

	Class A	Class D
AlphaNorth Partners Fund Inc. (AAM101/201)	\$18.630	\$14.930
AlphaNorth Partners Fund LP (AAM102/202)*	\$4.513	\$3.613
<b>Consolidated NAV*</b>	<b>\$23.142</b>	<b>\$18.543</b>

**Fund Review** The Fund returned (0.5%)\* in December. In comparison, the TSX Venture index and TSX Total Return index returned (0.3%) and 2.0% respectively during the month.

The life sciences sector in the U.S. has been particularly strong over the past couple of years. This strong performance is now spilling over into the Canadian companies in the sector. We have been active in this sector over the past several years and we have been rewarded by our early positioning and patience in several names which had solid returns in 2013. For example, Prometic Life Sciences (TSXV:PLI; +223%), Cardiome (TSXV:COM; +252%) and LED Medical Diagnostics (TSXV:LMD; +60%) all had strong returns.

We are excited about several new investments we have made in the technology sector at cheap valuations. These investments included full warrants which will almost double the returns if share prices appreciate like we expect. There has been a stealth bull market in the junior technology and life sciences sectors which started in 2013 which has been masked by the poor performance in junior resources. We have been quite active purchasing new private placements in this area. We have been selling non-core positions and taking profits on our strong performing positions to fund these new investments which we believe offer more attractive risk/reward metrics.

Current sector allocations are comprised of 52% in technology, 18% in life sciences, 5% in consumer, 12% in energy, 11% in metals and 2% in precious metals. The Fund is fully invested.

**Outlook** Broader equity markets delivered strong returns in 2013 as we forecasted. In 2014, we believe equities will continue to perform well as the backdrop of strong corporate earnings, accelerating global growth (3.5% in 2014 compared to 3.0% in 2013) and rising bond yields are very accommodating for equities. Given this environment, we believe that resource equities will begin to outperform the broader market as is usually the case in the second half of an equity bull market. This should contribute to outperformance for the TSX in 2014.

Now that the major issues (European crisis, U.S. debt ceiling) are no longer sensationalized in the press, the "perma-bears" have less to dwell on. It is clear they have lost the debate as the S&P has experienced one of the strongest equity rallies in history, up almost 200% from the low of the financial crisis in 2009. The current positive datapoints are clearly overwhelming. We believe that 2014 will be another strong year for equity returns with the TSX Venture index likely to rebound after three straight years of losses totally 61%. The low in June 2013 for Canadian small cap equities, as measured by the TSX Venture index, is now well in the past yet the majority of investors have yet to acknowledge this and remain on the sidelines. This is typically the case after a major low. We expect a reversal in fund flows will propel small caps significantly higher in 2014. In addition, **our technical analysis work signalled a major buy signal in December for the TSXV. We believe that there is substantial upside for Canadian small cap equities from current levels.**



Regards,

Steven Palmer, CFA  
President and CEO

### Performance\* (as of December 31, 2013)

	December	YTD	1 Year	3 Year	5 Year	Inception	Cumulative
AlphaNorth Partners	(0.5%)	(13.0%)	(13.0%)	(6.0%)	35.8%	14.6%	131.4%
S&P/TSX Venture	(0.3%)	(23.7%)	(23.7%)	(25.9%)	3.2%	(16.5%)	(65.9%)
S&P/TSX Composite TRI	2.0%	13.0%	13.0%	3.4%	11.9%	2.7%	19.2%

### Key Reasons to Own This Fund

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 15 year track record of generating industry leading returns (25%+ annualized)\*\*

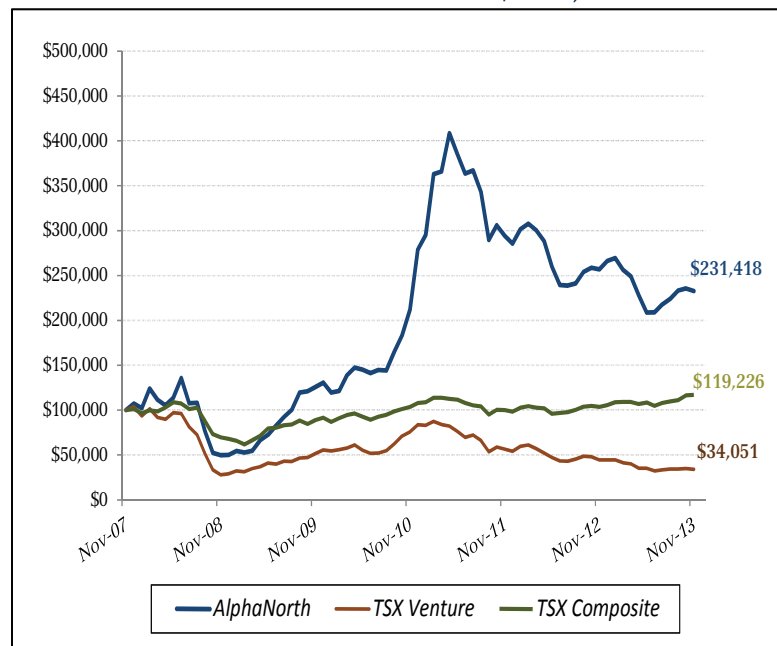
#### DIVERSIFICATION THROUGH SMALL CAP:

