

# GMP Diversified Alpha Fund

## Description

The GMP Diversified Alpha Master Fund (the "Fund") is a tax-effective<sup>1</sup> 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

The Master Fund closed up 32 bps, net of fees and expenses for December 2012. This brings the Fund's performance for 2012 to 4.69%, net of fees and expenses.

**Equity:** The Equity strategy was up small in December. Equity markets globally were strong throughout the month, continuing their rally with the S&P 500 up over 8% from its November lows on that back of the Fed's expanded bond purchase program. The TSX did not fair nearly as well. Gold continued its weak run as did silver and natural gas.

**Credit:** The Credit strategy was up strong on the month. ABCP had a solid month of performance, as did our 130/30 strategy. Both the 10 and 30 year ends of the Treasury market sold off during the month as risk assets moved to equities on the back of the continued U.S. Fed support.

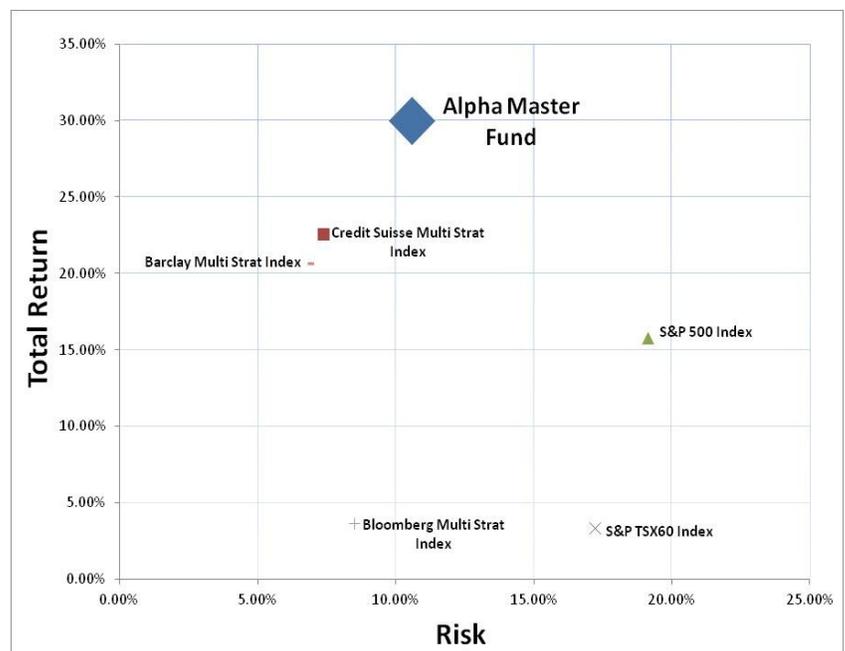
**Quantitative:** The Fund's Macro book was down on the month, with the long end of the Treasury market selling off. This had a negative impact on our Balanced Risk strategy through its exposure to TIPS and 20 year Treasury ETFs. The Quantitative book and tactical trading were both down small on the month with the selloff in gold. Volatility strategies were close to flat for December. Finally, the Fund's hedging efforts were largely flat on the month.

## Prices and Performance/Unit

Class	A-I*	F-I*
Return	0.27%	0.27%

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

## Focus on Risk Adjusted Returns



Total Return and Annualized Volatility since Alpha Master Fund inception April 2008; source: Bloomberg

## Statistics

	Alpha Fund	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	iShares Cdn Long Term Bond Index	iShares Cdn Short Term Bond Index
12 Month Return	4.69%	-3.78%	11.19%	5.82%	15.99%	7.17%	8.05%	-17.33%	4.13%	1.58%
Annualized Volatility	2.90%	5.01%	3.10%	2.46%	10.51%	9.64%	9.46%	23.02%	5.23%	0.95%
YTD Return	4.69%	-3.78%	11.19%	5.82%	15.99%	7.17%	8.05%	-17.33%	4.13%	1.58%
Average Monthly Gain	0.79%	0.78%	1.08%	0.70%	2.66%	2.13%	2.16%	5.01%	1.62%	0.30%
Average Monthly Loss	-0.42%	-1.68%	-1.17%	-0.66%	-2.83%	-2.41%	-2.28%	-5.92%	-0.56%	-0.11%
Sharpe Ratio (Rf = 0)	1.58	-0.77	3.43	2.30	1.42	0.72	0.82	-0.82	0.78	1.65
Correlations (Alpha to)	1	0.17	0.72	0.74	0.66	0.60	0.58	0.63	0.17	0.17

