

**Fund Review** The TSX Venture index returned (0.4%) during the month of May. This compared to a return of 1.8% for the TSX Total Return index. The Fund returned (8.4%) in May.

Fund performance was disappointing in May largely due to weakness in several resource positions. At current levels, we believe that the majority of the downside in our resource holdings is behind us. This component of the Fund currently represents 27% of the portfolio. We believe that junior resource equities are likely to rebound from deeply oversold levels. In the near term, we are considering private placements in both a resource and a technology company. Both are very promising and should result in returns of several times our investment if management executes on the business plans. We have high confidence that strong results will be achieved once these companies are properly capitalized with the current financing.

Trimel Pharmaceutical (TSX:TRL), which we have mentioned in previous commentaries, declined by 31% during the month. There was no fundamental change to prompt this drop. Short term fluctuations like this will be smoothed out over the long term. In this case, the company has several upcoming material milestones over the next year and it has recently raised \$45 million in order to execute on its plans.

The current sector allocation is comprised of 62% in technology, 11% in life sciences, 9% in energy, 14% in metals and 4% in precious metals.


The Fund completed its reorganization as of May 31, 2013, splitting an illiquid private asset into its own LP structure. Going forward, the NAV of the Fund will be reported on a consolidated basis.

**Outlook** It is interesting to note how quickly the U.S. has gone from a bankrupt nation on the verge of a fiscal cliff to the star of the global economic recovery. Despite the prognostications of the perma-bears, tax increases combined with spending cuts and improved economic growth have gone a long way to balance budgets in many jurisdictions in the U.S. Therefore, it seems the U.S. is not spiraling into a debt abyss as predicted by these bearish forecasters and as sensationalized by the media. The strength in housing, retail sales, employment, consumer confidence and ongoing global stimulus, which we have been highlighting in our commentaries, continues to play out and has resulted in U.S. large cap equity outperformance in 2013. Despite this strength in U.S. large caps and to a lesser extent the TSX, Canadian small caps have continued to perform poorly. The TSXV has declined by more than 60% since March 2011. We strongly believe that investors who are selling at this late stage will be disappointed.

In our view, the current prospects are highly skewed in favour of higher prices for small cap equities. There are many indicators which support this: extremely poor investor sentiment, declining volumes, attractive valuations, improving economy, accelerating global growth, rising bond yields and insider buying, to name a few. Perhaps we are already witnessing the beginning of this shift as the TSXV has started to outperform the TSX over the past several weeks.



Regards,



Steven Palmer, CFA  
President and CEO

### Performance (as of May 31, 2013)

	May	YTD	1 Year	3 Year	5 Year	Inception	Cumulative
AlphaNorth Partners	(8.4%)	(21.6%)	(19.7%)	12.9%	12.9%	14.1%	108.8%
S&P/TSX Venture	(0.4%)	(21.2%)	(25.4%)	(14.0%)	(18.4%)	(17.1%)	(64.8%)
S&P/TSX Composite TRI	1.8%	3.0%	13.3%	5.4%	(0.1%)	1.5%	8.7%

### 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)\*

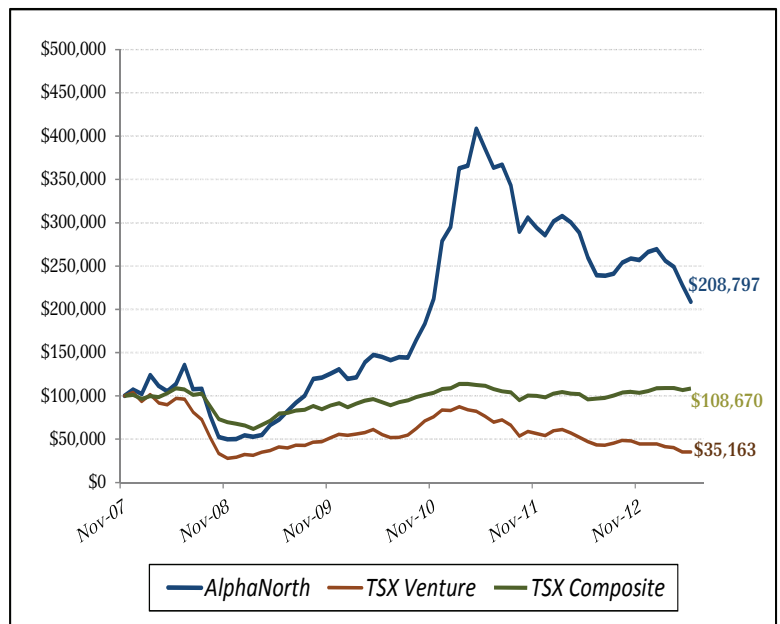
#### DIVERSIFICATION THROUGH SMALL CAP:

- 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.

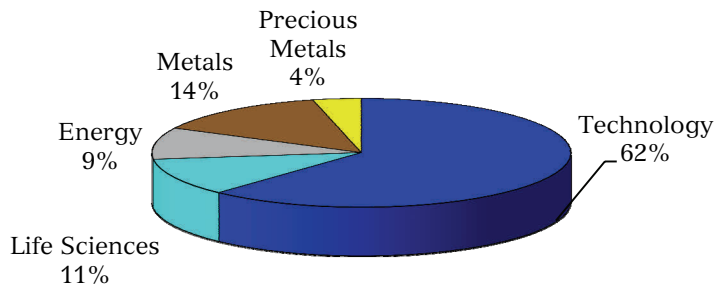
#### UNIQUE STRUCTURE:

- Efficient tax structure dramatically increases after-tax returns over the long term.
- All performance fees are reinvested in 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
Assets	~\$65 million
Eligibility	Accredited Investors only
Fund Details	Management Fee Class A- 2%, Class D- 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 A: none; Class D: 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	Skye Collyer 416.506.0776 ext.227 skye@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%)								(21.6%)

## Investment Strategy

The AlphaNorth Partners Fund (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 for Class A shares on an annualized basis except where noted and stated net of all fees. Returns subsequent to 2012 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.