

**Fund Review** The Fund returned 7.0% in April. In comparison, the TSX Venture index and TSX Total Return index returned 16.1% and 3.7% respectively during the month.

Given the turn in the junior resource sectors, we have started to devote more time to resource opportunities and have recently participated in several private placements in the resource sector. One of these is **Neo Lithium** which we mentioned in last month's commentary. In early May, the company completed a further financing priced at \$1.00 per share raising \$12 million. The Fund made its investment in March at a price of \$0.35 and the recent financing is a further reflection of the emerging strength the junior resource companies.

We are particularly excited about the Fund's investments in the life sciences sector which have significant catalysts in 2016 which we believe could move the shares significantly higher. Our largest investment in this sector is **Helius Medical Technologies (TSX:HSM)** which recently raised \$12 million which qualified the company to list on the TSX. We have held this position for a couple of years and are optimistic that our patience will be further rewarded when the company releases pivotal results this summer for traumatic brain injury.

The Fund's warrant portfolio continues to be substantial and is becoming more exciting. Although, several warrant positions have expired in recent months, they have generally been well out of the money. We have added new positions with strike prices much closer to market prices and with fresh two year terms and in several cases longer. These can provide significant leverage to returns in a healthy small cap market as was the case in prior market cycles.

**Outlook** Although investor sentiment has improved from the extreme negative levels in January, it remains relatively weak. We outlined several of these indicators in our February commentary ([What is Recent Investor Sentiment Implying for Equity Markets?](#)). For example, the AAI US investor sentiment survey continues to reflect low levels of participants who are bullish at only 20% for the May 12th reading. In a recent report, Bank of America Merrill Lynch highlighted that in 2016, cumulative money flows have been into bonds and out of equities by a substantial amount. This would be expected given the poor sentiment. In our view, this is encouraging and supports our thesis that the broader equity indices such as the S&P 500 index and TSX will hit new all-time highs in the coming months. Small cap equities are now participating in the equity market strength and in fact outperforming, gaining over 40% from the January low. The performance at this early stage is being led by the sectors which were the most depressed, junior golds and energy. We believe that the other sectors will also begin performing well and that there will be a coordinated bull market in the small caps which will potentially be quite powerful. Further evidence of a major turn in small caps is demonstrated by a Golden Cross which results when the 50 day moving average crosses above the 200 day moving average. This occurred for the TSX Venture index in April and is indicative of an upward change in the major trend.



Regards,

Steven Palmer, CFA  
President and CEO

### Performance\* (as of April 30, 2016)

	April	YTD	1 Year	3 Year	5 Year	Inception	Cumulative
AlphaNorth Partners	7.0%	0.1%	(36.9%)	(27.3%)	(26.5%)	(1.6%)	(12.6%)
S&P/TSX Venture	16.1%	28.4%	(3.0%)	(11.3%)	(21.4%)	(15.3%)	(75.3%)
S&P/TSX Composite TRI	3.7%	8.4%	(5.4%)	7.0%	3.0%	3.3%	31.0%

### Key Reasons to Own This Fund:

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 17.5 year track record of generating industry leading returns (16% annualized)\*\*

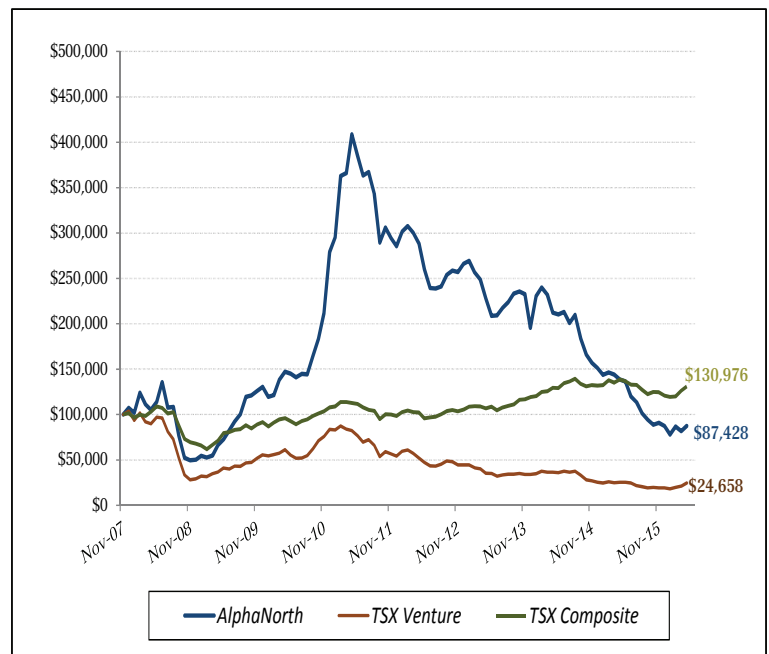
#### DIVERSIFICATION THROUGH SMALL CAP:

- 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

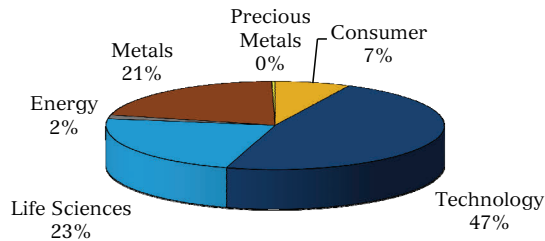
#### UNIQUE ASPECTS:

- 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
Fund Type	Alternative Strategies (Long biased small cap)
Fund Codes	Class A: AAM100, Class D: AAM200
Eligibility	Accredited Investors only
Fund Details	Management Fee Class A- 2%, Class D- 2.5% 20% Performance Fee Perpetual High water mark
Sub/Redemption	Monthly, 90 day notice
Lock-up	None
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	Steve Palmer 416-483-4448

## 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%)	(26.6%)
2014	18.1%	4.1%	(3.3%)	(8.6%)	(0.9%)	1.4%	(5.7%)	4.3%	(12.5%)	(9.5%)	(5.5%)	(3.6%)	(22.6%)
2015	(4.9%)	1.8%	(1.6%)	(3.8%)	(1.6%)	(12.1%)	(5.3%)	(10.7%)	(6.9%)	(6.1%)	2.5%	(3.95)	(42.3%)
2016	(10.8%)	11.4%	(5.8%)	7.0%									0.1%

## Investment Strategy

The AlphaNorth Partners Fund Inc. (the "Fund") is a long-biased, small cap hedge fund which 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 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 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 for Class A shares on an annualized basis except where noted and stated net of all fees. The inception date is December 1, 2007 for the fund. Returns subsequent to 2015 are unaudited. \*\*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 Inc. from inception December 1, 2007 to the current NAV.