



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Growth Fund

January 2012

NAV
Series A (ANF010) \$9.249
Series F (ANF011) \$9.297

Fund Review Equities continued to rally strongly in January as reflected by the TSX Composite return of 4.2% during the month. The NAV of the Fund also increased significantly during the month to \$9.25. (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 \$8.43 at December 31st to \$9.25 on January 31st.)

Small cap stocks have started to outperform the broader market as we expected. The portfolio positioning with an overweight in the materials sector has proven to be the right call as materials have been the best performing sector year to date by a wide margin. The cash position in the fund at month end amounted to 2.7%. We have intentionally been keeping cash at a minimum given our bullish market outlook. The sector mix is comprised of 6% in technology, 4% in health care, 4% in financials, 2% in consumer discretionary, 24% in energy and 59% in materials. It is our intent to maintain as diversified a portfolio as possible. We continue to remain overweight in the resource sector as we believe this sector will continue to outperform in the short term as the global economy continues to re-accelerate.

Outlook Since 1950, stocks in the U.S. have finished lower at year end only three times after posting gains in January, according to the Stock Traders Almanac. The theory postulates that if equities are higher in January, so goes the year. 2012 is also an election year in the U.S., which is typically good for equities. Our macro outlook continues to unfold as we predicted in previous commentaries with an astounding similarity to the 1998/1999 experience as we outlined in our Special Market Commentary of last October. In our view, we are seeing the early days of the small cap rally as the TSX Venture index had a very strong month. An assortment of strong economic data in recent weeks, particularly in North America, has provided the positive backdrop for a rally as investor concern about the

European crisis dissipates.

Our recent observations which support our bullish outlook include:

- insider transactions have been heavily biased towards buying
- an improving U.S. housing market as homes available for sale dropped 9.2% to the lowest level since 2005 while inventories dropped to 6.05 months supply which is associated with rising prices
- China's copper imports in December were the highest ever at +78%
- Q4/11 U.S. GDP was +2.8% compared to 1.8% last quarter
- U.S. government spending is already down 4.6%, the biggest annual drop since 1971 and this is before the belt tightening that is expected
- U.S. unemployment has dropped from 9.8% in Nov. 2010 to 8.3% in January 2012, one of the fastest drops on record
- The American Trucking Associations' index of commercial truck shipments, by weight, rose 5.9% in 2011 (the largest gain since 1998)
- January 2012 annualized U.S. car sales were 14.13m vs 13.5m in Dec
- ISM Manufacturing index has increased 3 months in a row to 60.1 (higher than 50 indicates economic expansion)

Our prediction that equities would rally significantly has materialized. At this time, it is likely that equities will consolidate before resuming a strong uptrend into year-end which we continue to believe will result in new all-time highs for the TSX this year. If this prediction proves correct, it implies dramatically higher levels for small cap equities.



Regards,

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	\$8.434
2012	\$9.249												

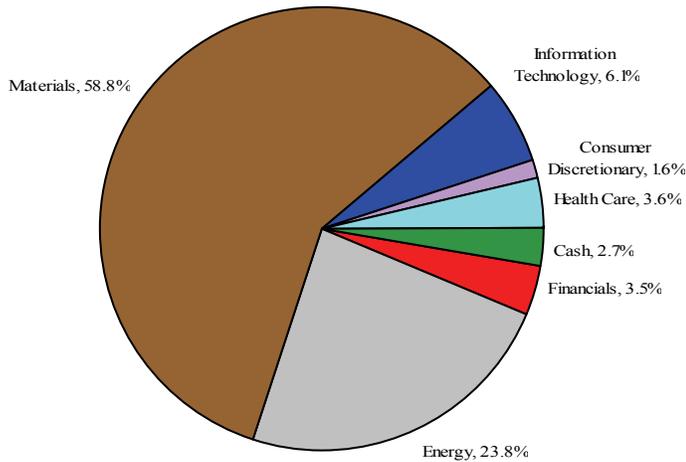
Performance Analysis

	AlphaNorth Growth Fund	S&P/TSX Composite
Returns *		
1 Month	-	4.2%
YTD	-	-
1 Year	-	-
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	-	-
Since Inception (cumulative)	-	(7.7%)
Best Month	-	5.4%
Worst Month	-	(13.9%)
Advancing Months	-	-
Standard Deviation	-	-
Sharpe Ratio	-	-
Beta	-	-

Fund Information

Lead Manager:	Steven Palmer
Inception:	July 25, 2011
Fund Status:	Open
Fund Codes:	Series A - ANF010 Series F - ANF011
Fund Details:	RSP/RESP eligible \$1,000 minimum investment
Sub/Redemption:	Daily
Lock-up:	None
Early Redemption Fee:	2% in first 90 days
Management Fee:	2%
Performance Fee:	20% above TSX return High water mark (no reset)
Trailer:	1% (Series A only)
Auditor:	Deloitte & Touche LLP
Administration:	State Street Trust Company & IFDS
Legal:	Stikeman Elliott LLP
Fund Assets:	\$11.5 million
Account Enquiries:	1-877-506-8122
Sales and Marketing:	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 and 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 2011 Flow-Through LP, the AlphaNorth 2012 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.*