



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Partners Fund

June 2012

NAV

Class A (AAM100) \$23.9302
Class D (AAM200) \$19.3467

Fund Review Challenging equity markets continued in June, particularly for small cap resource companies. The Fund declined by 7.9% in June as compared to the TSX Venture index which declined by 7.4%. The TSX Composite managed to etch out a small gain by month end, increasing by 1.1%.

Recent months have been very frustrating for many equity investors as there have been very few winners. Similarly to the equity market in 2008, liquidity issues have been the dominant driver of returns. Investors are failing to recognize the strong fundamentals of many small cap companies, including many within our portfolio. Poor liquidity and the lack of any big winners of late have contributed to lower than normal portfolio turnover. It is important to note that we have recently had very positive updates for several of our core holdings. We remain optimistic that in due course, the market will recognize these strong fundamentals and these holdings will ultimately lead to strong contributions to portfolio returns.

At the present time, we do not have any strong sector preferences. The portfolio remains roughly split between resources and technology/life sciences. Over the past year, we have maintained a bias against precious metal equities but at this time, we are more optimistic about this sector in light of the large decline in share prices and valuations over this period.

The portfolio remained fully invested in June with the sector allocations much the same as in previous months with 36% invested in technology, 11% in biotech, 30% in metals, 17% in energy and 6% in precious metals.

Outlook Equities continue to discount a bearish scenario which we believe is unlikely to play out. Although recent economic data reflects a modest slowing in growth, overall economic trends remain positive and we believe this slowdown will be short-lived. We expect Government policy initiatives will continue to be supportive of future growth in both North America and China. Equity fundamentals have continued to improve over the past few years. In fact, some valuation metrics are several standard deviations outside of historical norms towards the positive side. In addition, the balance sheets of many companies have continued to improve while competing investment products such as fixed income products offer only miniscule returns. However, the majority of investors continue to pile into these investments seemingly unaware of the risks or the potential loss of opportunity. We believe that risk/reward at the present time highly favours an investment strategy invested in equities. We are pleased to note that we have witnessed a rebound in many of our positions since month end as small cap equities have started the month of July on a more positive note. We expect small cap equities to initially lag larger cap equities until M&A and investor interest return.



Regards,

Steven Palmer, CFA
President and CEO

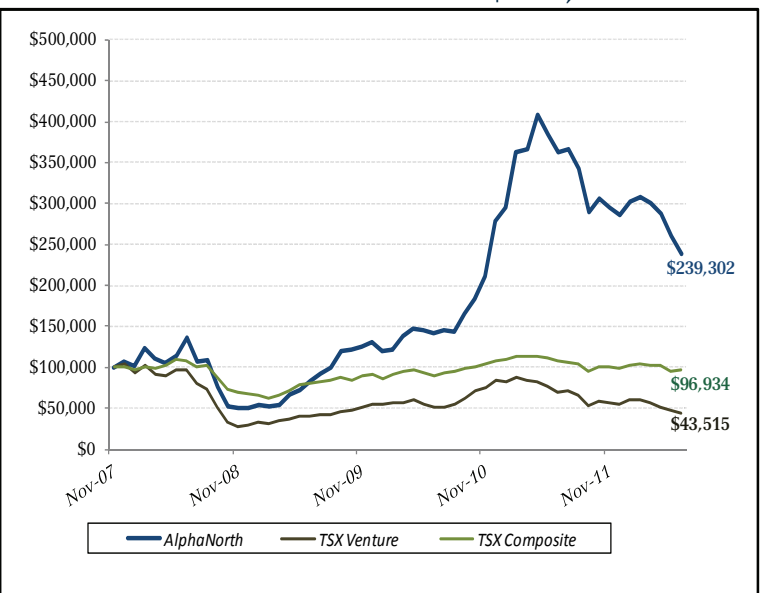
Monthly Performance*

	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%)	(3.9%)	(9.9%)	(7.9%)							(16.2%)

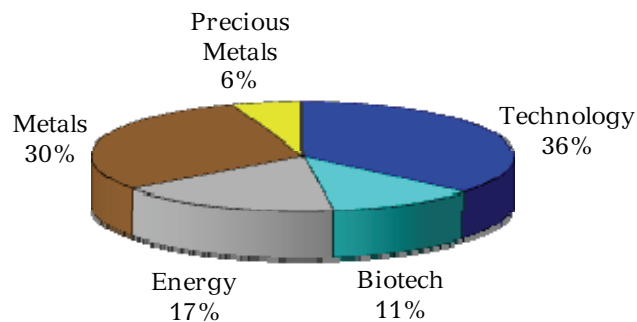
Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
Returns *			
1 Month	(7.9%)	(7.7%)	1.1%
YTD	(16.2%)	(19.8%)	(1.5%)
1 Year	(34.2%)	(37.5%)	(10.3%)
2 Year	30.2%	(8.3%)	4.2%
3 Year	42.5%	2.9%	6.3%
Since Inception (annualized)	21.0%	(16.6%)	(0.7%)
Since Inception (cumulative)	139.3%	(56.5%)	(3.1%)
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	60.0%	48.1%	52.7%
Standard Deviation	41.7%	35.3%	17.7%
Sharpe Ratio	0.48	(0.50)	(0.10)
Beta		0.96	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.*