

**Fund Review** In April, the Fund returned (2.3%). In comparison, the TSX Venture index and TSX Total Return index returned (1.1%) and 0.4% respectively during the month.

Our investments in the metals sector performed poorly during the month of April. In particular, the junior cobalt companies experienced negative returns. We cannot attribute a rationale for this weakness other than the fact that base metal commodity prices have generally continued to drift modestly lower from recent highs in the first quarter. The cobalt price actually held very near its multi-year high.

Energy names also performed poorly during the month. We continue to be cautious on the energy sector and remain underweight so this had little impact on performance. Over the short to medium term, we do not see a compelling rationale for higher oil and natural gas prices. Companies on our radar must have compelling fundamentals and catalysts without the reliance on a higher pricing environment.

The recent private placements that we have participated in have been slow out of the gate. However, this is not a concern as these were purchased at attractive valuations and with a longer term perspective. The warrants acquired with these investments have boosted our warrant portfolio to 77% relative to our share positions.

Current sector allocations are as follows: 30% technology, 32% life sciences, 14% consumer, 1% energy, 7% precious metals and 16% base metals.

**Outlook** The macro picture for equities continues to improve. The S&P 500 earnings growth has accelerated to 14% year over year, the highest in several years, while the earnings surprise factor increased to 0.7%, the highest since Q4/14. One can see why equity markets have continued to perform well with only modest pullbacks.

While large cap equities have continued to perform well, the Canadian junior markets have languished over the past two months, experiencing modest negative returns. One area of continued strength has been the marijuana sector which we have largely avoided. We hope that the marijuana sector's inevitable meltdown will have a mitigated impact on the junior markets. The marijuana sector's strong performance over the past year has been one of the factors contributing to improved investor sentiment in the Canadian junior market. There is no doubt that some of the profits made in this sector have been redeployed into other areas of the junior market which has been a good thing. Despite the fact that the share prices of the incumbent players have been drifting since the federal legalization announcement in April, there has been a plethora of new companies trying to get in on the mania. In our view, this is an accident waiting to happen and is a gross misallocation of capital which will be ultimately wasted. Sophisticated investors know this and are now avoiding the sector entirely or treading very carefully. **We are employing a high degree of caution with respect to the marijuana sector as investor interests have been overshadowed by lucrative sell-side opportunities. In our view, analysts have no incentive to make negative comments as their investment banking and sales counterparts keep churning out several new deals a week. Meanwhile, the promoters are benefiting from owning seed stock, which they continue to distribute at significant profits at the expense of retail investors.**

Steven Palmer, CIO

### Performance\* (Class A)

|                       | April  | YTD   | 1 Year | 3 Year  | 5 Year  | Inception | Cumulative |
|-----------------------|--------|-------|--------|---------|---------|-----------|------------|
| AlphaNorth Partners   | (2.3%) | 18.5% | 67.7%  | (11.6%) | (12.7%) | 4.1%      | 46.6%      |
| S&P/TSX Venture       | (1.1%) | 5.8%  | 19.5%  | (7.0%)  | (10.7%) | (12.2%)   | (70.5%)    |
| S&P/TSX Composite TRI | 0.4%   | 2.9%  | 14.9%  | 5.1%    | 8.1%    | 4.4%      | 50.5%      |

### Key Reasons to Own This Fund:

#### PROVEN LONG TERM PERFORMANCE:

- Management team has a 18.5 year track record of generating industry leading returns (19% 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

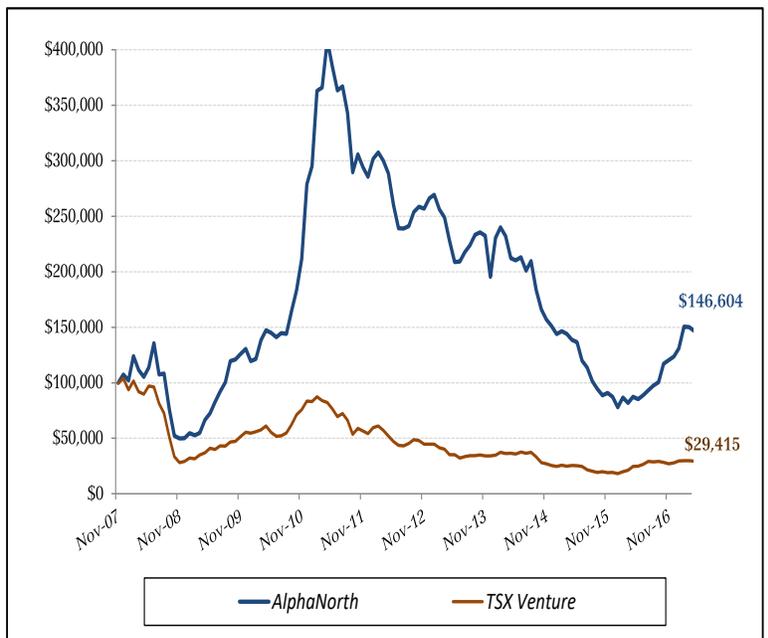
#### UNIQUE ASPECTS:

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

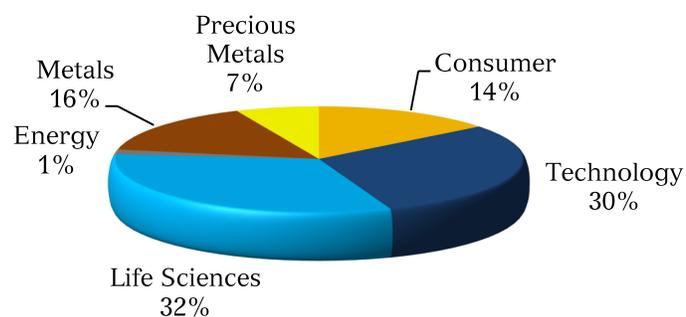
#### LEVERAGE WITH WARRANTS:

- Participate in numerous private placement to accumulate warrants for upside leverage

### 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%<br>20% Performance Fee<br>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: 0.87   |
| 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%) | 4.4%    | 4.9%    | 4.6%    | 3.0%    | 16.6%   | 2.8%   | 2.8%    | 41.6%   |
| 2017 | 5.8%    | 15%    | (0.3%)  | (2.3%) |        |         |         |         |         |         |        |         | 18.5%   |

## 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, and two mutual funds, 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. 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 2016 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.