



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Resource Fund

June 2016

NAV
Series A (ANF020) \$11.404
Series B (ANF040) \$11.165
Series F (ANF021) \$11.718

Fund Review The Fund performance was 28.2% in June. This compares to the TSX Venture index return of 7.7% and the TSX Small Cap index return of 5.0%.

Junior resource equities continued to outperform in June. Most of the gold stocks are +100% or more in 2016, while energy equities have advanced by 30%. Although we have seen large moves in several of our holdings, junior equities are still undervalued both relative to their larger peers as well as historically. We continue to identify opportunities with attractive risk/reward profiles.

We lightened our energy exposure as oil approached the \$50 level; junior energy equities have started to come off into the summer months along with the price of WTI. We will look to add exposure in the coming months when the risk/reward becomes more favourable. While we continue to watch the energy space carefully, we remain focused on mining equities for the time being. We continue to see great opportunities in base metals, lithium, cobalt, and junior golds.

During the month of June, we added to our position in **Trevali Mining (TSX:TV)** on the share price weakness caused by the Brexit vote. Trevali operates producing zinc mines in Peru and New Brunswick. We believe that current fundamentals of the zinc market are among the best of the metals sector. Trevali shares are one of the few pure zinc plays. We are bullish on the zinc price over the medium term and Trevali shares offer leverage to improving zinc prices while currently trading at an attractive valuation.

Current sector allocations are as follows: 20% in energy, 42% in base metals, 10% in uranium, 4% in diamond, 3% in iron ore, 18% in precious metals.

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
President and CEO

Monthly Performance (Series A)*

| | June | YTD | 1 Year | 2 Year | 3 Year | Inception | Cumulative |
|---------------------|-------|--------|--------|---------|--------|-----------|------------|
| AlphaNorth Resource | 28.2% | 139.9% | 65.9% | 10.2% | 18.7% | 3.9% | 14.0% |
| S&P/TSX Venture | 7.7% | 39.0% | 8.8% | (15.7%) | (6.1%) | (12.2%) | (36.2%) |
| S&P/TSX Small Cap | 5.0% | 26.4% | 6.8% | (6.9%) | 4.6% | 1.7% | 6.1% |

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)**

CAPITALIZE ON THE GROWING GLOBAL DEMAND FOR RESOURCES:

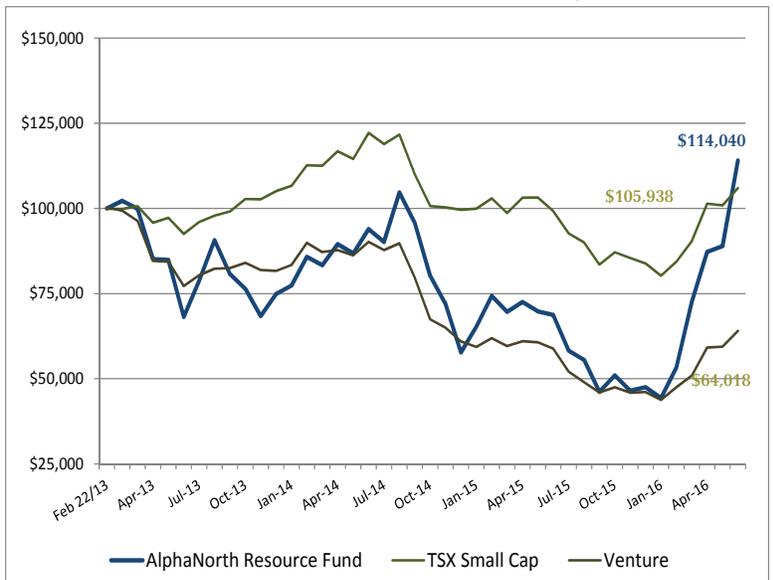
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

TAX-DEFERRED SWITCHING BETWEEN FUNDS:

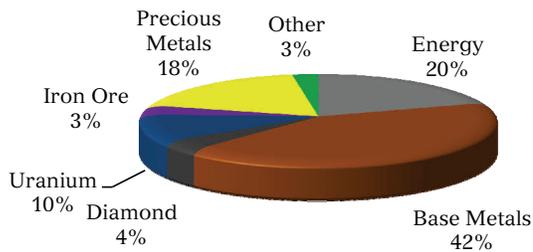
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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) |
| Administration: | State Street Trust Company & IFDS |
| Legal: | SGGG Fund Services Inc. |
| Fund Assets: | \$2 million |
| Account Enquiries: | 1-877-506-8122 |

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%) |
| 2016 | (6.7%) | 20.1% | 36.2% | 20.3% | 1.9% | 28.2% | | | | | | | 139.9% |

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 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.