



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Growth Fund

July 2016

NAV  
Series A (ANF010) \$2.135  
Series F (ANF011) \$2.226

**Fund Review** In July, the Fund returned 5.0%. This compared to 9.0% for the TSX Venture and 3.9% for the TSX Total Return index for the month. This marks the 4th straight positive month for the Growth Fund. We are confident that performance has turned after several disappointing years. The Fund holds several positions with near term catalysts that should contribute strongly to returns over the balance of the year.

The Fund's exposure to the energy sector has been lighter over the summer period. However, we have continued to hold a position in **Blackbird Energy (TSXV:BBI)**. BBI recently announced that it is acquiring a minority interest in Stage Completions, a private company that owns a proprietary technology for oil and gas well completions. Management believes that the new technology is a vast improvement over current technology, which results in significant cost savings for oil and gas producers. The stock price has increased significantly over the past two months and we expect this strong performance to continue, leading up to the next two wells and updates from Stage Completions. We believe that the investment in Stage Completions adds significant value to the company. In this low pricing environment, Blackbird management has hit all milestones and has been able to cut capital costs more than its competitors, without sacrificing well quality or performance. We expect approval to commence infrastructure build out in the near term, which will allow the company to transition to cash flow.

The current sector mix is comprised of 41% in technology, 12% in health care, 6% in consumer discretionary, 22% in energy and 19% in materials.

**Outlook** North American equity markets are 'climbing the wall of worry'. The usual group of bearish newsletter writers have resurfaced in the financial press with forecasts of doom, as indices have advanced to new highs. Despite the negative commentary in the media, North American equity markets have continued to push higher.

Although there are reasons to have a negative outlook, we continue to believe that there are more relevant positive drivers for equities at the present time. We have highlighted some of these in previous commentaries. These include various sentiment indicators, and the lack of cheaper alternatives in the current low yield environment. An example which reflects the negative sentiment, is a recent survey which showed that since 2001, global fund managers have cash levels at the highest level. High cash levels are a characteristic near market lows. We believe equities remain cheap compared to other asset classes, and will continue to perform strongly. For Canadian small cap equities which is the focus of our portfolios, the opportunity is even more substantial. **It is increasingly apparent that the Canadian junior market bottomed in January 2016, at which time investor sentiment indicators were at negative extremes. The TSX Venture hit an all-time low, but has since rallied dramatically over the past 7 months. We believe Canadian small cap equities are just beginning a powerful bull market cycle. We urge investors to take immediate action, to gain exposure at this time, to what we believe will be among the best performing asset classes over the next few years.**



Regards,  
Steven Palmer, CFA  
President and CEO

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

	July	YTD	1 Year	3 Year	5 Year	Inception	Cumulative
AlphaNorth Growth	5.0%	4.8%	(13.9%)	(23.9%)	(26.5%)	(26.5%)	(78.7%)
S&P/TSX Venture	9.0%	51.5%	34.0%	(4.6%)	(16.6%)	(17.1%)	(64.1%)
S&P/TSX Composite TRI	3.9%	14.1%	4.0%	8.5%	5.5%	4.8%	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:

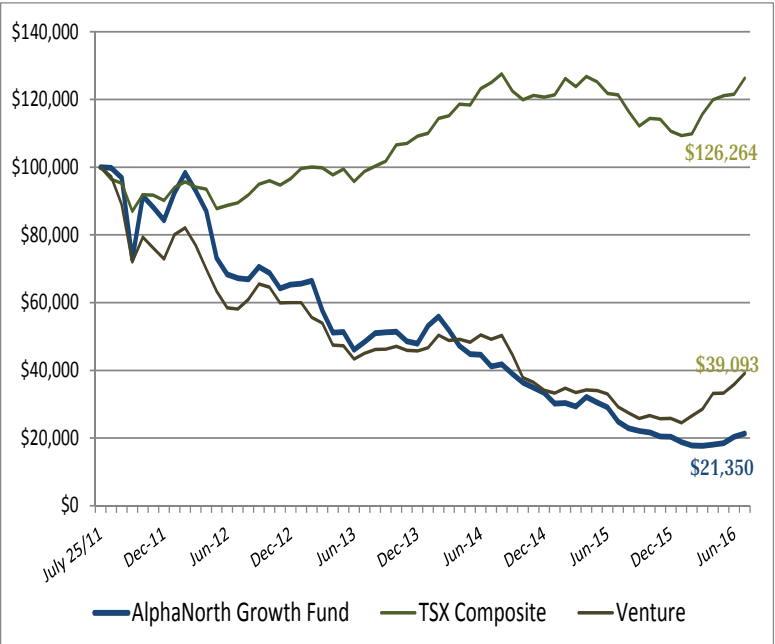
- Complements any investment portfolio and greatly enhances wealth accumulation over the long term

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

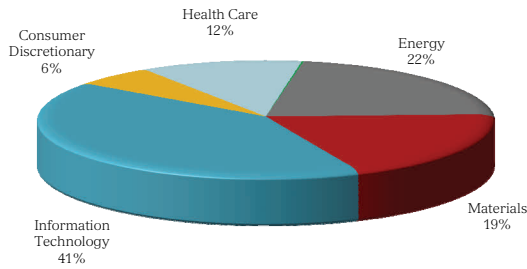
- AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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%	5.0%						4.8%

## 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.