



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Partners Fund

May 2012

NAV

Class A (AAM100) \$25.9938
Class D (AAM200) \$21.0250

Fund Review Equities declined substantially in May. The TSX Composite and TSX Venture index declined 6.1% and 9.4% respectively. The Fund was unable to avert this general market weakness and declined by 9.9% in May.

For many companies, there has recently been a discrepancy between company fundamentals and share prices. This is similar to the period of market turmoil in 2008 during which time share prices were primarily driven by liquidity issues instead of by fundamentals. Fortunately, this environment is not sustainable over the longer term, as fundamentals will prevail in time. However, during shorter timeframes, performance in these environments create volatility and managers have little control over monthly performance numbers. We have always focused on long term fundamentals during which prudent investment decisions generally prevail. This has been the primary driver of our strong long term performance record.

The portfolio remained fully invested throughout May with the sector allocations much the same as in previous months with 37% invested in technology, 13% in biotech, 27% in metals, 19% in energy and 4% in precious metals.

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

Steven Palmer, CFA
President and CEO

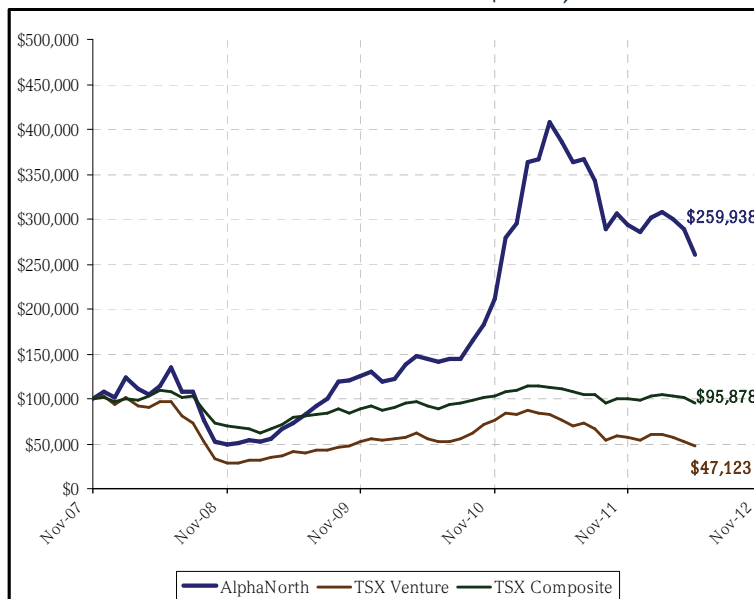
Monthly Performance*

	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%)	(3.9%)	(9.9%)								(9.0%)

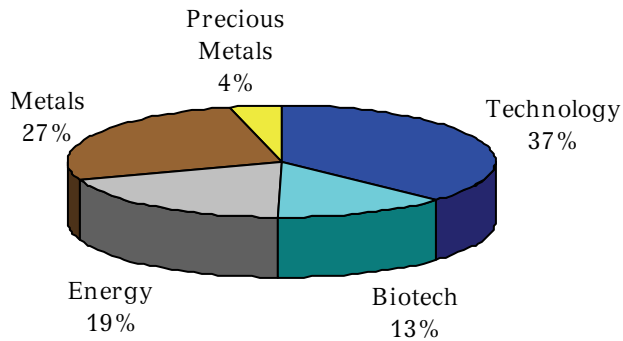
Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
Returns *			
1 Month	(9.9%)	(9.4%)	(6.1%)
YTD	(9.0%)	(13.1%)	(2.6%)
1 Year	(32.5%)	(38.4%)	(14.2%)
2 Year	33.9%	(7.7%)	1.6%
3 Year	53.1%	4.7%	6.4%
Since Inception (annualized)	23.6%	(15.4%)	(0.9%)
Since Inception (cumulative)	159.9%	(52.9%)	(4.1%)
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	61.1%	49.1%	51.9%
Standard Deviation	41.8%	35.5%	17.8%
Sharpe Ratio	0.54	(0.47)	(0.11)
Beta		0.95	1.75

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	~\$75 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

**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 2011 are unaudited. The inception date is December 1, 2007.*