

|  | Class A         | Class D         |
|--|-----------------|-----------------|
| AlphaNorth Partners Fund Inc. (AAM101/201) | \$20.549        | \$16.428        |
| AlphaNorth Partners Fund LP (AAM102/202)   | \$0.478         | \$0.381         |
| <b>Consolidated NAV*</b>                   | <b>\$21.026</b> | <b>\$16.810</b> |

**Fund Review** The Fund returned (0.9%) in May. In comparison, the TSX Venture index and TSX Total Return index returned (1.8%) and (0.2%) respectively during the month.

During the month of May, two of our portfolio holdings, PNI Digital Media (TSXV:PN) and 360 Vox Corp (TSXV:VOX) were acquired by larger companies at premiums of 32% and 150% respectively. The energy sector has been the first component of the resource sector to perform well. The energy sector has been the best performing sector year to date. Blackbird Energy (TSXV:BBI), one of our larger positions in the energy sector, has returned over 150% in 2014. We believe the prospects for this company continue to be very attractive and we foresee further strong gains for the shares.

We have been aggressive in dynamically rebalancing the portfolio in recent weeks. This has resulted in the elimination of 15 holdings which were deemed to have the weakest outlook and/or had insignificant weightings in the portfolio. We have added exposure to several existing positions in which we have increased confidence in their business prospects.

We have recently identified several new companies which we will be purchasing over the coming weeks by way of private placements. These offer exceptional risk/reward characteristics and are generally focused in the technology sector. These are highly scalable businesses which could result in returns of many times our investment if the business models unfold as projected.

Current sector allocations are as follows: 56% technology, 14% life sciences, 6% consumer, 10% energy, 12% metals and 2% precious metals.

**Outlook** The financial crisis of 2008 continues to weigh on investor sentiment. Even though many fixed income investments carry risk, this is being ignored by many. These fixed income investments will inevitably underperform as interest rates rise and investors adopt a greater risk tolerance in search of returns.

Canadian equities continue to outperform on a year to date basis with both the TSX and TSX Venture outperforming the major U.S. indices (S&P, Dow, NASDAQ, Russell 2000). We expect that this will accelerate in the second half of 2014. This follows several years of underperformance since the global financial crisis, which was one of the longest periods of underperformance in history for Canadian equities. Our outlook is supported by our technical analysis work which indicates that leadership is shifting away from the defensive sectors. The energy stocks, a major component of the resource sector, have already started to outperform as this sector is the best performing sector in 2014. Volumes in small cap equities has been light over the past couple of months which we attribute to typical seasonal weakness during this period. We remain very bullish for Canadian equities, particularly small cap, which have to date lagged their large cap counterparts. Early investors in Canadian equities will be rewarded as money flows and international investors return to Canadian equities.



Regards,

Steven Palmer, CFA  
President and CEO

### Performance\* (as of May 31, 2014)

|                       | May    | YTD  | 1 Year | 3 Year  | 5 Year | Inception | Cumulative |
|-----------------------|--------|------|--------|---------|--------|-----------|------------|
| AlphaNorth Partners   | (0.9%) | 7.6% | 0.7%   | (18.3%) | 23.7%  | 12.0%     | 110.3%     |
| S&P/TSX Venture       | (1.8%) | 5.6% | 2.2%   | (22.3%) | (2.6%) | (14.4%)   | (64.0%)    |
| S&P/TSX Composite TRI | (0.2%) | 8.5% | 19.0%  | 5.0%    | 10.2%  | 4.0%      | 29.3%      |

