



**AlphaNorth**  
Asset Management

# FUND COMMENTARY

## AlphaNorth Partners Fund

### February 2023

NAV  
Class A \$25.320  
Class D \$19.437

**Fund Review** In February the Fund returned (1.4%), as compared to the TSX Venture index and TSX Total Return index, which returned 0.7% and (2.5%) respectively during the month.

The value of shares traded on the TSXV has declined by a further 41% in 2023 compared to 2022. Depressed trading activity has historically been closely correlated with significant market lows for the TSXV.

During February, we participated in several financings. The top performer during the month was **Nugen Medical Devices (TSXV:NGMD)**. The shares rose by 220% from our purchase price in February. This is a turnaround situation in which recent management changes have been implemented along with new capital. Nugen has developed a needle free injection device which is expected to begin sales in 2023.

Our warrant portfolio provides meaningful leverage to returns in bull markets. Despite recently exercising some 'in the money' warrant positions, our warrant coverage currently represents 59%. We arrive at this number by dividing the total of our existing warrant positions (112 million warrants) by the total number of shares (191 million shares) that we own across 81 companies in the Fund (112/191= 59%). If the bull market unfolds as we suspect, these will provide substantial leverage to returns.

Current sector allocations are as follows: 30% technology, 21% life sciences, 11% consumer, 8% precious metals, 22% metals, 6% energy, 2% warrants and 0% shorts.

**Outlook** It has been five months since the S&P and TSX indices bottomed. At the end of February these indices have rallied by 14% and 12% respectively from the October lows. How long will it be before the bears throw in the towel? The TSX Venture index performance has lagged over this period. We expect that the TSXV will begin to outperform as the bull market progresses.

We highlighted in our December commentary that the TSXV would soon take the lead as the top performing index from the major low in October 2022. In 2023, this has become reality as the TSXV as outperformed both the TSX and S&P indices year to date. Since inception of the TSXV index in 2001, it has been the performance leader after each of the past four major market lows (2002, 2009, 2015 and 2020). We are very optimistic regarding our Fund positioning and performance outlook. The Fund has significantly outperformed the TSXV in each of the past four bull markets that emerged from these significant market lows. This has resulted in a total return since inception of 153% for the Fund compared to the negative return of -77% for the TSXV. We believe that it is still early as the previous bull runs in the TSXV returned 203% on average. The Fund performance exceeded these returns by 546% returns over these periods.



Regards,

Steve Palmer, CFA  
President and CIO

### Performance\* (Class A)

|                       | Feb    | YTD   | 1 Year  | 3 Year | 5 Year | 10 Year | Inception | Cumulative |
|-----------------------|--------|-------|---------|--------|--------|---------|-----------|------------|
| AlphaNorth Partners   | (1.4%) | 12.8% | (34.3%) | 31.9%  | 4.7%   | (0.1%)  | 6.3%      | 153.2%     |
| S&P/TSX Venture       | 0.7%   | 10.6% | (25.8%) | 8.2%   | (5.3%) | (5.7%)  | (9.2%)    | (77.0%)    |
| S&P/TSX Composite TRI | (2.5%) | 4.8%  | (1.2%)  | 10.8%  | 8.8%   | 7.9%    | 5.7%      | 132.9%     |

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 24 year track record of generating industry leading returns of 15.9% annualized compared to -1.9% 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

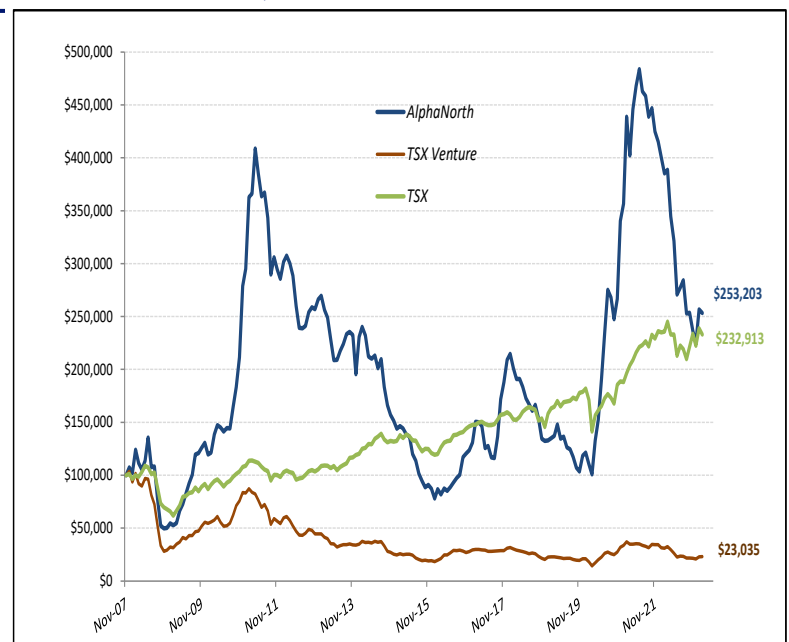
#### UNIQUE ASPECTS:

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

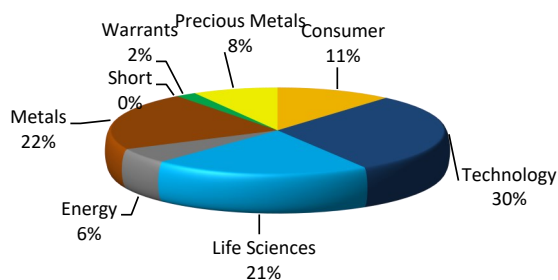
#### LEVERAGE WITH WARRANTS:

