



**AlphaNorth**  
Asset Management

# FUND COMMENTARY

## AlphaNorth Partners Fund

July 2022

NAV  
Class A \$27.722  
Class D \$21.351

**Fund Review** In July, the Fund returned 2.4%, as compared to the TSX Venture index and TSX Total Return index, which both returned 4.7% during the month.

Our biotech holdings performed well during the month of July. The biotech index in the U.S. had declined by 65% before bottoming in May. It is often the case that the largest decliners bottom first and lead on the rebound. This has been the case with the biotech sector as it has rallied approximately 50% from the low.

**Verses Technologies (NEO:VERS)**, a newly listed technology company performed well during the month gaining 141%. Verses is pioneering the next generation operating system for the special web and recently completed a \$10 million financing at a premium to the go public value. This is impressive in the current challenging market for small cap equities. The company is well financed to execute.

We have recently sold several of our small non-core positions in order to add to our higher conviction ideas which have declined over the past year to progressively more attractive levels. The portfolio now consists of 90 companies. Our top 20 holdings comprise 70% of the portfolio. We plan to further consolidate our holdings into our highest conviction ideas.

Current sector allocations are as follows: 31% technology, 19% life sciences, 13% consumer, 11% precious metals, 13% metals, 9% energy, 4% warrants and 0% shorts.

**Outlook** Equity markets have rallied strongly in recent weeks. We have not been surprised by this. We highlighted several sentiment indicators in June that were highly correlated with market bottoms. June has so far marked the low in equities. Canadian equities did not decline to the same extent as U.S. equities and have taken longer to bottom which occurred in mid July. The big question on investors' minds now is where we go from here. Is this a bear market rally or the beginning of a longer term bull run?

Mark Deriet at Cormark Securities highlighted an interesting metric in a recent research note. Mark noted the number of S&P constituents trading above their 50 day moving average recently dropped below 15%. Subsequently, over a one month period, greater than 90% of S&P constituents traded over their 50 day moving average. Since 1957, there have been 17 occasions when this has occurred. In ALL cases the S&P was higher over the subsequent year with an average return of 22.6%. This data is compelling and supportive of our thesis that equity markets have bottomed. We maintain a fully invested position with no short exposure.

*Please follow us on [Twitter](#) for more timely market comments and charts which we believe are relevant to investors in small cap equities. In addition, we occasionally retweet news highlights of portfolio holdings that may be of interest.*



Regards,

Steve Palmer, CFA  
President and CIO

### Performance\* (Class A)

	July	YTD	1 Year	3 Year	5 Year	10 Year	Inception	Cumulative
AlphaNorth Partners	2.4%	(33.3%)	(40.1%)	30.0%	18.9%	1.5%	7.2%	177.2%
S&P/TSX Venture	4.7%	(31.2%)	(30.2%)	3.0%	(3.5%)	(5.9%)	(9.4%)	(76.4%)
S&P/TSX Composite TRI	4.7%	(5.7%)	(0.2%)	9.5%	8.6%	8.6%	5.6%	122.7%

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 24 year track record of generating industry leading returns of 17.3% annualized compared to -1.4% for the BMO Small Cap/TSXV\*\*

#### DIVERSIFICATION THROUGH SMALL CAP:

- AlphaNorth Partners Fund is well diversified across the resource, technology and life sciences sectors
- One of the best performing asset classes over the long term which compliments any investment portfolio and greatly enhances wealth accumulation

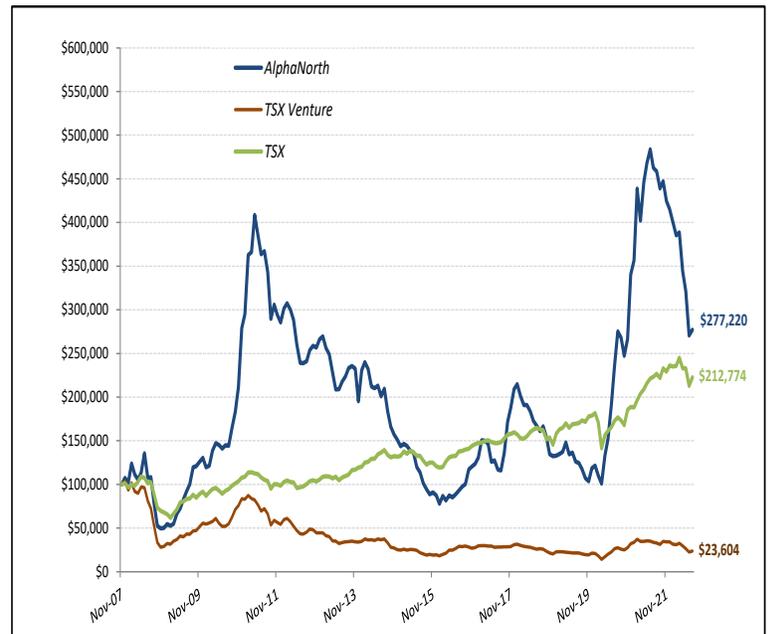
#### UNIQUE ASPECTS:

- Management owns a significant portion of fund assets
- All performance fees are reinvested into the fund

