



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Growth Fund

January 2013

NAV
Series A (ANF010) \$6.557
Series F (ANF011) \$6.654

Fund Review The Fund returned 0.4% in January as compared to 3.1% for the TSX Total Return index and 0.0% for the TSX Venture index. Equity markets worldwide are off to a strong start in 2013.

It is still early in what we believe will be a significant rally for Canadian small cap equities. We have been early in overweighting the resource sectors in the portfolio but we believe this positioning will pay off in 2013. We added a couple names in the energy and materials sectors during the month. We believe the prices for both copper and oil look favourable short term as both commodities continue to trade higher and we believe will break to new highs in the coming months. Valuations remain very depressed for Canadian small cap equities relative to both commodity prices and large cap comparables. We expect that more favourable fund flows and merger and acquisition activity will start to narrow this gap.

The Fund is currently fully invested. The current sector mix is comprised of 13% in technology, 3% in health care, 9% in consumer discretionary, 2% in financials, 20% in energy and 53% in materials.

Outlook January resulted in a very strong start to the year for equities worldwide. Typically this bodes well for the rest of the year. There is a theory that suggests that the return in January sets the tone for the year. Since 1950, this January Barometer has been a correct predictor for the S&P 500 index 89% of the time. Our macro view supports this conclusion. We believe that continued strong gains for equities combined with higher yields will shift investor sentiment. With the mitigation of major macro issues, we have noted a turn to more positive headlines. The benchmark for yields, the U.S. 10 year bond, has increased to approximately 2% in recent weeks after hitting a record low of 1.38% in July 2012. We have alluded to a potential shift in asset allocation from fixed income investments to equities for some time. In our view, there is no question that it will occur. It is merely a question of timing. Fixed income funds have benefited from strong positive net inflows of capital for the past several years while both large and small cap equity funds have suffered strong outflows since 2005. Although Canadian small cap equities experienced a strong rebound in 2009 and 2010, they have significantly underperformed over the past two years. As the global economy continues to accelerate in 2013, we expect Canadian small cap equities to disproportionately benefit.

Regards,



Steven Palmer
Steven Palmer, CFA
President and CEO

Performance (as of January 31, 2013)

| | Jan | YTD | 3 Month | 6 Month | 1 Year | Inception | Cumulative |
|-----------------------|------|------|---------|---------|---------|-----------|------------|
| AlphaNorth Growth | 0.4% | 0.4% | (4.7%) | (2.5%) | (29.1%) | (22.4%) | (34.4%) |
| S&P/TSX Venture | 0.0% | 0.0% | (7.1%) | 3.3% | (25.1%) | (26.4%) | (40.0%) |
| S&P/TSX Composite TRI | 3.1% | 3.1% | 3.8% | 11.4% | 5.9% | (0.2%) | (0.4%) |

Key Reasons to Own This Fund

PROVEN LONG TERM PERFORMANCE:

- Management team has a 15 year track record of generating industry leading returns (30%+ annualized)*

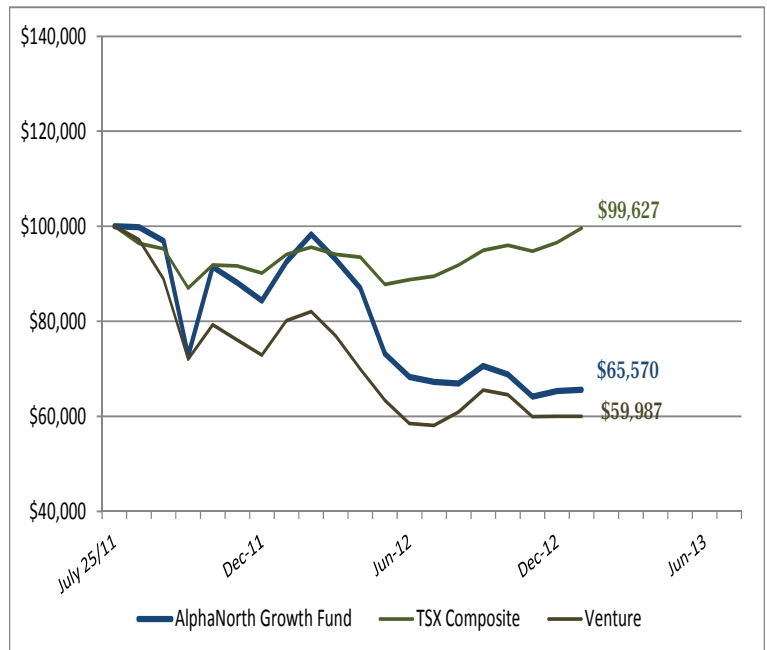
DIVERSIFICATION THROUGH SMALL/MID CAP:

- AlphaNorth Growth Fund is well diversified across the resource, technology and life sciences sectors

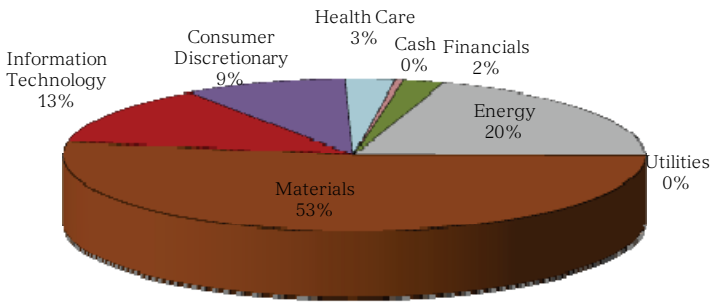
ONE OF THE BEST PERFORMING ASSET CLASSES OVER THE LONG TERM:

- Complements any investment portfolio and greatly enhances wealth accumulation

Growth of Initial Investment \$100,000



Current Sector Allocation



Fund Information

| | |
|------------------------------|--|
| Lead Manager: | Steven Palmer |
| Inception: | July 25, 2011 |
| 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: | \$15.4 million |
| Account Enquiries: | 1-877-506-8122 |
| Sales and Marketing: | Skye Collyer |

Monthly Performance*

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|------|------|------|--------|--------|---------|--------|--------|--------|---------|--------|--------|--------|---------|
| 2011 | | | | | | | (0.2%) | (2.9%) | (24.9%) | 25.7% | (3.7%) | (4.3%) | (15.7%) |
| 2012 | 9.7% | 6.3% | (5.4%) | (6.5%) | (15.9%) | (6.6%) | (1.6%) | (0.5%) | 5.6% | (2.6%) | (6.7%) | 1.8% | (22.5%) |
| 2013 | 0.4% | | | | | | | | | | | | 0.4% |

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, 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 and is a CIM.

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. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return for the Series A shares of AlphaNorth Growth Fund are the historical, annual compounded total returns including changes in share value and the reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any shareholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The inception date is July 25, 2011. **Based on growth of investment in institutional small cap pooled fund from inception August 1, 1998, to August 1, 2007, and growth of investment in AlphaNorth Partners Fund from inception December 1, 2007 to the current NAV.