### 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)\*\*

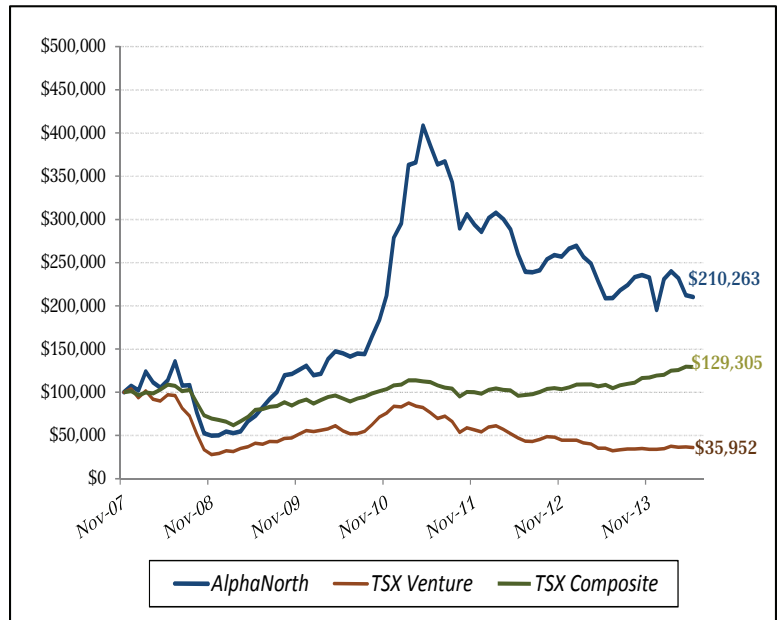
#### DIVERSIFICATION THROUGH SMALL CAP:

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

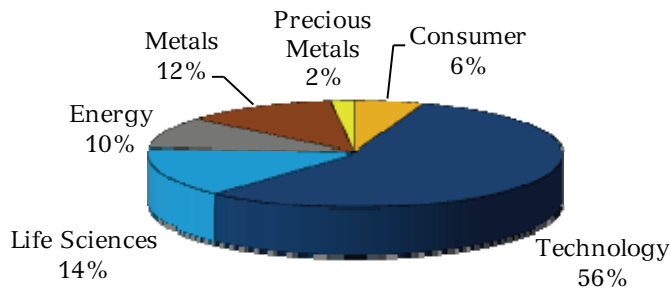
#### UNIQUE STRUCTURE:

- The 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<br>(closed to new investments) | Management Fee Class A- 2%, Class D- 2.5%<br>20% Performance Fee<br>High water mark (no reset)<br>Monthly valuation |
| 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: 0.92   |
| Sales Contact                               | Tanya Ali 416-506-0776 x227   |

## 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%) | (16.0%) | (24.8%) |
| 2014 | 18.1%  | 4.1%   | (3.3%)  | (8.6%) | (0.9%) |        |         |        |         |         |        |         | 7.6%    |

## Investment Strategy

The AlphaNorth Partners Fund Inc. (the "Fund") is a long-biased, small cap hedge fund that focuses 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 have 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 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 2013 are unaudited. The inception date is December 1, 2007. \*\*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 (2.2%) in May. In comparison, the TSX Venture index and TSX Total Return index returned (1.8%) and (0.2%) respectively during the month.

The correction in the U.S. life science and technology sectors ended in May and these sectors have resumed their upward trends. This has contributed to a stabilization of the recent pullback in their Canadian listed counterparts.

We have recently identified several new companies which we will be purchasing over the coming weeks by way of private placements. These offer exceptional risk/reward characteristics and are generally focused on the technology sector. These are highly scalable businesses which could result in returns of many times our investment if the business models unfold as expected. The Fund is currently fully invested across a diversified group of 45 unique companies. The warrant exposure currently represents approximately 60% leverage to the portfolio. The average out of the money amount is 5%.

Current sector allocations are as follows: 57% technology, 11% life sciences, 5% consumer products, 3% energy, 23% metals and 1% precious metals.

**Outlook** The financial crisis of 2008 continues to weigh on investor sentiment. Even though many fixed income investments carry risk, this is being ignored by many. These fixed income investments will inevitably underperform as interest rates rise and investors adopt a greater risk tolerance in search of returns.