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

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



## Current Sector Allocation



## Fund Information

|                       |  |
|-----------------------|--|
| <b>Fund Type</b>      | Alternative Strategies (Long biased small cap) |
| <b>Fund Codes</b>     | Class A: AAM100/101, Class D: AAM200/201       |
| <b>Eligibility</b>    | Accredited Investors only; RRSP eligible       |
| <b>Fund Details</b>   | Management Fee Class A- 2%, Class D- 2.5%      |
| <b>Sub/Redemption</b> | Monthly, 90 day notice                         |
| <b>Lock-up</b>        | None   |
| <b>Redemption Fee</b> | Class A: none; Class D: 3% yr 1, 1.5% yr 2     |
| <b>Beta vs. TSXV</b>  | 0.93   |

## Monthly Performance\*

|             | Jan     | Feb    | Mar     | Apr     | May     | Jun     | Jul     | Aug     | Sep     | Oct     | Nov     | Dec     | Year           |
|-------------|---------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|
| <b>2007</b> |         |        |         |         |         |         |         |         |         |         |         | 7.4%    | <b>7.4%</b>    |
| <b>2008</b> | (5.0%)  | 21.6%  | (10.1%) | (5.6%)  | 8.1%    | 19.2%   | (20.7%) | 0.7%    | (29.1%) | (31.9%) | (4.9%)  | 0.7%    | <b>(53.3%)</b> |
| <b>2009</b> | 9.0%    | (3.5%) | 4.0%    | 21.2%   | 9.0%    | 14.1%   | 11.5%   | 9.0%    | 19.1%   | 1.2%    | 4.1%    | 3.7%    | <b>160.6%</b>  |
| <b>2010</b> | (8.5%)  | 1.7%   | 14.0%   | 6.4%    | (1.6%)  | (2.7%)  | 2.6%    | (0.4%)  | 14.2%   | 11.3%   | 15.4%   | 31.9%   | <b>113.6%</b>  |
| <b>2011</b> | 5.8%    | 23.0%  | 0.9%    | 11.7%   | (5.7%)  | (5.7%)  | 1.0%    | (6.5%)  | (15.6%) | 5.6%    | (3.8%)  | (2.9%)  | <b>2.4%</b>    |
| <b>2012</b> | 5.6%    | 2.0%   | (2.4%)  | (3.9%)  | (9.9%)  | (7.9%)  | (0.1%)  | 0.9%    | 5.3%    | 1.8%    | (0.7%)  | 3.6%    | <b>(6.8%)</b>  |
| <b>2013</b> | 1.3%    | (4.9%) | (2.9%)  | (8.4%)  | (8.4%)  | 0.2%    | 4.1%    | 2.9%    | 4.2%    | 1.0%    | (1.3%)  | (16.0%) | <b>(26.6%)</b> |
| <b>2014</b> | 18.1%   | 4.1%   | (3.3%)  | (8.6%)  | (0.9%)  | 1.4%    | (5.7%)  | 4.3%    | (12.5%) | (9.5%)  | (5.5%)  | (3.6%)  | <b>(22.6%)</b> |
| <b>2015</b> | (4.9%)  | 1.8%   | (1.6%)  | (3.8%)  | (1.6%)  | (12.1%) | (5.3%)  | (10.7%) | (6.9%)  | (6.1%)  | 2.5%    | (3.95)  | <b>(42.3%)</b> |
| <b>2016</b> | (10.8%) | 11.4%  | (5.8%)  | 7.0%    | (2.6%)  | 4.4%    | 4.9%    | 4.6%    | 3.0%    | 16.6%   | 2.8%    | 2.8%    | <b>41.6%</b>   |
| <b>2017</b> | 5.8%    | 15%    | (0.3%)  | (2.3%)  | (14.2%) | 1.5%    | (8.4%)  | (0.6%)  | 17.6%   | 25.8%   | 9.3%    | 11.4%   | <b>69.0%</b>   |
| <b>2018</b> | 2.7%    | (6.3%) | (5.1%)  | 0.0%    | (3.9%)  | (5.9%)  | (3.2%)  | (3.7%)  | 3.5%    | (7.7%)  | (12.5%) | (1.6%)  | <b>(36.7%)</b> |
| <b>2019</b> | 0.4%    | 1.5%   | 1.7%    | 7.9%    | (9.1%)  | 1.4%    | (7.5%)  | (1.4%)  | (5.8%)  | (8.7%)  | (3.3%)  | 14.3%   | <b>(10.5%)</b> |
| <b>2020</b> | 2.5%    | (9.2%) | (8.5%)  | 31.8%   | 14.7%   | 25.3%   | 23.1%   | 17.1%   | (2.7%)  | (7.7%)  | 7.7%    | 27.7%   | <b>187.3%</b>  |
| <b>2021</b> | 4.8%    | 23.1%  | (8.4%)  | 10.9%   | 5.0%    | 3.4%    | (4.4%)  | (0.9%)  | (4.3%)  | 1.9%    | (5.0%)  | (2.2%)  | <b>22.0%</b>   |
| <b>2022</b> | (3.5%)  | (3.8%) | 0.9%    | (11.4%) | (6.7%)  | (16.8%) | 2.4%    | 2.5%    | (11.0%) | 0.2%    | (6.6%)  | (5.1%)  | <b>(45.9%)</b> |
| <b>2023</b> | 14.3%   | (1.4%) |         |         |         |         |         |         |         |         |         |         | <b>12.8%</b>   |

## 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.