investor sentiment which in turn will translate to other sectors as it has in the past. The precious metal sector has not been an area of focus for us in recent years and thus we have only nominal weightings in junior gold companies across our portfolios. It is possible that our portfolios may initially lag the TSXV until the strength broadens to include other sectors. We are finding many promising investment opportunities across a variety of sectors which believe have great long term potential.



Regards,

Steven Palmer, CFA  
President and CEO

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

	Mar	YTD	1 Year	2 Year	3 Year	Inception	Cumulative
AlphaNorth Growth	(0.8%)	(13.3%)	(39.7%)	(41.6%)	(32.5%)	(30.6%)	(82.3%)
S&P/TSX Venture	7.3%	10.5%	(14.6%)	(23.6%)	(19.1%)	(21.3%)	(71.5%)
S&P/TSX Composite TRI	5.3%	4.5%	(6.6%)	(0.2%)	5.0%	4.2%	15.7%

### 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:

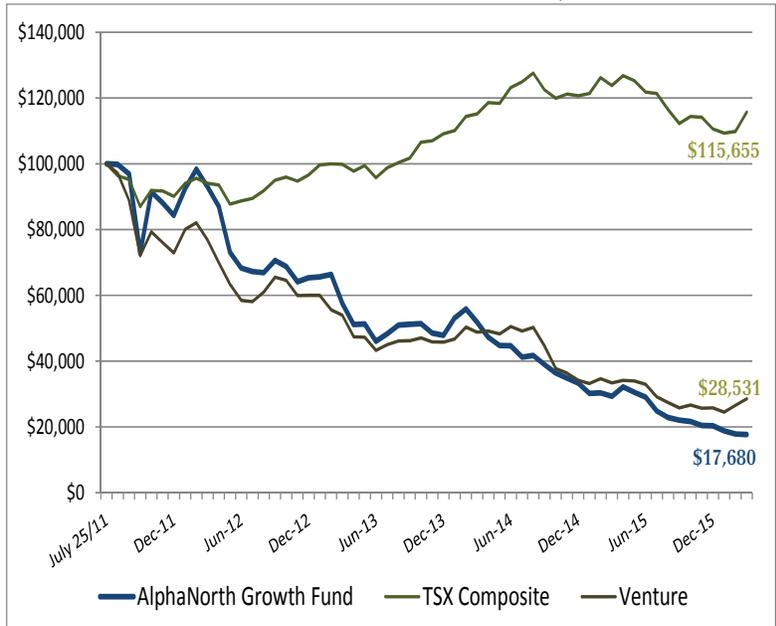
- Complements any investment portfolio and greatly enhances wealth accumulation over the long term

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

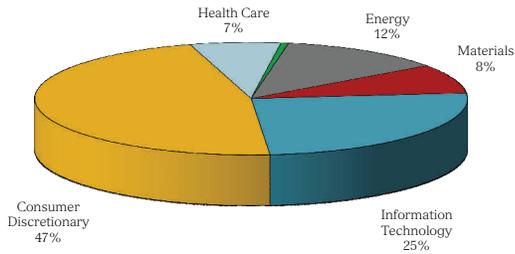
- AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **AlphaNorth Resource Fund (ANF020, ANF021)**  
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>	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%)	(5.2%)	(0.8%)										(13.3%)

## 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.