



GMP Diversified Alpha Fund

Monthly Market Commentary March 2010

The Alpha Fund generated a net positive return of 1.25% (preliminary) for the month of March. All Strategies within the fund were positive for March. Equity Markets continued their positive momentum, reinforced by persistent strength in the global credit markets. Positive economic news on the employment front, released in early March, fueled optimism in the markets. This positive data suggests that we are through the lows in employment. This was (and is) good news, given that the magnitude of the unemployment experienced during this recession has been more severe than in any of the previous eleven recessions since World War II. A stronger employment situation bodes well for overall market confidence going forward. Other significant economic stories this month were the Canadian dollars' ascent towards par with the U.S. dollar, the strengthening price of oil and some economic improvement coming from the Euro-zone. We took advantage of the strengthening Canadian dollar and oil price within the Alpha Fund during March, both by sector selection as well as position weighting.

Equity Strategy

The Equity Strategy return was positive for the month. We continued to allocate additional capital to equities as each of macro, micro and sentiment factors favoured an increased weighting. We added to a few of the Fund's core positions, including Telus, Suncor, Manulife, Potash and CI Capital. We maintained positions in select U.S. financials as they continue to look attractive as a result of having repaid their TARP loans. We closed out the month with our largest equity exposure in financials, golds, and mining and materials. By month end, our long equity exposure had increased versus where it was when we entered the month as we continued to add to our most liquid, top names.

Credit Strategy

The Credit Strategy generated strong positive performance again in March. Less concern with respect to the Greek sovereign debt issue led to a significant improvement in global credit markets during the month. The Canadian and U.S. high yield markets followed suit. Spreads on high yields are now back to December 2007 levels. The strength in the credit markets resulted in the U.S. high yield new issue market recording its best monthly result as US\$38.2 billion in new issues were priced. The Credit strategy continues to have the single largest allocation within the Fund.

Quantitative Strategy

The Quantitative Investing Strategy had positive performance in March. Gains were made in our Special Situation, Tactical Trading, Volatility and Warrant sub-strategies, mitigated somewhat by a loss in the Relative Value strategy. Volatility decreased sharply during the month, with volatility on the broader equity markets and certain sectors (i.e. Canadian financials) now at very low levels. We believe being selectively long options creates a good opportunity to generate alpha as we head into April. The Tactical Trading strategy was very active in both the S&P/TSX60 and the S&P500. Throughout the month we were long 58% and short 42% of the time. Our average notional overnight exposure on the long side was 50% of the total capital allocated and 35% on the short side. On average, signals had us long the S&P/TSX60 and short the S&P500.

Risk Management

The Risk Management process identified the need to hedge the Fund's U.S. dollar positions against the Canadian dollar. We positioned the Fund accordingly and continue to benefit from the appreciation of the Canadian dollar. The reduction in volatility in all markets has allowed the fund to add option positions in all the books which will provide significant benefits in the event of a fall in the markets at a relatively low cost. The healing of the financial markets we have observed over the last 12 months has not been consistent across all markets. This discontinuous process creates opportunities to add positions with asymmetric risk profiles.

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