



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

June 2016

NAV  
Series A (ANF010) \$2.033  
Series F (ANF011) \$2.118

**Fund Review** The Fund returned 10.2% in June. This compared to 7.7% for the TSX Venture and 0.3% for the TSX Total Return index.

We added to the Fund's technology weighting during the month. One of our new positions was an investment in **Eguana Technologies (TSXV:EGT)** which makes proprietary inverters which are integrated with battery storage and renewable energy generators. The company has been gaining significant traction with major integrators as the preferred inverter supplier. As a result, the shares have performed very well, rising by 30% to June 30th since our purchase. The company recently completed an oversubscribed financing and is now well financed to execute on its business plan in the coming year.

Whenever possible, we are trying to acquire warrants for the portfolio to increase leverage to upside returns. For example, recent private placements in **Blackbird Energy (TSXV:BBE)** and **Helius Medical Technologies (TSX:HSM)** included warrants. We are excited about the prospects for both of these companies.

The current sector mix is comprised of 2% in cash, 24% in technology, 16% in health care, 6% in consumer discretionary, 17% in energy and 35% in materials.

**Outlook** The big news of the month was Brexit which has come with much fanfare. There is a long history of events such as this which have provided great buying opportunities for equities and this time was no different. In our view, this was an immaterial event for the junior companies in which we follow. Those investors who reduced equity exposure in advance of the Brexit vote undoubtedly thought they were acting shrewdly for two days before equity markets rebounded strongly hitting new all-time highs in the U.S. It is highly unlikely that these investors repurchased their equity positions near the lows and it is much more likely that these investors will be buying at higher levels than at which they sold.

Sentiment in the junior space has only started to turn positive, yet much skepticism remains. As sentiment continues to improve so too will returns. At this early stage of the cycle, the gains have been dominated by the precious metal stocks. However, the metal and energy stocks are also starting to attract investor attention. We are confident that the bear market has ended and it is our position that we are still only in the early innings of the current turnaround. Historically, the highest returns have been realized by investors who purchased after periods of significant decline. We believe that this is one of those times.



Regards,

Steven Palmer, CFA

### Performance (as of June 30, 2016)

	June	YTD	1 Year	2 Year	3 Year	Inception	Cumulative
AlphaNorth Growth	10.2%	(0.3%)	(29.9%)	(32.5%)	(23.9%)	(27.3%)	(79.7%)
S&P/TSX Venture	7.7%	39.0%	8.8%	(15.7%)	(6.1%)	(16.6%)	(64.1%)
S&P/TSX Composite TRI	0.3%	9.8%	(0.2%)	(0.7%)	8.3%	5.0%	21.5%

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 18 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:

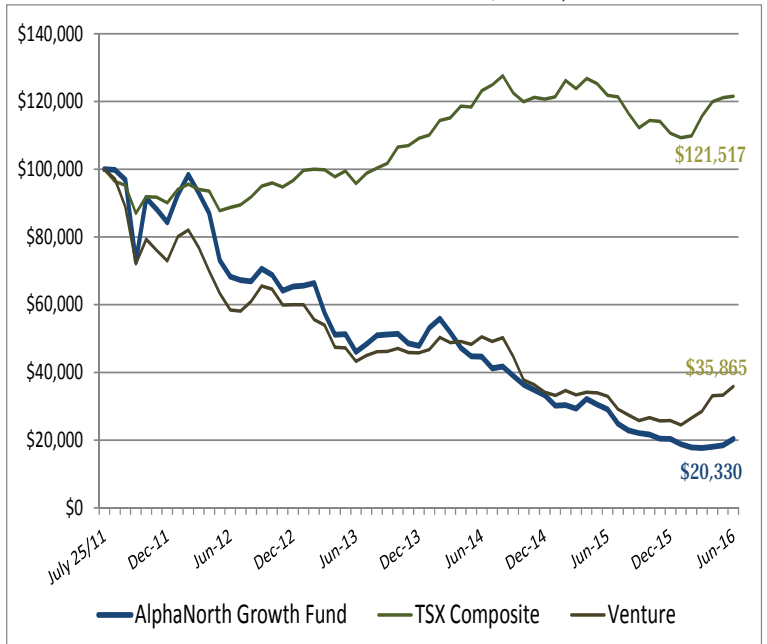
- Complements any investment portfolio and greatly enhances wealth accumulation over the long term

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

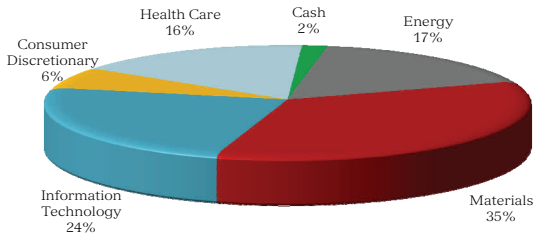
- AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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>	SGGG Fund Services Inc.
<b>Legal:</b>	Stikeman Elliott LLP
<b>Fund Assets:</b>	\$2 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%)	1.9%	2.4%	10.2%							(0.3%)

## 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.