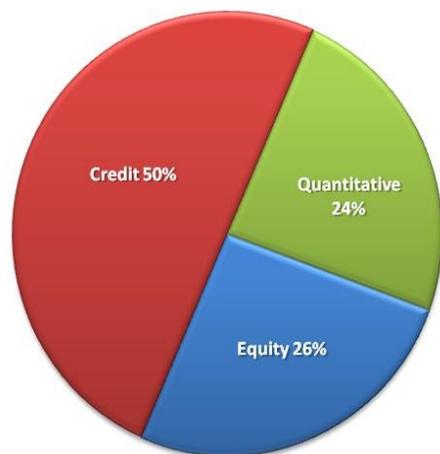
### Monthly Performance (Inception April 2008)

	Jan/12	Feb/12	Mar/12	Apr/12	May/12	Jun/12	Jul/12	Aug/12	Sept/12	Oct/12	Nov/12	Dec/12	Last 12 Mo.	Since Inception <sup>3</sup>
Master Fund (Net)	2.02	0.80	0.82	-0.46	-0.84	0.14	1.64	-0.10	0.49	0.08	-0.28	0.32	4.69	29.98
Class A-I Units (Net)	1.98	0.77	0.77	-0.50	-0.89	0.10	1.60	-0.14	0.45	0.04	-0.32	0.27	4.16	24.84

See page 3 for all references

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## Portfolio Allocation At Dec 31, 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:** \$731MM @ December 31, 2012  
**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

After a volatile November, December was a straight shot north in risk markets worldwide. We held our portfolio allocation relatively steady throughout this ascent, with Credit still occupying the majority of the Fund's invested capital. Given the mixed economic and market signals that have been prevalent of late, we also maintained our focus on liquidity across all assets.

Risk taking "jerked" forward during December on the back of the policy extension by the U.S. Fed's bond buying spree. From the November lows, the S&P, Dow, Nikkei and Russell 2000 were each up over 5% through December month end. This was an uncomfortable slingshot of performance when contrasted against a more balanced view of the risk still present across economies worldwide and the risk of the U.S. going off the fiscal cliff. Global economic growth continues to be suspect and inflation remains on the horizon. Corporate earnings remain mixed. Commodities largely sold off during the month, with gold and silver leading the declines. Natural gas and oil had divergent paths, with gas plummeting and crude surging back towards \$95 a barrel. Bonds were the big asset to lose value in December, with the long end of the Treasury market selling off. Our view is that the risk is to the downside on fixed income markets in general. The risk / return paradigm of the fixed income space, from treasuries to investment grade, and high yield credit will be a factor for all investors to deal with as we enter 2013.

The fundamental challenge we face as risk allocators is that the majority of the cyclical returns have been earned in fixed income. Thus with the exception of ABCP, we no longer see the potential for large returns in these asset classes. This will drive investors into the higher risk, unconstrained asset classes such as equities. This will provide equities with the potential for the highest returns of the major asset classes. However, this is also the time when equities are most susceptible to peaking. Thus while we will increase our exposure to equities, we will utilize option strategies to minimize the risks posed by this asset class.

## GMPIM at a Glance

### People

We have 19 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 may 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.*



# GMP Diversified Alpha Fund

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

<sup>2</sup>The Fund has the ability to be long and short securities and to allocate capital between strategies. As such, there is no benchmark against which to compare the Funds performance. Statistics are calculated using monthly data. Performance data is compared to the S&P/TSX Composite Return Index, the standard benchmark for equity strategies in Canada. The composition of the Funds' portfolio will significantly differ from the Index due to the investment strategy employed by each Fund. Please see the "Investment Strategies" section within the Confidential Offering Memorandum for more details.

<sup>3</sup>Performance and Performance Analysis data is presented since inception for the Fund. Share Class returns will be reduced by additional fees for Share Class investors.

<sup>4</sup> Bloomberg Active Indices for Funds-Multi Style Hedge Funds Index, Source: Bloomberg

<sup>5</sup> Dow Jones Credit Suisse Multi-Strategy Index, Source: Bloomberg

<sup>6</sup> Barclay Multi-Strategy Index, Source: Bloomberg

<sup>7</sup> S&P500 Index (Total Return), Source: Bloomberg

<sup>8</sup> S&P/TSX Composite Index, Source: Bloomberg

<sup>9</sup> S&P/TSX 60 Index (Total Return), Source: Bloomberg

<sup>10</sup> S&P/TSX Venture Composite Index, Source: Bloomberg