



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Partners Fund

March 2012

NAV

Class A (AAM100) \$30.0313
Class D (AAM200) \$24.3201

Fund Review After a strong start in the first two months of the year, Canadian equity markets declined in March. The TSX Venture and TSX Composite returned (6.3%) and (1.6%) respectively. We are pleased that the Fund experienced a more moderate decline than the TSX Venture in March returning (2.4%) which has resulted in a return year to date of 5.1%.

We noted in our January fund commentary that “it was likely that equities would consolidate before resuming a strong uptrend”. It is our view that this is what has transpired as the TSX has declined approximately 7% from its high in late February to its recent low on April 10th. We firmly believe that this consolidation is both necessary and typical prior to the resumption of the uptrend.

The benefits of our strategy to maintain a diversified portfolio was again evident this month as our non-resource positions performed the best during March and contributed to the strong outperformance as compared to the TSX Venture index. In addition, the Fund’s modest weighting in precious metal equities contributed to this outperformance as the precious metal sector was the worst performing small cap sector in March. The Fund remains fully invested with a diversified weighting of 53% in resource equities, 12% in health care and 35% in technology.

Outlook Although Canadian equity indices have rallied from the lows of last Fall, they have lagged the majority of other major equity indices around the world over this time frame. This is largely a result of the poor performance of the resource sectors which have underperformed in recent weeks. Investor concerns regarding China’s slowing growth rate and its impact on commodities has been the main factor. It is our belief that the Chinese economy will re-accelerate and this underperformance will not continue. These concerns are rather surprising given that it was not long ago that the media and investors were concerned about China’s increasing inflation rate. The Chinese government implemented policies to slow growth thereby curbing inflation. Now the concern is slowing growth.

The correction in recent weeks is quite modest in the context of the 20%+ rally experienced by most major equity indices worldwide in only five months. It is our view that China’s economy will re-accelerate over the balance of 2012 contributing to strong commodity prices. This will greatly benefit Canadian equity indices which are highly weighted in the resource sectors. It is likely that Canadian equities will begin to outperform from current levels.



Regards,

Steven Palmer, CFA
President and CEO

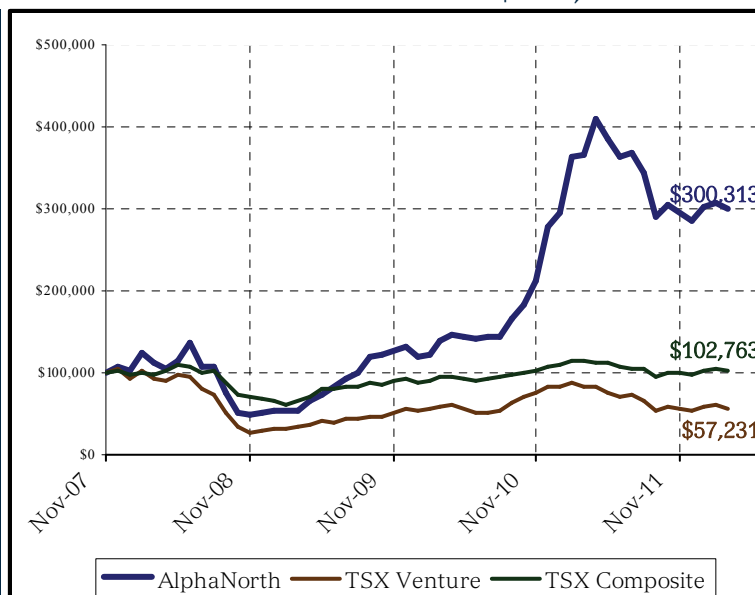
Monthly Performance*

	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%	(2.4%)										5.1%

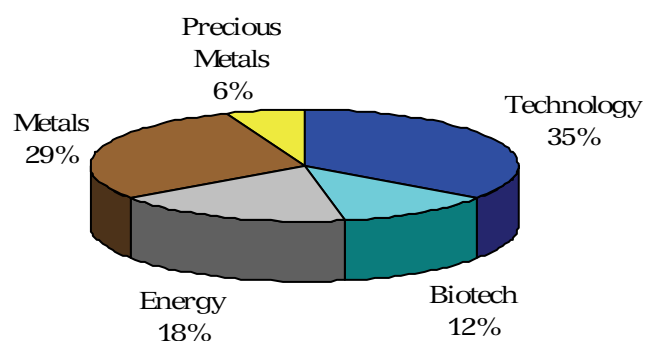
Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
Returns *			
1 Month	(2.4%)	(6.3%)	(1.6%)
YTD	5.1%	5.5%	4.4%
1 Year	(18.0%)	(31.8%)	(9.8%)
2 Year	47.3%	(0.3%)	4.2%
3 Year	76.3%	17.9%	15.6%
Since Inception (annualized)	28.9%	(12.1%)	0.6%
Since Inception (cumulative)	200.3%	(42.8%)	2.8%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	63.5%	51.0%	53.8%
Standard Deviation	42.0%	35.7%	17.9%
Sharpe Ratio	0.67	(0.36)	(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 2011 Flow-Through LP, the AlphaNorth 2012 Flow-Through LP, the AlphaNorth Rollover Fund 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

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