

**Fund Review** The equity rally continued in the US in December. However, Canadian indices were limited to negative returns in December by weakness in resource shares, particularly gold. The TSX Composite declined by 2.0% in December. However, this still leaves the TSX at approximately 1,340 points above the low reached in early October. Please note that OSC rules do not allow us to report the performance for mutual funds prior to the completion of a one year history. Accordingly, we must leave it to the investor to calculate the percentage change of the NAV from \$8.81 at November 30th to \$8.43 on December 31st.

We have been intentionally keeping cash at a minimum in order to capitalize on the equity rally which continues to unfold. Small cap stocks have lagged the broader markets to date, as we have expected, but we believe this will not continue. We expect that the continued strength in large cap equities will begin to filter down to the small and mid cap equities. The cash position in the fund at month end amounted to 1.8%. The sector mix is comprised of 9% in technology, 5% in health care, 4% in financials, 3% in consumer discretionary, 28% in energy and 50% in materials. It is our intent to maintain as diversified a portfolio as possible. During the month, we added to our weighting in energy stocks. We continue to maintain a higher resource weighting as we believe resource stocks will perform the best in the short term as evidence of a re-acceleration of the global economy unfolds.

**Outlook** Equity valuations and economic data continue to be supportive of stronger equity markets in 2012. Although this continues to

be our view, it is not a view that is shared by many. The same applies to our muted view on gold. This brings to mind one of our favourite quotes by the late John Masters, author and army colonel, which reads "You have to recognize that every 'out-front' maneuver is going to be lonely. But if you feel entirely comfortable, then you are not far enough ahead to do any good. That warm sense of everything going well is usually the body temperature of the herd. Only if you are far enough ahead to be at risk do you have a chance for large rewards".

In addition to the ongoing favourable economic data in North America, the most recent domestic equity fund flow data provided by the Investment Funds Institute of Canada shows continued outflows from equity funds. In fact, 2011 marks the 6th straight year of outflows from domestic equity funds. The equity outflows in November amounted to \$1.7 billion which brings the year to date net outflows to \$9.2 billion while at the same time, investors added a net \$7.3 billion to bond funds in pursuit of the minuscule yields. We continue to believe that fund flows will provide a powerful catalyst to equities when this trend reverses. It has been one of our fundamental views that this trend cannot continue. We maintain our positive outlook for Canadian equities.



Regards,

*Steven Palmer*  
Steven Palmer, CFA  
President and CEO

### Monthly Performance\* (NAV)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011							\$9.983	\$9.691	\$7.277	\$9.146	\$8.811	\$8.434	<b>\$8.434</b>

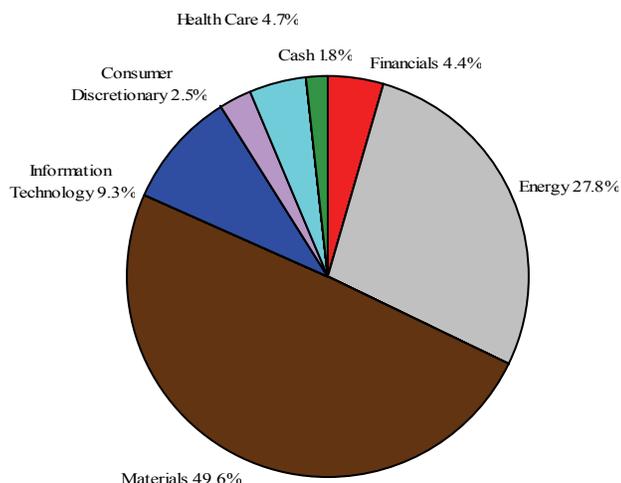
### Performance Analysis

	AlphaNorth Growth Fund	S&P/TSX Composite
<b>Returns *</b>		
1 Month	-	(2.0%)
YTD	-	-
1 Year	-	-
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	-	-
Since Inception (cumulative)	-	(11.4%)
Best Month	-	5.4%
Worst Month	-	(13.9%)
Advancing Months	-	-
Standard Deviation	-	-
Sharpe Ratio	-	-
Beta	-	-

### Fund Information

<b>Lead Manager:</b>	Steven Palmer
<b>Inception:</b>	July 25, 2011
<b>Fund Status:</b>	Open
<b>Fund Codes:</b>	Series A - ANF010 Series F - ANF011
<b>Fund Details:</b>	RSP/RESP eligible High water mark (no reset) \$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
<b>Trailer:</b>	1% (Series A only)
<b>Auditor:</b>	Deloitte & Touche LLP
<b>Administration:</b>	State Street Trust Company & IFDS
<b>Legal:</b>	Stikeman Elliott LLP
<b>Fund Assets:</b>	\$8.9 million
<b>Account Enquiries:</b>	1-877-506-8122
<b>Sales and Marketing:</b>	Skye Collyer 416-506-0776 x227

## Sector Allocation



## 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 & 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, 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 in the investment industry. Presently, AlphaNorth manages the AlphaNorth Partners Fund, a long biased small cap focused hedge fund, the AlphaNorth 2010 Flow-Through LP, the AlphaNorth 2011 Flow-Through LP 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.

## Disclaimer

*\* In accordance with NI 81-102 returns are not published for the first 12 months. 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 Prospectus or Offering Memorandum for complete details of any investment products offered by AlphaNorth Asset Management. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. There is no guarantee of performance and past performance is not indicative of future results. Returns are the historical annual compounded total returns including changes in share or unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Returns are presented for Series A shares on an annualized basis except where noted. Returns subsequent to 2010 are unaudited. The inception date is July 25, 2011.*