

# 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 49 bps, net of fees and expenses for September 2012. This brings the Fund's 2012 YTD performance to 4.56%, net.

**Equity:** The Equity strategy was down small in September. Equity markets had a strong early part of the month, giving back some of those gains as the month progressed. Oil sold off during the month, while gold, copper and natural gas all rallied. The majority of our equity exposure is now in large cap individual equity positions as well as indexes and ETFs. This allocation allows the Fund to maximize both the liquidity of our positions and our ability to hedge risk.

**Credit:** The global bond market saw two distinct periods during the month. Pre-QE3 announcement yields rose across the curve. As soon as Bernanke spoke, that drift reversed and bond prices strengthened. The Credit Strategy generated positive returns in September. We made strong returns in each of our ABCP strategy and corporate bond sub-strategies. Certain corporate bond positions that suffered short term mark to market price decreases in August, gained during September.

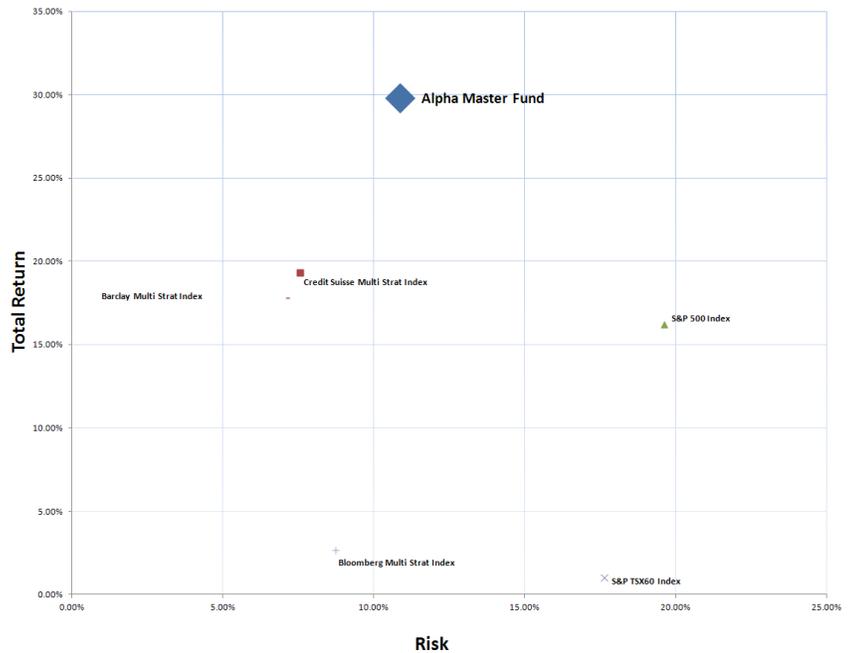
**Quantitative:** The Fund's Macro and Protection strategies were up on the month. Most of our Macro strategies had positive returns in September including our volatility and our macro allocation strategies. Losses in our shorter term tactical trading strategy offset some of the gains in our other quantitative strategies.

## Prices and Performance/Unit

<b>Class</b>	A-I*	F-I*
<b>Return</b>	0.45%	0.45%

\*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	2.33%	-6.28%	9.61%	3.57%	30.18%	9.14%	8.55%	-8.65%	10.28%	1.71%
Annualized Volatility	3.45%	5.55%	3.79%	3.16%	13.77%	10.97%	10.48%	25.33%	6.45%	1.15%
YTD Return	4.56%	-4.71%	8.23%	3.30%	16.44%	5.37%	5.59%	-17.93%	3.85%	1.11%
Average Monthly Gain	0.98%	1.03%	1.13%	0.87%	3.82%	2.80%	2.68%	7.00%	2.18%	0.36%
Average Monthly Loss	-0.59%	-1.91%	-1.03%	-0.64%	-2.29%	-2.06%	-2.00%	-5.87%	-0.51%	-0.17%
Sharpe Ratio (Rf = 0)	0.67	-1.16	2.43	1.21	1.94	0.8	0.78	-0.36	1.52	1.48
Correlations (Alpha to)	1	0.27	0.68	0.71	0.36	0.48	0.49	0.47	0.27	0.27

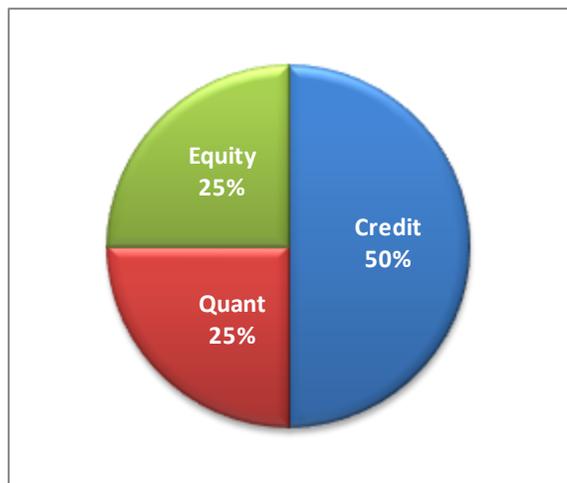
### Monthly Performance (Inception April 2008)

	Oct/11	Nov/11	Dec/11	Jan/12	Feb/12	Mar/12	Apr/12	May/12	Jun/12	Jul/12	Aug/12	Sept/12	Last 12 Mo.	Since Inception <sup>3</sup>
Master Fund (Net)	-0.19	-0.72	-1.24	2.02	0.80	0.82	-0.46	-0.84	0.14	1.64	-0.10	0.49	2.33	29.19
Class A-I Units (Net)	-0.24	-0.74	-1.28	1.98	0.77	0.77	-0.50	-0.89	0.10	1.60	-0.14	0.45	1.85	24.29

See page 3 for all references

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## Portfolio Allocation At Sept. 30, 2012



## Allocation Commentary

Through September, we retained roughly the same exposure across assets as we finished August. With additional capital injected into the system via QE3, the risk on trade is more likely. That said, the Fund continued to prioritize liquidity during September. Although our weighting to Equities is elevated versus our average exposure for the last 18 months, the majority of that weighting is in highly liquid U.S. sector and broad market ETFs, as well as index option positions. Given the outsized gains that the U.S. equity markets have had YTD, it is prudent to expect a retracement as we move through third quarter earnings season. The mixture of U.S. economic data provides a backdrop of more questions than answers. At the same time, we are now inching towards the U.S. presidential election and the market is looking forward to price in any economic news or news from the politicians themselves. Earnings in Q3 were anticipated to be rocky, and the first indications underscored that top line revenues were challenged for many U.S. listed companies. Through prudent balance sheet and hiring management, bottom lines were in better shape, but confidence in the stability and predictability of that bottom line waned during Q3 earnings season. In the Equity strategy, selected individual company names were geared towards large caps to complement the index and ETF exposure. Credit remained our most heavily weighted allocation, with ABCP remaining our most favoured trade. Our confidence in this trade increased through the month as holders of the ABCP paper approved an amendment to the restructuring that has the potential to increase the liquidity of the market. ABCP continues to be the best risk-adjusted credit trade that we have within the Fund and remains our largest allocation. We continue to allocate capital to our 130/30 Credit long/short strategy which generates positive returns with lower risk. As we write this note in mid-October, we are witnessing some of the digestion pains that the market is having with weak technology earnings. We are continuing to monitor risk carefully, with our usual view of maximizing capital preservation and managing overall portfolio risk.

## 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: \$659MM @ September 30, 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)

## GMPIM at a Glance

### People

We have 20 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