

GMP Diversified Alpha Fund

Description

The GMP Diversified Alpha Master Fund (the "Fund") is a tax-effective¹ Multi-Strategy Fund consisting of diversified investments. Our objective is to generate superior risk-adjusted absolute returns over the long term. The Fund will also seek to preserve capital through the use of prudent risk management tools.

Performance Attribution

In December, the Master Fund generated a negative return of 1.24%, net of fees. During the month, we continued to conservatively manage the capital in the Fund. Market volatility in December remained at elevated levels for both the credit and equity markets. For 2011, the Fund was down 2.54% versus the TSX 60 which was down 11.42% and the S&P 500 which was flat.

Equity: The Equity strategy was down in December in line with the TSX 60. The market remained volatile with indices down 3% early in the month, then rallied back by month end. Market breadth remained mixed in December as positive returns were generated by only 50% of the names in both the S&P 500 Index and the S&P TSX index.

Credit: The Credit strategy was negative in December. Overall our Credit Strategy went into the month net long with a long position in ABCP offset by a short position in corporate credit. The book was set up this way to protect against macro risks in the credit markets. Unfortunately liquid credit markets turned quickly. ABCP and other less liquid assets typically lag the broader credit markets on the way up. If credit markets remain stable, we believe our long positions will outperform these short positions.

Quantitative: Allocated capital to the Quantitative strategy remained at the lower end of its historic range. Tactical trading on gold was down on the month as the commodity was down strongly.

Statistics

Last 12 Month Statistics

	Alpha Master Fund ²	Bloomberg Multi Strat Index	Credit Suisse Multi Strat Index	Barclay Multi Strat Index	S&P 500 Index	S&P TSX Index	S&P TSX60 Index	S&P TSX Venture
12 Month Return	-2.54%	-2.87%	1.83%	-1.95%	0.00%	-11.07%	-11.42%	-35.11%
Annualized Volatility	4.41%	5.92%	4.91%	4.02%	15.97%	12.71%	12.24%	26.29%
YTD Return	-2.54%	-2.87%	1.83%	-1.95%	0.00%	-11.07%	-11.42%	-35.11%
Average Monthly Gain	1.22%	1.46%	1.12%	1.14%	3.99%	3.51%	3.46%	6.38%
Average Monthly Loss	-0.92%	-1.44%	-1.18%	-0.80%	-2.68%	-2.38%	-2.42%	-6.48%
Sharpe Ratio (Rf = 0)	-0.58	-0.49	0.37	-0.49	-0.92	-0.92	-0.99	-1.62
Correlations (Alpha to)	1.00	0.68	0.75	0.74	0.61	0.61	0.60	0.63

Monthly Performance (Inception April 2008)

	Jan/11	Feb/11	Mar/11	April/11	May/11	Jun/11	Jul/11	Aug/11	Sept/11	Oct/11	Nov/11	Dec/11	Last 12 Mo.	Since Inception
Master Fund (Net)	2.42	1.65	-0.84	-0.19	0.31	-0.92	0.49	-1.16	-2.09	-0.19	-0.72	-1.24	-2.54	24.16
Class A-I Units (Net)	2.35	1.58	-0.90	-0.25	0.25	-0.96	0.45	-1.19	-2.14	-0.24	-0.74	-1.28	-3.09	19.84
S&P TSX 60 (Gross)	1.30	4.45	-0.51	-1.39	-1.10	-3.20	-4.01	-0.70	-8.39	4.64	-0.37	-2.10	-11.42	-13.81
S&P 500 (Gross)	2.26	3.20	-0.10	2.85	-1.35	-1.83	-2.15	-5.68	-7.18	10.77	-0.51	0.85	0.00	-8.22

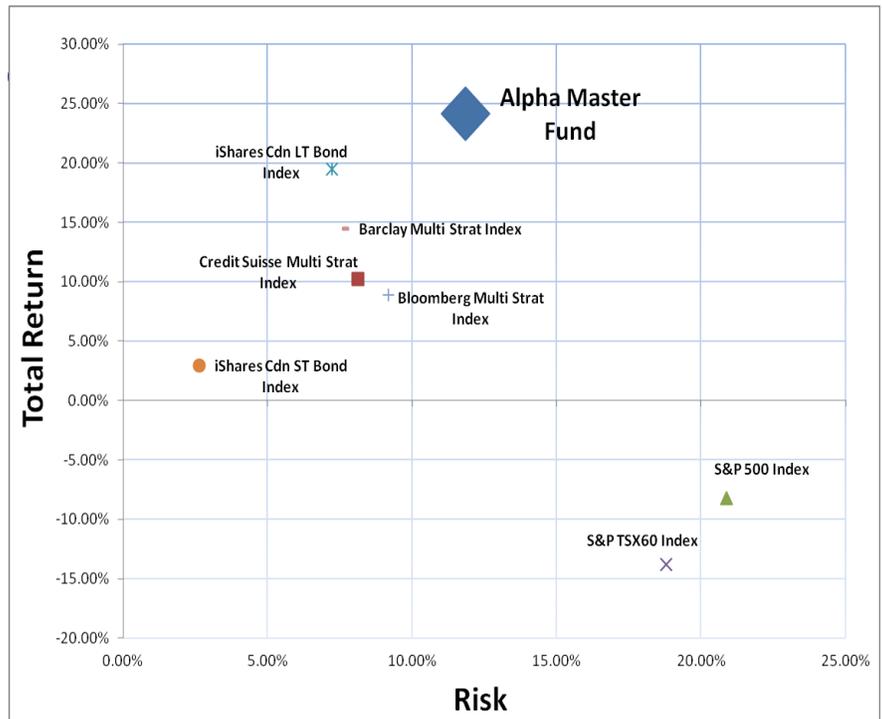
¹ All references to tax herein are from a Canadian perspective. Non-Canadian investors should seek independent tax advice.