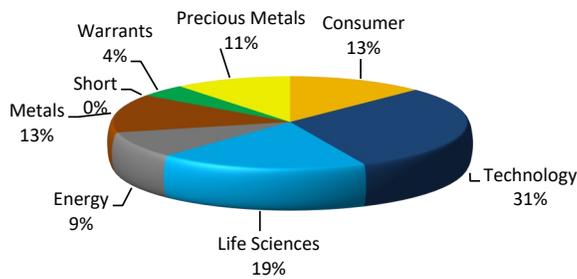
#### LEVERAGE WITH WARRANTS:

- Participate in numerous private placements to accumulate warrants for upside leverage

### Growth of \$100,000 Initial Investment



## Current Sector Allocation



## Fund Information

Fund Type	Alternative Strategies (Long biased small cap)
Fund Codes	Class A: AAM100/101, Class D: AAM200/201
Eligibility	Accredited Investors only; RRSP eligible
Fund Details	Management Fee Class A- 2%, Class D- 2.5% 20% Performance Fee (perpetual HWM)
Sub/Redemption	Monthly, 90 day notice
Lock-up	None
Redemption Fee	Class A: none; Class D: 3% yr 1, 1.5% yr 2
Beta vs. TSXV	0.92

## Monthly Performance\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2007												7.4%	7.4%
2008	(5.0%)	21.6%	(10.1%)	(5.6%)	8.1%	19.2%	(20.7%)	0.7%	(29.1%)	(31.9%)	(4.9%)	0.7%	(53.3%)
2009	9.0%	(3.5%)	4.0%	21.2%	9.0%	14.1%	11.5%	9.0%	19.1%	1.2%	4.1%	3.7%	160.6%
2010	(8.5%)	1.7%	14.0%	6.4%	(1.6%)	(2.7%)	2.6%	(0.4%)	14.2%	11.3%	15.4%	31.9%	113.6%
2011	5.8%	23.0%	0.9%	11.7%	(5.7%)	(5.7%)	1.0%	(6.5%)	(15.6%)	5.6%	(3.8%)	(2.9%)	2.4%
2012	5.6%	2.0%	(2.4%)	(3.9%)	(9.9%)	(7.9%)	(0.1%)	0.9%	5.3%	1.8%	(0.7%)	3.6%	(6.8%)
2013	1.3%	(4.9%)	(2.9%)	(8.4%)	(8.4%)	0.2%	4.1%	2.9%	4.2%	1.0%	(1.3%)	(16.0%)	(26.6%)
2014	18.1%	4.1%	(3.3%)	(8.6%)	(0.9%)	1.4%	(5.7%)	4.3%	(12.5%)	(9.5%)	(5.5%)	(3.6%)	(22.6%)
2015	(4.9%)	1.8%	(1.6%)	(3.8%)	(1.6%)	(12.1%)	(5.3%)	(10.7%)	(6.9%)	(6.1%)	2.5%	(3.95)	(42.3%)
2016	(10.8%)	11.4%	(5.8%)	7.0%	(2.6%)	4.4%	4.9%	4.6%	3.0%	16.6%	2.8%	2.8%	41.6%
2017	5.8%	15%	(0.3%)	(2.3%)	(14.2%)	1.5%	(8.4%)	(0.6%)	17.6%	25.8%	9.3%	11.4%	69.0%
2018	2.7%	(6.3%)	(5.1%)	0.0%	(3.9%)	(5.9%)	(3.2%)	(3.7%)	3.5%	(7.7%)	(12.5%)	(1.6%)	(36.7%)
2019	0.4%	1.5%	1.7%	7.9%	(9.1%)	1.4%	(7.5%)	(1.4%)	(5.8%)	(8.7%)	(3.3%)	14.3%	(10.5%)
2020	2.5%	(9.2%)	(8.5%)	31.8%	14.7%	25.3%	23.1%	17.1%	(2.7%)	(7.7%)	7.7%	27.7%	187.3%
2021	4.8%	23.1%	(8.4%)	10.9%	5.0%	3.4%	(4.4%)	(0.9%)	(4.3%)	1.9%	(5.0%)	(2.2%)	22.0%
2022	(3.5%)	(3.8%)	0.9%	(11.4%)	(6.7%)	(15.8%)	2.4%						(33.3%)

## Investment Strategy

The AlphaNorth Partners Fund Inc. (the "Fund") is a long-biased, small cap hedge fund which focuses primarily on Canadian companies. 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 cap universe through careful security selection on both a long and short basis. Fundamental analysis of companies is used in combination with technical analysis techniques, which has 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 managing small cap portfolios. AlphaNorth manages the AlphaNorth Partners Fund, a long biased small cap focused hedge fund.

Prior to founding AlphaNorth, Steve and Joey managed an award winning small cap equity fund at one of the largest investment firms in North America for 9 years that had an annualized return of 35.8% over their term significantly beating all relevant benchmarks. Founding AlphaNorth Asset Management in 2007, Steve and Joey launched the AlphaNorth Partner Fund which is a two-time winner for best 3 year return at the Canadian Hedge Fund Awards. The Fund recently won 2<sup>nd</sup> place for best one year return at the 2020 Canadian Hedge Fund Awards. Steve Palmer is President and CIO and a Chartered Financial Analyst (CFA). Joey is the trader and is a Chartered Investment Manager (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. Please refer to the Offering Memorandum for complete details of any investment products offered by AlphaNorth Asset Management. There is no guarantee of performance and past performance is not indicative of future results. Returns are presented for Class A shares on an annualized basis except where noted and stated net of all fees. The inception date is December 1, 2007 for the fund. Returns subsequent to 2021 are unaudited. \*\*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 Inc. from inception December 1, 2007 to the current NAV.