- AlphaNorth Partners Fund is well diversified across the resource, technology and life sciences sectors
- One of the best performing asset classes over the long term which compliments any investment portfolio and greatly enhances wealth accumulation

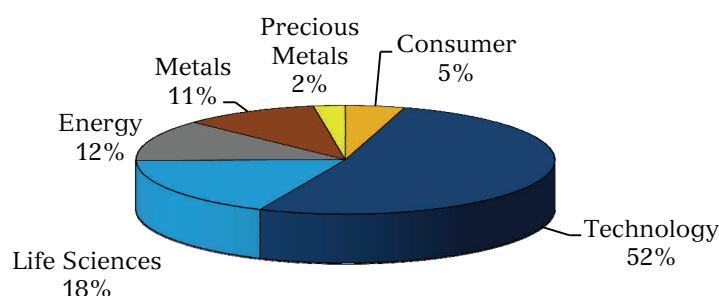
#### UNIQUE STRUCTURE:

- Efficient tax structure dramatically increases after-tax returns over the long term
- All performance fees are reinvested into the fund. Management and employees own a significant portion of fund assets

### Growth of Initial Investment \$100,000



## Current Sector Allocation



## Fund Information

Lead Manager	Steven Palmer
Inception	December 1, 2007
Fund Type	Alternative Strategies (Long biased small cap)
Fund Codes	Class A: AAM100, Class D: AAM200
Eligibility	Accredited Investors only
Fund Details (closed to new investments)	Management Fee Class A- 2%, Class D- 2.5% 20% Performance Fee High water mark (no reset) Monthly valuation \$150k minimum investment
Sub/Redemption	Monthly, 90 day notice
Lock-up	LP portion redeemable upon liquidity event
Redemption Fee	Class A: none; Class D: 3% yr 1, 1.5% yr 2
Beta Compared to	S&P/TSX Venture: 0.93 S&P/TSX Composite TRI: 1.69
Sales Contact	Steve Palmer 416 483 4448 info@alphanorthasset.com

## 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%)
2013	1.3%	(4.9%)	(2.9%)	(8.4%)	(8.4%)	0.2%	4.1%	2.9%	4.2%	1.0%	(1.3%)	(0.5%)*	(13.0%)

## Investment Strategy

The AlphaNorth Partners Fund Inc. (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 2012 Flow-Through LP, the AlphaNorth Resource 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 on an annualized basis except where noted and stated net of all fees. Returns are shown for AlphaNorth Partners Fund Inc. Class A on or prior to Reorganization May 31, 2013, and on a consolidated basis (the "Consolidated NAV") subsequent to Reorganization. The Consolidated NAV represents the Class A NAV per share of AlphaNorth Partners Fund Inc., plus the Class A NAV per share of AlphaNorth Partners Fund LP at the same date. Returns subsequent to 2012 are unaudited. The inception date is December 1, 2007. Investors should note that the current month end performance includes AlphaNorth Partners Fund Inc. at December 31<sup>st</sup>, 2013, and AlphaNorth Partners Fund LP at November 30, 2013, as the LP is subject to additional valuation work by the funds' auditors required at year end. The final December NAV's for the LP will be released together with the January 31, 2014 update. \*\*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.

**Fund Review** The Fund returned 8.7% in December. In comparison, the TSX Venture index and TSX Total Return index returned (0.3%) and 2.0% respectively during the month. The strong returns in December resulted in double digit returns for the year despite a decline of 24% for the TSX Venture index over the same period.

The life sciences sector in the U.S. has been particularly strong over the past couple of years. This strong performance is now spilling over into the Canadian companies in the sector. We have been active in this sector over the past several years and we have been rewarded by our early positioning and patience in several names which had solid returns in 2013. For example, Prometic Life Sciences (TSXV:PLI; +223%), Cardiome (TSXV:COM; +252%) and LED Medical Diagnostics (TSXV:LMD; +60%) all had strong returns.

Over the past several quarters we have been able to accumulate significant warrant positions with private placements. These warrants have been accumulated for no cost and currently represent almost 70% of the portfolio in terms of the number of warrants relative to number of shares in the portfolio. We conservatively value these warrants at intrinsic value. These warrants, on average, are 3% out-of-the-money. If 2014 is a strong year as we expect, these warrants will provide significant leverage to positive returns for no cost while the downside is minimal.

The current sector allocation is comprised of 51% in technology, 8% in life sciences, 8% in consumer products, 4% in energy, 28% in metals and 1% in precious metals. The Fund remains fully invested.

**Outlook** Broader equity markets delivered strong returns in 2013 as we forecasted. In 2014, we believe equities will continue to perform well as the backdrop of strong corporate earnings, accelerating global growth (3.5% in 2014 compared to 3.0% in 2013) and rising bond yields are very accommodating for equities. Given this environment, we believe that resource equities will begin to outperform the broader market as is usually the case in the second half of an equity bull market. This should contribute to outperformance for the TSX in 2014.

