



AlphaNorth  
Asset Management

# FUND COMMENTARY

## AlphaNorth Resource Fund

April 2016

NAV  
Series A (ANF020) \$8.726  
Series B (ANF040) \$8.742  
Series F (ANF021) \$9.012

**Fund Review** The Fund performance was 20.3% in April. This compares to the TSX Venture index return of 16.1% and the TSX Small Cap index return of 12.2%. The resurgence in resources so far this year has been led by the gold subsector. We have yet to experience solid performance across the board in the junior resource equities. Despite the Fund's minimal weighting in the gold sector, it has continued to strongly outperform in 2016.

Lithium equities have garnered much attention lately, due to the hype around Tesla's new model 3 release and the improved pricing environment for lithium. **Lithium Americas (TSX: LAC)**, which we recently sold at a profit, is an example of one of the many lithium companies that have had recent success. We believe there remains opportunities in the lithium space in the shorter term. However, over the longer term, it is likely that stock performance will disappoint as investors become overly optimistic in the shorter term. The improved pricing and investor enthusiasm has sparked dozens of companies to enter the lithium space, many with low-quality assets. We are focused on the most high-quality assets and management teams.

In the energy sector, our focus on oil weighted stocks over the past few months has paid off. However, after the strong rebound in both share prices and the oil price, we have taken profits and we believe that there will be better buying opportunities heading into the fall. AECO gas pricing has been a large concern. This has largely been due to an increase in production coming from the Marcellus to Ontario and Northern US, which has hurt Alberta pricing. We are investing in Albertan companies that are able to deliver their gas to Chicago, where they can command premium pricing such as **Blackbird Energy (TSX:BB1)**.

We are also excited about **Mason Graphite (TSXV:LLG)**, which expects to secure construction financing for its graphite mine imminently. We view this as a low risk investment with lots of upside. Management is very experienced and several executives come from TimCal/Imerys, who will need a new supply source in the coming years. LLG could be in production by the end of 2017.

**Outlook** Although investor sentiment has improved from the extreme negative levels in January, it remains relatively weak. We outlined several of these indicators in our February commentary ([What is Recent Investor Sentiment Implying for Equity Markets?](#)). For example, the AAI US investor sentiment survey continues to reflect low levels of participants who are bullish at only 20% for the May 12th reading. In a recent report, Bank of America Merrill Lynch highlighted that in 2016, cumulative money flows have been into bonds and out of equities by a substantial amount. This would be expected given the poor sentiment. In our view, this is encouraging and supports our thesis that the broader equity indices such as the S&P 500 index and TSX will hit new all-time highs in the coming months. Small cap equities are now participating in the equity market strength and in fact outperforming, gaining over 40% from the January low. The performance at this early stage is being led by the sectors which were the most depressed, junior golds and energy. We believe that the other sectors will also begin performing well and that there will be a coordinated bull market in the small caps which will potentially be quite powerful. Further evidence of a major turn in small caps is demonstrated by a Golden Cross which results when the 50 day moving average crosses above the 200 day moving average. This occurred for the TSX Venture index in April and is indicative of an upward change in the major trend.



Regards,

Steven Palmer, CFA  
President and CEO

### Monthly Performance (Series A)\*

	April	YTD	1 Year	2 Year	3 Year	Inception	Cumulative
AlphaNorth Resource	20.3%	83.6%	20.4%	(1.2%)	(0.8%)	(4.1%)	(12.7%)
S&P/TSX Venture	16.1%	28.4%	(3.0%)	(17.9%)	(11.3%)	(14.9%)	(41.0%)
S&P/TSX Small Cap	12.2%	20.9%	(1.7%)	(6.8%)	1.9%	0.4%	1.5%

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- ◆ Management team has a 17.5 year track record of generating industry leading returns (16% annualized)\*\*

#### CAPITALIZE ON THE GROWING GLOBAL DEMAND FOR RESOURCES:

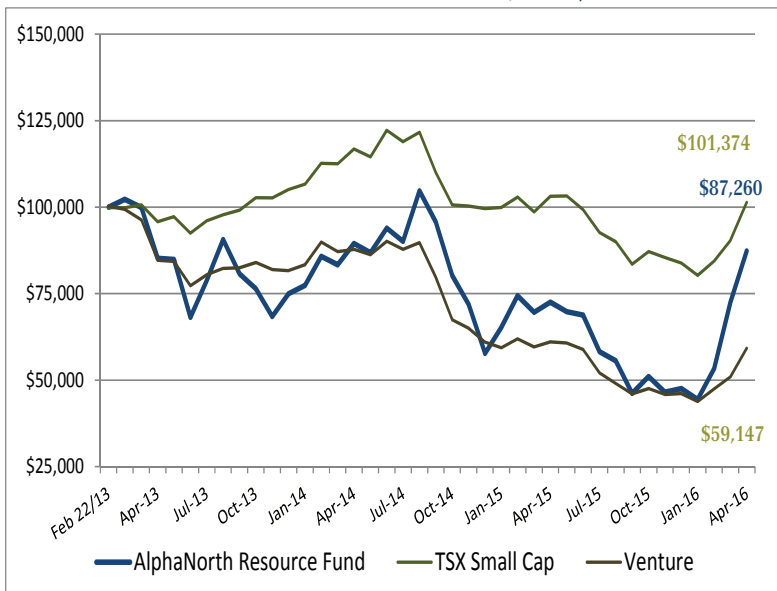
- ◆ Diversified exposure of Canadian resource equities with attractive risk/reward characteristics.

#### TAX-DEFERRED SWITCHING BETWEEN FUNDS:

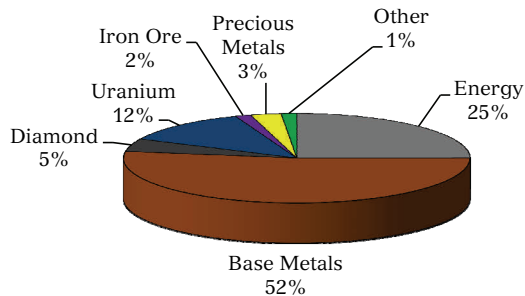
- ◆ AlphaNorth Mutual Fund Limited offers an additional fund class with tax-deferred switching:

⇒ **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

<b>Lead Manager:</b>	Steven Palmer
<b>Inception:</b>	February 25, 2013
<b>Fund Codes:</b>	Series A - ANF020 Series B- ANF040 (rollover vehicle) Series F - ANF021
<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 (except Series B)
<b>Management Fee:</b>	2%
<b>Performance Fee:</b>	20% above TSX return High water mark (no reset)
<b>Trailer:</b>	1% (Series A and B only)
<b>Administration:</b>	State Street Trust Company & IFDS
<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
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%									83.6%

## 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](http://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.