

Fund Review In December, the Fund returned 11.4%, handily beating the TSX Venture index and TSX Total Return index which returned 7.8% and 1.2% respectively.

The Fund had another strong month vaulting performance well ahead of the Canadian benchmarks for the year. Over the past several months, trading activity has been more active as we have recycled some profits from some of our winning investments into new private placements which offer more attractive risk/return profiles. For example, the Fund was the lead order for recent financings for **BlueOcean Nutrisciences (TSXV:BOC)** and **3D Signatures (TSXV:DXD)**. Both of these investments included a full warrant with a five year term. These warrants will substantially increase our return on these investments if the share prices perform as we expect. Both of these investments have already appreciated materially since our purchases. However, we believe much more significant returns will be earned over the next 12 months.

Our pipeline of new opportunities has increased over the past couple of months. We expect that many of these investments will have an immediate positive contribution to Fund performance in the short term. In addition, we are increasingly reviewing short opportunities in some of the over heated sectors.

The Fund had a cash position of 0.1% to end the month. Current sector allocations are as follows: 43% technology, 17% life sciences, 24% consumer, 0% energy, 5% precious metals and 11% base metals.

Outlook The TSX Venture performed strongly over the last couple of weeks of 2017 as has always been the case over the past 28 years.

Despite the recent strong performance by the Canadian equity indices in 2017, they have lagged the majority of the major U.S., European and Asian indices. This underperformance can be attributed to the Canadian Energy and Materials sectors. We believe that sector rotation in the Canadian indices in 2018 will result in superior returns for the Canadian indices this year and we expect the resources to be the biggest beneficiaries, particularly in the second half of the year.

We recently hosted the 5th Annual AlphaNorth Capital Conference in Nassau where 43 companies presented to institutional fund managers, investment advisors and high net worth individuals. The majority of attendee companies were companies which we do not own in the portfolio. This provided a good source of new investment ideas for the fund and an opportunity to get overviews on many new companies and spend time with management. The conference also provided the opportunity to profile some of our portfolio holdings which will benefit from increased investor awareness and liquidity.

Regards,



Steven Palmer
Steven Palmer, CFA
President and CIO

Performance* (Class A)

| | Dec | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception | Cumulative |
|-----------------------|-------|-------|--------|--------|--------|---------|-----------|------------|
| AlphaNorth Partners | 11.4% | 69.0% | 69.0% | 11.4% | (4.7%) | 6.9% | 7.6% | 109.1% |
| S&P/TSX Venture | 7.8% | 11.6% | 11.6% | 6.9% | (7.0%) | (11.4%) | (10.9%) | (68.9%) |
| S&P/TSX Composite TRI | 1.2% | 9.1% | 9.1% | 6.6% | 8.6% | 4.6% | 4.7% | 59.6% |

Key Reasons to Own This Fund:

PROVEN LONG TERM PERFORMANCE:

- Management team has a 19.2 year track record of generating industry leading returns (+20.0% 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

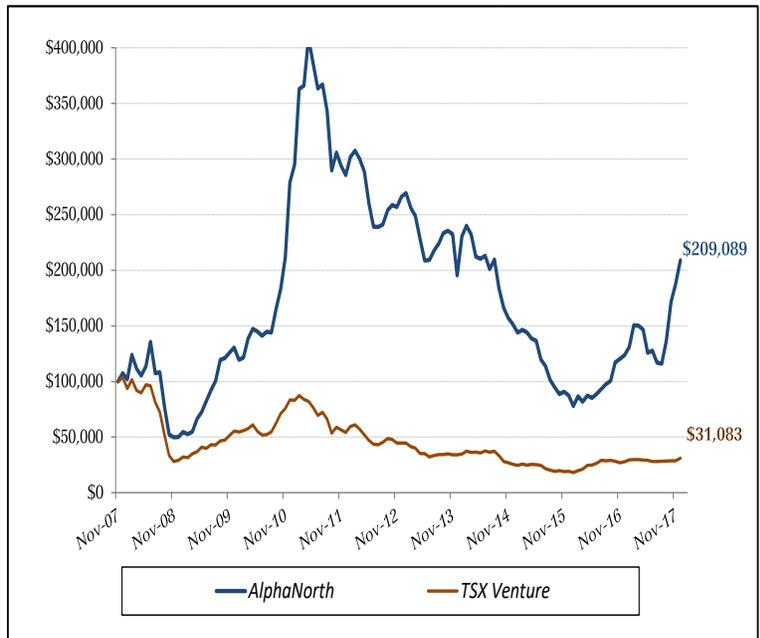
UNIQUE ASPECTS:

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

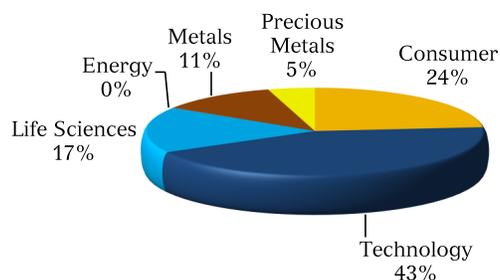
LEVERAGE WITH WARRANTS:

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

Growth of Initial Investment \$100,000



Current Sector Allocation



Fund Information

| | |
|------------------|--|
| Fund Type | Alternative Strategies (Long biased small cap) |
| Fund Codes | Class A: AAM100, Class D: AAM200 |
| Eligibility | Accredited Investors only; RRRSP eligible |
| Fund Details | Management Fee Class A- 2%, Class D- 2.5% 20% Performance Fee (perpetual HWM) |
| 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%) | (14.2%) | 1.5% | (8.4%) | (0.6%) | 17.6% | 25.8% | 9.3% | 11.4% | 69.0% |

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 began his career in the investment industry in 1995 in equity research 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.

Tina Byers is Associate Portfolio Manager of AlphaNorth Asset Management. Prior to joining AlphaNorth in 2011 Ms. Byers did analytical work for a hedge fund in New York. Ms. Byers is a graduate from the University of Western Ontario (Honours BMOS), a CFA charterholder and is on the NextGen Committed for 100 Women in Finance.

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.