



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Growth Fund

May 2012

NAV
Series A (ANF010) \$7.313
Series F (ANF011) \$7.377

Fund Review Equities declined substantially in May. The TSX Composite returned (6.3%) during the month. The Fund NAV decreased from \$8.698 in April to \$7.313 at the end of May. 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. We are disappointed by this result. Performance was negatively impacted by the Fund's overweight position in the resource sectors which led the declines in May particularly because of concerns over slowing growth in China which, in our view, are overblown. Current valuations are pricing in a very bearish outlook which we believe is unwarranted. We believe the Fund's overweight position in the resource sectors will outperform once the equity bull market resumes.

Valuations are currently unusually cheap especially when compared to alternative asset classes such as the fixed income investments. This significant divergence is unlikely to continue for much longer. We are hopeful that the relationship resolves itself with materially higher equity prices. The Fund remains fully invested. The sector mix is comprised of 1% in technology, 7% in health care, 17% in consumer discretionary, 4% in financials, 30% in energy and 39% in materials.

Outlook Although the consolidation which we noted in our January commentary has been more severe than envisioned, we are confident that equities have recently bottomed. European debt concerns hit equities hard as investors piled into U.S. debt resulting in a new all-time low for the 10 year bond yield of 1.44%. The extreme divergence of the earnings yield of 8% for equities compared to current bond yields is unsustainable. Investors should not be fooled by the mirage of safety in bonds. The European crisis will be resolved as are all market events. History has shown that those who capitalize on situations of investor panic such as the financial crisis of 2008, the crash of 1987 and the initial concerns in Europe in 2011 were greatly rewarded. Equity markets performed extremely well as fear dissipated. In our view, this time will be no different. Although, we cannot pick the precise bottom, we do not mind being early as the best performing days in history typically occur around major market bottoms. By calling a bottom early, we ensure that we participate in these "best days" as investors who wait for the smoke to clear will forgo substantial returns. Our current portfolio positioning ensures that we will benefit from these "best days".



Regards,

Steven Palmer, CFA
President and CEO

Monthly Performance* (NAV)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011						\$10.00	\$9.983	\$9.691	\$7.277	\$9.146	\$8.811	\$8.434	\$8.434
2012	\$9.249	\$9.833	\$9.300	\$8.698	\$7.313								

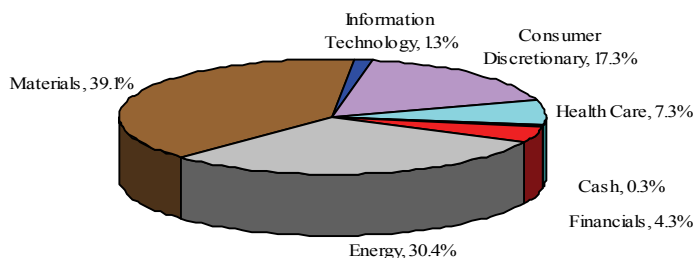
Performance Analysis

	AlphaNorth Growth Fund	S&P/ TSX Composite
Returns *		
1 Month	-	(6.3%)
YTD	-	(3.7%)
1 Year	-	-
2 Year	-	-
3 Year	-	-
Since Inception (annualized)	-	-
Since Inception (cumulative)	-	(14.7%)
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:	\$9.5 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. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The inception date is July 25, 2011.*