² Alpha Master Fund Performance is shown net of fees. Investors will gain access to the Alpha Master Fund returns through a share class unit, which will have returns reduced by costs associated with the specific share class held. Investment funds are not guaranteed, their values change frequently and past performance August not be repeated. The above mentioned returns are not meant to act as a benchmark against which the Alpha Master Fund should be measured, rather, they are presented to show the risk and return characteristics of the different indices.

Prices and Performance/Unit

Class	A-I*	F-I*
NAV*($\$$)	111.24	111.24
Return	-1.28%	-1.28%

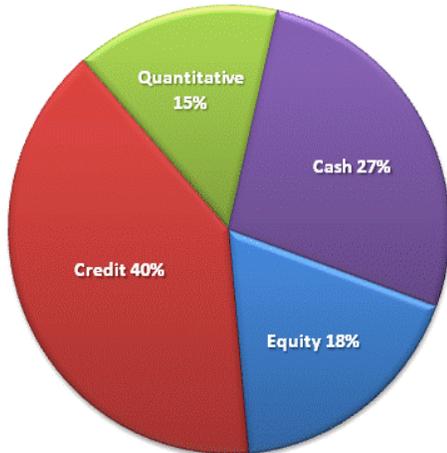
*Net of Fees (includes Forward Agreement costs for domestic Investors that allows for potential tax deferral. Refer to the Offering Memorandum for complete disclosure).



Source: Bloomberg, Total Return and Annualized Volatility since Alpha Master Fund inception

GMP Diversified Alpha Fund

Portfolio Allocation At Jan 1, 2012



GMPIM and Fund Details

Fund Inception:	April 2008
Fund Details:	2% Management Fee 20% Performance Fee High Water Mark, no reset RSP Eligible
Fund Advisor:	GMP Investment Management L.P.
GMPIM Assets:	\$634MM
Prime Broker:	TD Securities RBC Capital Markets
Administrator:	Citigroup Fund Services
Auditor:	Deloitte & Touche LLP
Lawyer:	McMillan LLP
FundSERV:	GMP104 (A-I Class) GMP105 (F-I Class)

Allocation Commentary

The Fund finished the year positioned conservatively with our capital allocation, once again favouring cash. As we measure the performance for the year, the Fund was down 2.54% net against the broader market averages of the TSX (-11%) and the S&P 500 (unchanged). This performance should be viewed through the lens of managing volatility and preserving capital, which has been our sole focus through what has turned out to be an extremely volatile year for most investors. The Fund managed to have less than 1/3 of the volatility of the S&P 500 (as measured by monthly volatility of return). Compared to peak market volatility (45%), the Fund had a volatility of less than 10% of the market. Equity indices were soft through the middle of the month, gold plunged below \$1600, natural gas was in a free fall, and copper fell 10%. December's economic data continued mixed. Of great concern was the Chinese PMI which remained below the crucial 50 threshold, although it posted a slight increase to 48.7 from its previous reading. While the month (and the year) has been very volatile for equities, we recognize the solid earnings growth and attractive valuations in equities and are confident that performance in pro-cyclical names will lead to positive risk adjusted performance going forward. As we approached the end of the year, our models finally began to show positive signals. Thus we began to deploy more capital in both credit and equity markets. If this trend continues, we will continue to reduce our cash position. In a deleveraging cycle, it is important to earn returns in these 3 to 15 month windows and hold on to those gains in the high risks periods. While this has been a difficult year to earn positive risk adjusted returns, our focus on capital preservation and volatility management has been constant. We will continue to adhere to our disciplined approach.

GMPIM at a Glance

People

We have 21 experienced capital markets professionals involved in managing the Fund. All Managing Partners have significant personal investments in the Fund. The Fund has an oversight board and dedicated compliance and finance functions. We involve reputable and independent firms to provide audit, legal and operations oversight.

Process

The Fund is managed to minimize risk and maximize return over time. Our real time risk management system emphasizes both capital preservation and managing risk across positions and sectors. We apply absolute risk limits within the Fund in addition to proprietary models to maximize our risk/return posture.

Performance

The Fund seeks to provide absolute returns over time. Our goal is to limit the variability of monthly returns and to achieve positive monthly performance. The Fund will reinvest income earned to achieve long term total return for investors.

Benefits

Investors benefit from the rigorous processes deployed in the management of the Fund, including risk management, portfolio allocation and the tax structure.

This material is for information only, and is not to be construed as an invitation to make an investment in our funds, nor does it constitute a public offering to sell the Fund or any other products described herein. This material should not be relied upon when evaluating the merits of a potential investment in any funds managed by GMP Investment Management L.P. Applications for the Fund will only be considered in accordance with terms stated in the Fund's confidential offering memorandum (the "Offering Memorandum"). The information contained in this material is subject to change without notice and GMP Investment Management L.P. and its affiliates will not be held liable for any inaccuracies or misprints. Past performance August not be repeated. An investment in the Fund is not intended as a complete investment program and should only be made after consultation with independent investment and tax advisors. Please refer to the Offering Memorandum for a further discussion of the risks of investing in the Fund. GMP Investment Management L.P. is registered as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer, and as such is prepared to engage as an Adviser or Exempt Market Dealer in respect of securities of its related issuers and, in the course of distribution, of securities of connected issuers, but only to the extent from time to time permitted by applicable securities legislation or rule, policy, directive or order of any securities regulatory authority.