

# 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 -0.41%, net of fees and expenses for February 2013. This brings the Fund's performance since inception to 31.06%, net of fees and expenses.

**Equity:** The Equity strategies were positive during February notwithstanding a write-down taken in a small private investment in a Columbian oil company. Equity markets paused mid-month, but continued to rally into the final weeks. Outside of natural gas, most commodities faltered. Copper, gold and crude oil were three main catalysts that caused the Canadian equity market to continue to significantly lag the U.S. markets.

**Credit:** The Credit strategies were positive on the month. Our Credit Opportunities strategy contributed 15 bps to positive fund performance, with gains across most fund pairs. Once again, ABCP performed strongly with pricing gains across the strip. One high yield credit position was impacted negatively due to the need for a capital structure restructuring.

**Quantitative:** The Quantitative strategy was negative during the month. Our protection strategies and hedges were an expense against overall portfolio performance. Our non-correlated Beta Strategy generated small negative performance, primarily from commodities.

## 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	2.64%	-6.01%	9.29%	4.78%	13.44%	4.56%	5.99%	-31.85%	3.77%	2.27%
Annualized Volatility	2.53%	4.91%	2.77%	2.32%	10.27%	8.90%	8.78%	19.48%	5.68%	1.09%
YTD Return	0.83%	0.70%	2.46%	1.76%	6.60%	3.53%	3.89%	-7.16%	-1.12%	0.64%
Average Monthly Gain	0.67%	0.94%	0.92%	0.60%	2.40%	1.81%	1.92%	3.18%	1.76%	0.39%
Average Monthly Loss	-0.42%	-1.41%	-1.17%	-0.66%	-2.83%	-2.41%	-2.28%	-6.09%	-0.71%	-0.09%
Sharpe Ratio (Rf = 0)	1.03	-1.26	3.22	2.02	1.24	0.50	0.66	-1.94	0.65	2.06
Correlations (Alpha to)	1	0.22	0.64	0.67	0.62	0.45	0.41	0.47	0.22	0.22

### Monthly Performance (Inception April 2008)

	Mar/12	Apr/12	May/12	Jun/12	Jul/12	Aug/12	Sept/12	Oct/12	Nov/12	Dec/12	Jan/13	Feb/13	Last 12 Mo.	Since Inception <sup>3</sup>
Master Fund (Net)	<b>0.82</b>	<b>-0.46</b>	<b>-0.84</b>	<b>0.14</b>	<b>1.64</b>	<b>-0.10</b>	<b>0.49</b>	<b>0.08</b>	<b>-0.28</b>	<b>0.32</b>	<b>1.24</b>	<b>-0.41</b>	<b>2.64</b>	<b>31.06</b>
Class A-I Units (Net)	<b>0.77</b>	<b>-0.50</b>	<b>-0.89</b>	<b>0.10</b>	<b>1.60</b>	<b>-0.14</b>	<b>0.45</b>	<b>0.04</b>	<b>-0.32</b>	<b>0.27</b>	<b>1.21</b>	<b>-0.45</b>	<b>2.13</b>	<b>25.78</b>

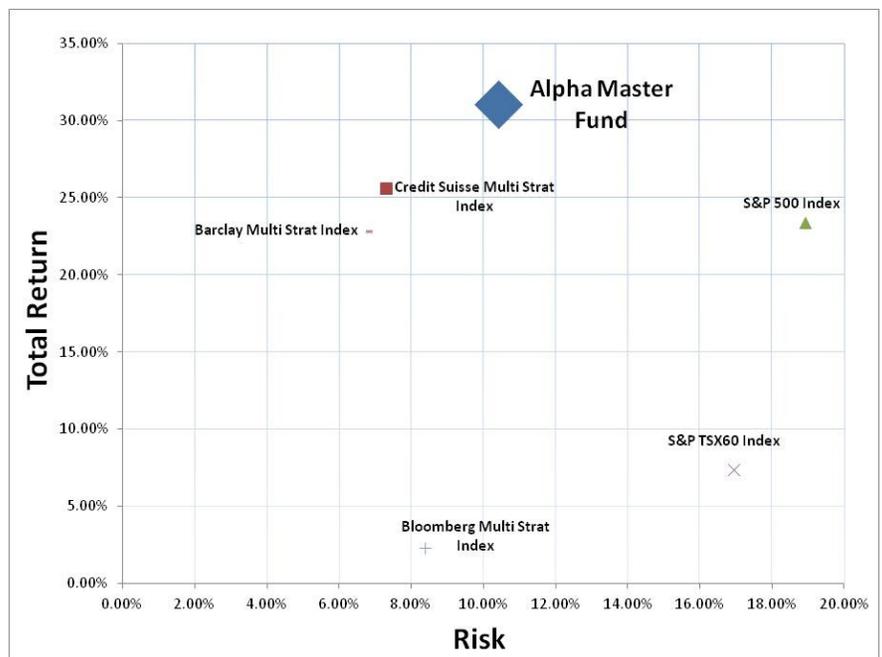
*See page 3 for all references*

## Prices and Performance/Unit

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

<sup>\*</sup>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

# GMP Diversified Alpha Fund

## Portfolio Allocation At Feb. 28, 2013



## 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:** \$750MM @ February 28, 2013  
**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

U.S. listed, big cap stocks continued to rally through February. Bond prices languished for most of the month, but shot forward into the final week. Commodities continued to show weakness, except for natural gas which moved strongly forward. Commodity weakness led to the significant underperformance of the Canadian equity market.

During February, we continued our balanced exposure across all of our strategies, taking some additional profits from our credit positions, and adding to our equity exposure (with hedges in place to protect against a significant equity market selloff). The Fund experienced negative performance from the write down of a private equity investment in an Colombian oil asset and a credit position that required a restructuring.

With respect to the overall environment, these are difficult markets for investors. Current global monetary policy has artificially inflated the values of credit and interest rate sensitive instruments. This is forcing investors to move their asset allocation to equities at a time when these assets are near their all time highs. Thus investors are faced with a dilemma, do you invest in equities that might be a little overvalued with the hope that they become more overvalued, or do you sit on the sidelines and miss a potential rally.

As we wrote in our allocation commentary last month, we fully expected to see a retracement in equity performance at some point in the next couple of months. As we write this comment mid-March, we are in fact seeing some weakness in risk prices emerge due to issues emanating from Europe. We have maintained the Fund's increased allocation to equities and macro strategies and reduced our allocation to credit. The Fund remains focused on liquidity in order to simplify risk management. We have meaningful market hedges in place to protect investors against downside volatility should it present itself.

## 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