



**AlphaNorth**  
Asset Management

# FUND COMMENTARY

## AlphaNorth Partners Fund

December 2012

NAV

Class A (AAM100) \$26.6142  
Class D (AAM200) \$21.4559

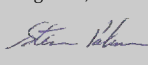
**Fund Review** The Fund returned 3.6% in December as compared to 2.0% for the TSX Total Return index and 0.0% for the TSX Venture index. In 2012, the Fund outperformed its benchmark returning (6.8%) as compared to a return of (17.7%) for the TSX Venture index. The portfolio benefited from the usual strength of small cap equities over the last two weeks of the year as we referenced last month. The TSX Venture index extended its record of positive performance over this period to 12 years.

The portfolio benefited from strong gains in the technology and life sciences sectors in December. We are currently seeing early signs that the resource component of the portfolio is starting to contribute to gains. Given the very depressed valuations in the junior resource stocks, we are optimistic that they could positively impact performance in the near term.

The portfolio remained fully invested. Sector mix comprised of 38% in technology, 16% in life sciences, 27% in metals, 10% in energy and 9% in precious metals.

**Outlook** Despite several challenging macro issues, the European Crisis and U.S. fiscal cliff, large cap equities have performed well from the summer lows as fears of a U.S. recession have failed to materialize. In fact, we now see an acceleration of the economic recovery in 2013 for both the U.S. and China, the world's two largest influencers of global growth. Recent economic data from China provides strong evidence of accelerating growth which will disproportionately benefit Canadian equities due to the high resource component of the Canadian indices.

Subsequent to the year end, investors and the media have now moved on to the next worry, the U.S. debt ceiling. The deadline for this has been pushed back until March. We believe the 'bears' are running out of negative macro issues to sensationalize. It is only a matter of time before investors return to company fundamentals for which Canadian small/mid cap equities are very attractive, particularly in the context of the inferior return expectations for fixed income investments. Although Canadian equity indices lagged the strong performance of the majority of world indices in 2012, we believe 2013 will be a year of outperformance for Canadian equities.

Regards,  
  
Steven Palmer, CFA  
President and CEO



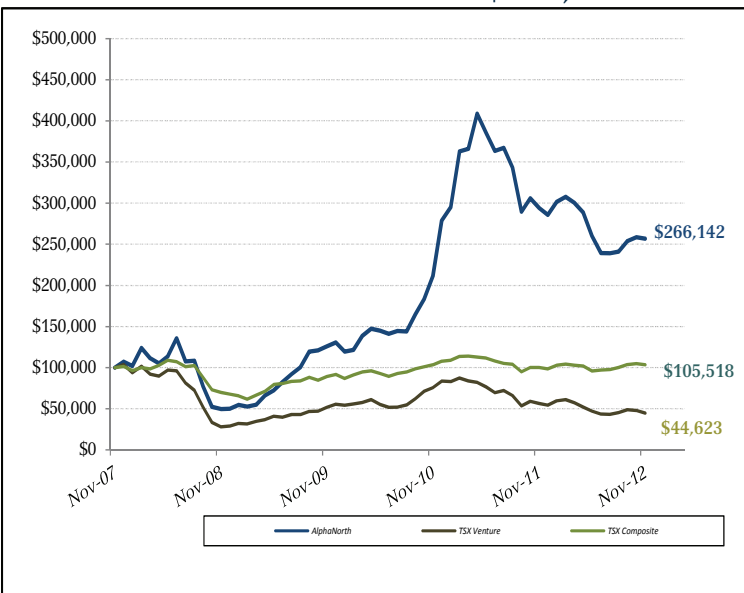
### Monthly Performance\*

	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%	(2.4%)	(3.9%)	(9.9%)	(7.9%)	(0.1%)	0.9%	5.3%	1.8%	(0.7%)	3.6%	(6.8%)

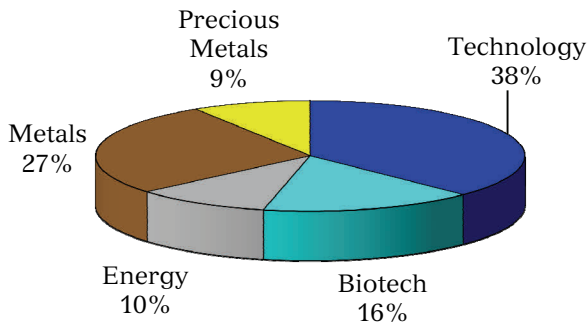
### Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite TRI
<b>Returns *</b>			
1 Month	3.6%	0.0%	2.0%
YTD	(6.8%)	(17.7%)	7.2%
1 Year	(6.8%)	(17.7%)	7.2%
3 Year	26.8%	(7.0%)	4.8%
5 Year	19.9%	(15.5%)	0.8%
Since Inception (annualized)	21.2%	(14.7%)	1.1%
Since Inception (cumulative)	166.1%	(55.4%)	5.5%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	60.7%	49.2%	57.4%
Standard Deviation	39.6%	33.9%	16.9%
Sharpe Ratio	0.51	(0.47)	(0.0)
Beta		0.94	1.73

### 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	+\$80 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.*