Canadian equities continue to outperform on a year to date basis with both the TSX and TSX Venture outperforming the major U.S. indices (S&P, Dow, NASDAQ, Russell 2000). We expect that this will accelerate in the second half of 2014. This follows several years of underperformance since the global financial crisis, which was one of the longest periods of underperformance in history for Canadian equities. Our outlook is supported by our technical analysis work which indicates that leadership is shifting away from the defensive sectors. The energy stocks, a major component of the resource sector, have already started to outperform as this sector is the best performing sector in 2014. Volumes in small cap equities has been light over the past couple of months which we attribute to typical seasonal weakness during this period. We remain very bullish for Canadian equities, particularly small cap, which have to date lagged their large cap counterparts. Early investors in Canadian equities will be rewarded as money flows and international investors return to Canadian equities.



Regards,

Steven Palmer, CFA  
President and CEO

### Performance\* (as of May 31, 2014)

|                       | May    | YTD    | 1 Year | 3 Year  | 5 Year | Inception | Cumulative |
|-----------------------|--------|--------|--------|---------|--------|-----------|------------|
| AlphaNorth Partners   | (2.2%) | (9.2%) | 31.0%  | (10.8%) | 30.4%  | 16.5%     | 173.4%     |
| S&P/TSX Venture       | (1.8%) | 5.6%   | 2.2%   | (22.3%) | (2.6%) | (14.4%)   | (64.0%)    |
| S&P/TSX Composite TRI | (0.2%) | 8.5%   | 19.0%  | 5.0%    | 10.2%  | 4.0%      | 29.3%      |

### 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)\*\*

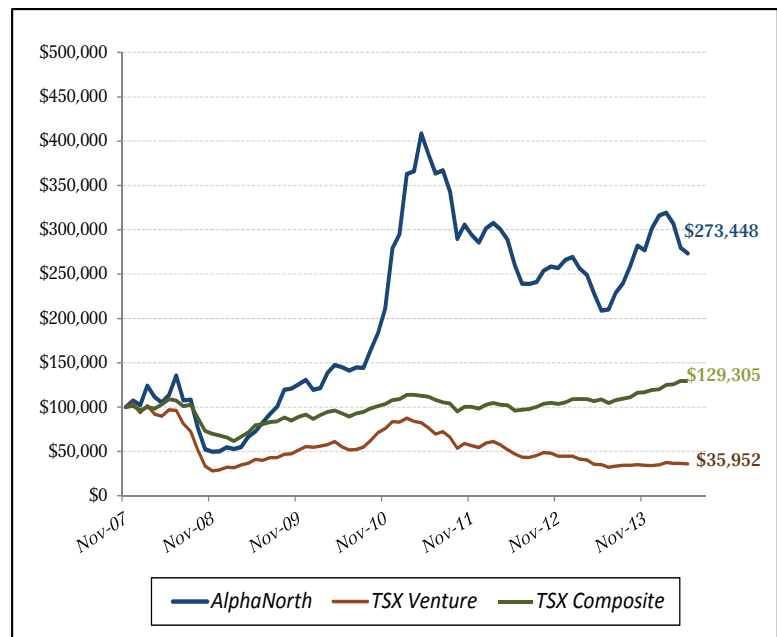
#### DIVERSIFICATION THROUGH SMALL CAP:

- 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

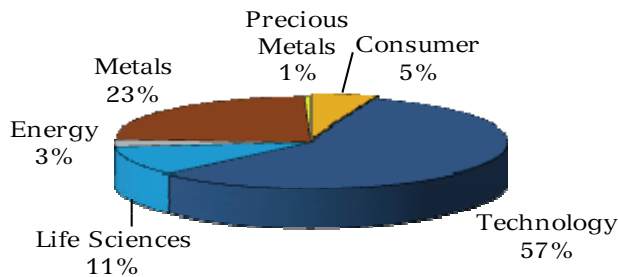
#### UNIQUE ASPECTS:

- 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%<br>20% Performance Fee<br>RRSP eligible<br>High water mark (no reset) |
| 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   |
| Sales Contact    | Tanya Ali 416-506-0776 x227   |

## 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%) |
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| 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%) | 0.6%   | 8.9%    | 4.7%   | 8.0%    | 8.9%    | (1.8%) | 8.7%   | 13.1%   |
| 2014 | 5.0%   | 1.1%   | (4.0%)  | (8.8%) | (2.2%) |        |         |        |         |         |        |        | (9.2%)  |

## Investment Strategy

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