



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Partners Fund

February 2012

NAV
Class A (AAM100) \$30.7577
Class D (AAM200) \$24.9220

Fund Review Markets have continued to rally as we predicted in earlier commentaries. The Fund gained 2.0% in February while the TSX Venture and TSX Composite returned 2.4% and 1.7% respectively. The Fund remains fully invested with a diversified weighting of 55% in resource equities, 11% in health care and 34% in technology.

We have noted that many of our non-resource small cap holdings have started to perform very well over the past few months. We believe that several of these positions could generate significant returns over the balance of 2012. An example of one such holding is Zecotek Photonics (TSXV:ZMS) which is not well known within the investment community. Many have yet to appreciate the multiple avenues the company has to create significant value for shareholders which include 3D TV technology not requiring special glasses, crystals used in PET scanners, optical lasers and a patent infringement lawsuit that is potentially worth several hundred million dollars. We are optimistic that this will be a big winner for the Fund.

We continue to see a large volume of investment opportunities and are only selecting the best opportunities for investment. Over the past one month, we have tracked the number of investment ideas which were presented to us. The results were surprising to us. We were presented with 318 investment ideas including 198 private placement opportunities. Of these, we arranged 51 management meetings or conference calls and carefully selected 4 for investment in the Fund. We are quite excited about the prospects for the Fund in 2012 from both a macro basis and on the basis of the company specific fundamentals which we expect to unfold over the balance of the year.

Outlook The bears are folding one by one as equity markets continue to rally. It is still early in what we believe will be a significant rally in the equity market and, in particular, small cap equities. The two major factors which ultimately drive equity values are relative valuations and investor perception or sentiment. Sentiment is slowly changing while valuations remain significantly below long term averages despite the strong rally over the past four months. The price to earnings multiple (P/E) of the TSX is currently 12.9, below the average value of 15.2 over the past 25 years. With TSX earnings forecast to grow approximately 7% in 2013, the P/E multiple would drop to 12.1. If equities were to return to the long term average valuation, the TSX would rally to 15,500, a 26% increase from current levels. In our view, the current extremely low rate for bonds should imply an even higher P/E multiple for equities as the spread between the earning's yield for equities and bond yields is at record levels.

In terms of small cap equities, the valuation discount will be even more pronounced if the Bloomberg consensus forecast of 31% growth for 2013 proves correct. The TSX Small Cap index would be required to increase by 41% to get to its long-term average of 17. This allows for lots of room for error in earnings estimates. We continue to see a significant upside for equities, particularly small cap equities.



Regards,

Steven Palmer, CFA
President and CEO

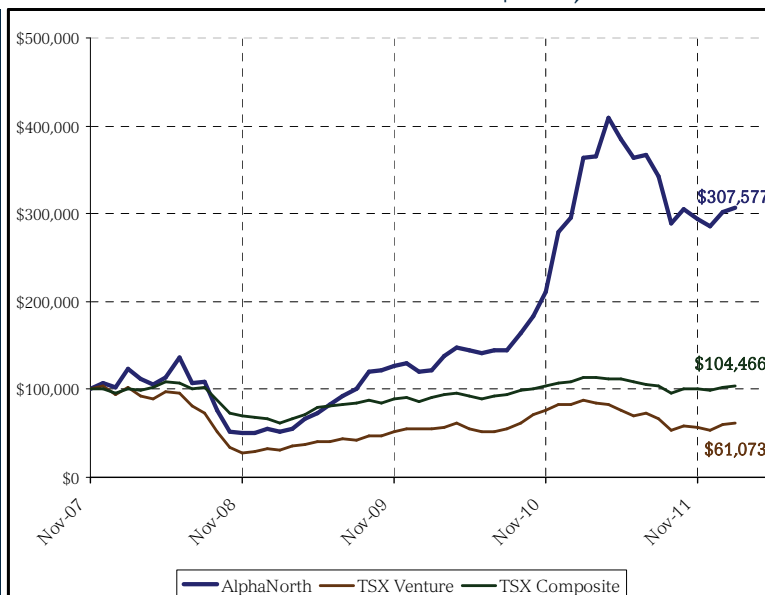
Monthly Performance*

	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%											7.7%

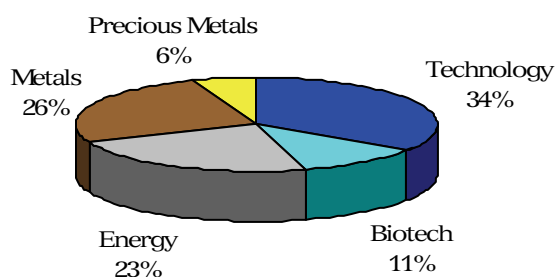
Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
Returns *			
1 Month	2.0%	2.4%	1.7%
YTD	7.7%	12.6%	6.1%
1 Year	(15.3%)	(30.1%)	(8.1%)
2 Year	59.1%	4.5%	7.1%
3 Year	80.0%	24.7%	19.2%
Since Inception (annualized)	30.3%	(11.0%)	1.0%
Since Inception (cumulative)	207.6%	(38.9%)	4.5%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	64.7%	52.0%	54.9%
Standard Deviation	42.3%	35.9%	18.1%
Sharpe Ratio	0.69	(0.33)	0.01
Beta		0.95	1.74

Growth of Initial Investment \$100,000



Sector Allocation



Fund Information

Lead Manager	Steven Palmer
Inception	December 1, 2007
Fund Type	Alternative Strategies (Long biased small cap)
Fund Status	Closed to new investors
Fund Codes	Class A— AAM100 Class D— AAM200
Assets	\$90 million +
Eligibility	Accredited Investors only
Fund Details	Management Fee Class A- 2%, Class D- 2.5% 20% Performance Fee RRSP eligible High water mark (no reset) Monthly valuation \$150k minimum investment
Sub/Redemption	Monthly, 90 day notice
Lock-up	None
Redemption Fee	Class A—none; Class D—3% yr 1, 1.5% yr 2
Auditor	Deloitte
Administration	Harmonic Fund Services
Prime Broker	Scotia Capital
Legal	Stikeman/Maples & Calder

Investment Strategy

The AlphaNorth Partners Fund (the “Fund”) is a long biased small cap hedge fund focusing 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 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

**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. Returns subsequent to 2010 are unaudited. The inception date is December 1, 2007.*