Now that the major issues (European crisis, U.S. debt ceiling) are no longer sensationalized in the press, the "perma-bears" have less to dwell on. It is clear they have lost the debate as the S&P has experienced one of the strongest equity rallies in history, up almost 200% from the low of the financial crisis in 2009. The current positive datapoints are clearly overwhelming. We believe that 2014 will be another strong year for equity returns with the TSX Venture index likely to rebound after three straight years of losses totaling 61%. The low in June 2013 for Canadian small cap equities, as measured by the TSX Venture index, is now well in the past yet the majority of investors have yet to acknowledge this and remain on the sidelines. This is typically the case after a major low. We expect a reversal in fund flows will propel small caps significantly higher in 2014. In addition, **our technical analysis work signalled a major buy signal in December for the TSXV. We believe that there is substantial upside for Canadian small cap equities from current levels.**



Regards,

Steven Palmer, CFA  
President and CEO

### Performance\* (as of December 31, 2013)

	December	YTD	1 Year	3 Year	5 Year	Inception	Cumulative
AlphaNorth Partners	8.7%	13.1%	13.1%	2.6%	43.1%	19.6%	201.1%
S&P/TSX Venture	(0.3%)	(23.7%)	(23.7%)	(25.9%)	3.2%	(16.5%)	(65.9%)
S&P/TSX Composite TRI	2.0%	13.0%	13.0%	3.4%	11.9%	2.7%	19.2%

### Key Reasons to Own This Fund

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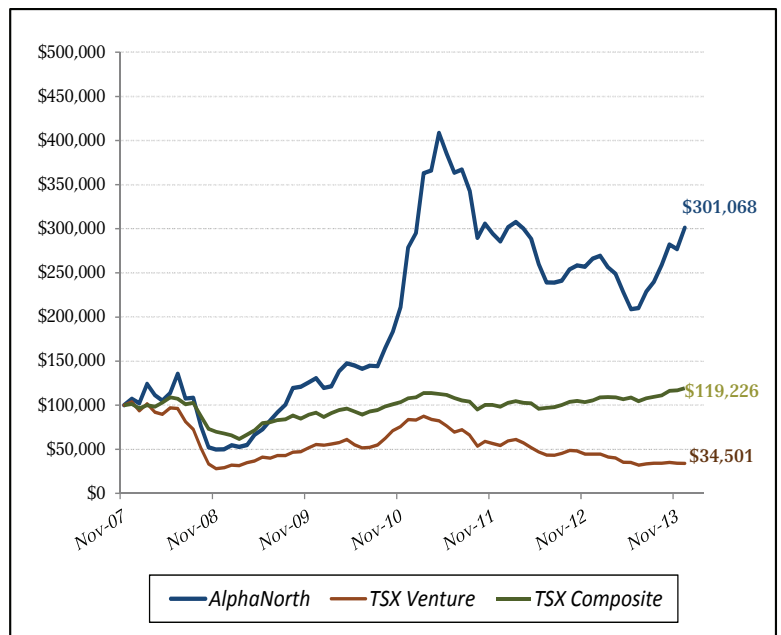
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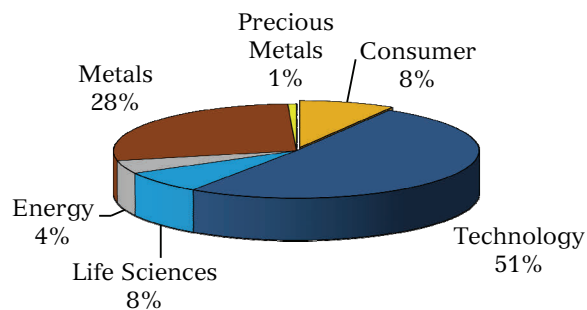
#### UNIQUE ASPECTS:

- Management and employees own a significant portion of fund assets
- All performance fees are reinvested into the fund

### Growth of Initial Investment \$100,000



## Current Sector Allocation



## Fund Information

Lead Manager	Steven Palmer
Inception	December 1, 2007 (Class F&G - June 1, 2013)
Fund Type	Alternative Strategies (Long biased small cap)
Fund Codes	Class F: AAM300, Class G: AAM400
Eligibility	Accredited Investors only
Fund Details	Management Fee Class F- 2%, Class G- 2.5% 20% Performance Fee RRSP eligible High water mark (no reset) Monthly valuation
Sub/Redemption	Monthly, 90 day notice
Lock-up	None
Redemption Fee	Class F: none; Class G: 3% yr 1, 1.5% yr 2
Beta Compared to	S&P/TSX Venture: 0.94 S&P/TSX Composite TRI: 1.71
Sales Contact	Steve Palmer 416 483 4448 info@alphanorthasset.com

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2013	1.3%	(4.9%)	(2.9%)	(8.4%)	(8.4%)	0.6%	8.9%	4.7%	8.0%	8.9%	(1.8%)	8.7%	13.1%

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