

**Fund Review** The Fund returned (2.6%) in May. In comparison, the TSX Venture index and TSX Total Return index returned 0.5% and 1.0% respectively during the month.

One of the Fund's largest holdings, **Helius Medical Technologies (TSX:HSM)**, experienced selling pressure as a result of a warrant expiry on May 30th. We have elected to exercise our warrants as the upside potential is extraordinary and it is likely that the shares will rebound subsequent to the expiry. The company is several months away from pivotal results for its traumatic brain injury trial. We are very confident about the results and are excited about the company's long term prospects for applying their technology to other indications.

We are encouraged by the performance of the private placements in which we have recently participated as the majority are up substantially and will positively impact the June NAV if current prices are sustained. Several of these are resource companies. We expect to be more active in the resource sectors as the prospects and sentiment have improved over the past few months in the resource sectors.

Our short term trading has become more active in recent months. Joey has been taking advantage of short term trading opportunities on both the long and short side in highly liquid positions. These trades have been small in dollar value but have experienced a high win percentage and have contributed to modest incremental performance for the Fund.

Current sector allocations are as follows: 45% technology, 21% life sciences, 7% consumer, 1% energy, 1% precious metals and 25% base metals.

**Outlook** Negative sentiment towards equities has continued to be pervasive in 2016 despite the fact that several indices such as the S&P 500 have performed strongly and are now near record highs. There has been much in the recent financial press about the negative outlook of prominent hedge fund managers in the U.S. and the valuations for the major equity indices, which in some cases are above long term averages. Despite this, equities have continued to trade higher. It is important to note that in our view, valuations should be looked at in a relative context as compared to absolute values. With this perspective, there is very little incentive to move out of equities and into other asset classes such as bonds and real estate which currently offer record low yields accompanied with a high degree of risk. The current spread between fixed income yields and earning yields for equities has rarely been wider, resulting in a highly favourable risk/reward for equities. We strongly favour equities in the current environment and particularly Canadian small caps which, after a long period of underperformance, are now a top performing asset class in 2016 as reflected by the TSX Venture index's 29% return. Retail investors remain reluctant to embrace the equity rally both in large and small cap equities. **They will eventually capitulate and that is when the fun starts!**



Regards,



Steven Palmer, CFA  
President and CEO

### Performance\* (as of May 31, 2016)

	May	YTD	1 Year	3 Year	5 Year	Inception	Cumulative
AlphaNorth Partners	(2.6%)	(2.5%)	(37.6%)	(25.8%)	(26.1%)	(1.9%)	(14.9%)
S&P/TSX Venture	0.5%	29.0%	(2.1%)	(11.0%)	(20.2%)	(15.1%)	(75.2%)
S&P/TSX Composite TRI	1.0%	9.5%	(3.3%)	6.8%	3.4%	3.3%	32.3%

### Key Reasons to Own This Fund:

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 18 year track record of generating industry leading returns (16% annualized)\*\*

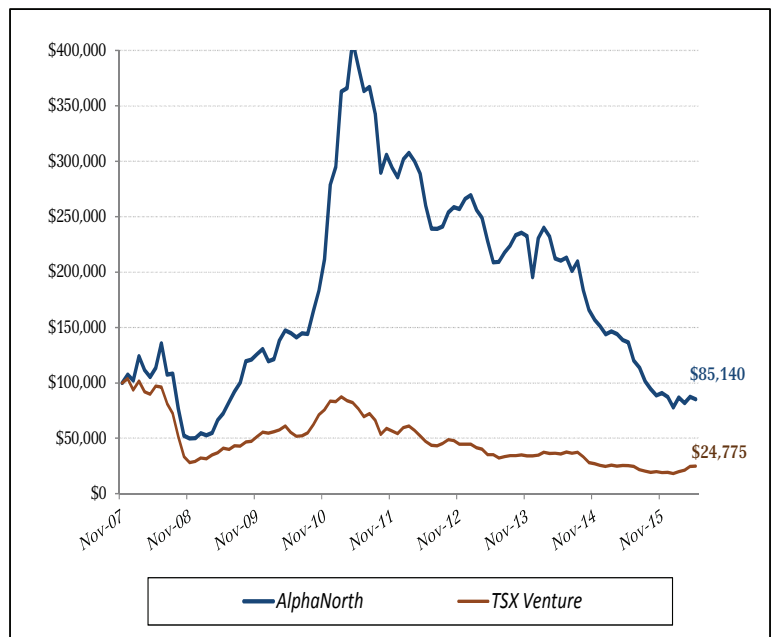
#### DIVERSIFICATION THROUGH SMALL CAP:

- 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

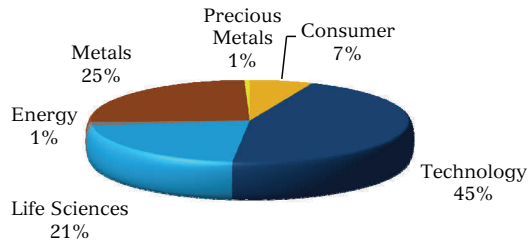
#### UNIQUE ASPECTS:

- 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%	(2.6%)								(2.5%)

## 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.