



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Partners Fund

January 2024

NAV
Class A \$23.897
Class D \$18.250

Fund Review In January, the Fund returned 2.5%, as compared to the TSX Venture index and TSX Total Return index, which returned (0.5%) and 0.6% respectively during the month.

We continue to see positive signs of a small cap resurgence. Several of our core names have already rallied substantially off the lows. Notably, **Byrna Technologies (NASDAQ:BYRN)** which traded as low as \$2.19 per share in September, closed the month at \$7.02 representing a gain of 220% from the low. **Delcath Systems (NASDAQ:DCTH)** traded as low as \$2.25 in November and ended January at \$4.79 gaining 113% from the low. Returns can be dramatic from bear market lows in Canadian small cap equities.

In recent weeks, we have initiated several new positions in the biotech sector with a focus on companies trading substantially below cash value per share. All of these positions have appreciated since our purchases. One of these positions experienced rapid gains, **Nkarta Inc. (NASDAQ:NKTX)**, prompting us to take profits in January locking in a significant gain over a short period of time. With these additions, the biotech weighting is now approximately 25% of assets.

The Fund remains fully invested. The Fund's warrant coverage ratio has declined modestly to 62%. There are several warrant positions which are in-the-money and approaching expiry. We plan to exercise these in the near term.

Current sector allocations are as follows: 30% technology, 23% life sciences, 10% consumer, 5% precious metals, 24% metals, 4% energy, 4% warrants and 0% shorts.

Outlook The major equity indices have extended their gains in 2024. Expectations for further declines in inflation in 2024 will prompt the Fed to lower interest rates. This will provide a favourable backdrop for equities. Despite the continued strength in equities, investors have continued to add to money market holdings which recently surpassed \$6 trillion for the first time ever. This has been unusual as during prior occasions when equities rallied strongly from significant lows, notably in 2008 and 2020, money market holdings declined. We believe that it is inevitable that as the bull market progresses and interest rates decline, investors will draw down money market holdings as they reallocate to investments with more attractive returns.

It is our view that investors will rotate from top performing areas such as the major U.S. technology companies into areas which have underperformed such as small cap equities. Small cap equities trade at a record valuation gap on a P/E basis compared to large cap equities. An example of one of the early movers in this rotation is the U.S. biotech sector which had declined by 22% over the first 10 months of 2023 but has rebounded by nearly 50% from the October 2023 low. Furthermore, the biotech sector has dominated financing activity in recent weeks. We expect this activity to continue as performance reverts to areas such as biotech which have underperformed.



Regards,

Steve Palmer
Steve Palmer, CFA
President and CIO

Performance* (Class A)

	Jan	YTD	1 Year	3 Year	5 Year	10 Year	Inception	Cumulative
AlphaNorth Partners	2.5%	2.5%	(6.9%)	(12.5%)	12.5%	0.4%	5.5%	139.0%
S&P/TSX Venture	(0.5%)	(0.5%)	(12.1%)	(15.8%)	(2.4%)	(5.3%)	(9.4%)	(79.9%)
S&P/TSX Composite TRI	0.6%	0.6%	4.6%	9.9%	9.6%	7.6%	5.8%	149.8%

Key Reasons to Own This Fund

PROVEN LONG TERM PERFORMANCE:

- Management team has a 25 year track record of generating industry leading returns of 15.4% annualized compared to -2.0% 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

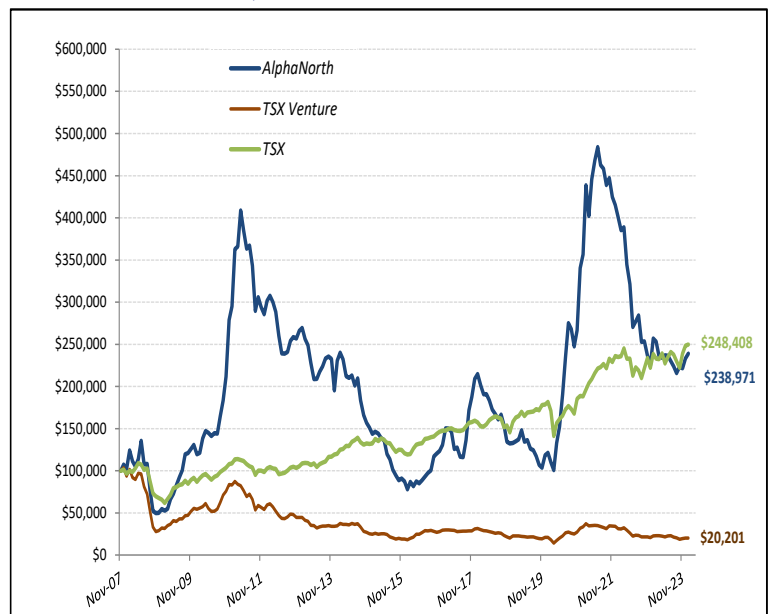
UNIQUE ASPECTS:

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

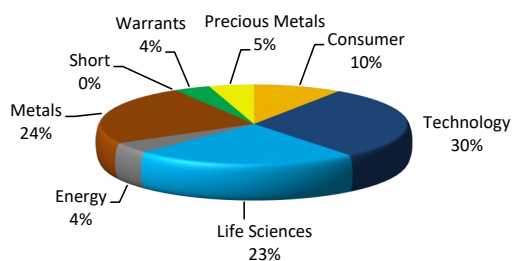
LEVERAGE WITH WARRANTS:

- 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%
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	0.93

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%)	(16.8%)	2.4%	2.5%	(11.0%)	0.2%	(6.6%)	(5.1%)	(45.9%)
2023	14.3%	(1.4%)	(6.9%)	(0.7%)	1.1%	(0.2%)	(2.6%)	(2.7%)	(3.6%)	3.6%	(0.9%)	5.2%	3.8%
2024	2.5%												2.5%

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 2nd 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 2022 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.