

# 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 8 bps, net of fees and expenses for October 2012. This brings the Fund's 2012 YTD performance to 4.65%, net of fees and expenses.

**Equity:** The Equity strategy was down small in October. Equity markets were mixed during the month with Canadian markets stronger and U.S. markets off by almost 2%. Going into the U.S. election, the majority of our positions in the Equity Strategy were in ETFs and indexes. This allocation is intended to maximize the liquidity of our positions, while still allowing us to have exposure to broad equity beta. A secondary benefit of this index and ETF positioning was the ability to hedge the equity positions efficiently, as needed.

**Credit:** The global bond market saw prices soften during the first two weeks of the month, with prices strengthening later in the month. This followed a similar price pattern as in September. ABCP strategy continued to drive returns for the Credit book, and drove the majority of the profit for the Fund this month. Our Corporate bond strategy also enjoyed favourable returns across selected individual names during the month.

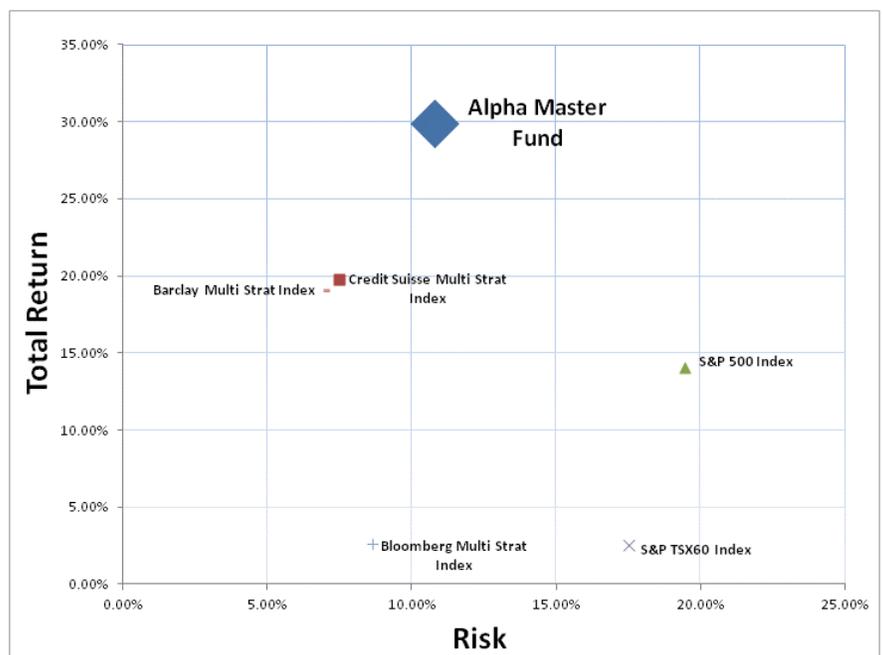
**Quantitative:** The Fund's Quantitative book was down small on the month. Both Tactical Trading and Volatility strategies incurred small losses. Equity market volatility was relatively flat during the month, with little opportunity to profit from trading a move in volatility.

## Prices and Performance/Unit

Class	A-I*	F-I*
Return	0.04%	0.04%

\*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	2.61%	-7.74%	7.78%	3.09%	15.20%	4.45%	5.05%	-18.26%	9.82%	2.19%
Annualized Volatility	3.43%	5.06%	3.54%	2.76%	10.60%	9.65%	9.53%	22.53%	6.56%	1.02%
YTD Return	4.65%	-4.72%	8.60%	4.36%	14.29%	6.49%	7.14%	-11.11%	3.18%	1.35%
Average Monthly Gain	0.86%	0.71%	0.96%	0.70%	2.93%	2.15%	2.20%	6.22%	2.18%	0.33%
Average Monthly Loss	-0.67%	-1.91%	-1.03%	-0.64%	-2.18%	-2.06%	-2.00%	-5.32%	-0.58%	-0.13%
Sharpe Ratio (Rf = 0)	0.75	-1.59	2.12	1.10	1.34	0.45	0.52	-0.89	1.43	2.13
Correlations (Alpha to)	1	0.35	0.78	0.83	0.60	0.61	0.60	0.60	0.35	0.35

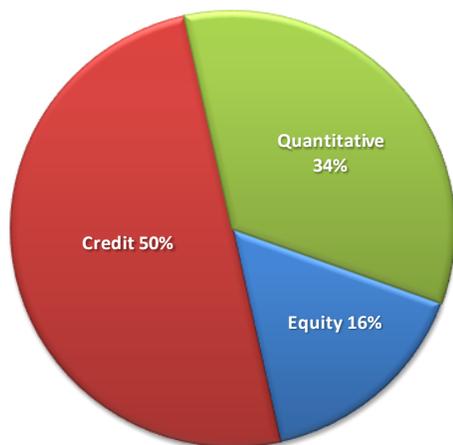
### Monthly Performance (Inception April 2008)

	Nov/11	Dec/11	Jan/12	Feb/12	Mar/12	Apr/12	May/12	Jun/12	Jul/12	Aug/12	Sept/12	Oct/12	Last 12 Mo.	Since Inception <sup>3</sup>
Master Fund (Net)	-0.72	-1.24	2.02	0.80	0.82	-0.46	-0.84	0.14	1.64	-0.10	0.49	0.08	2.61	29.93
Class A-I Units (Net)	-0.74	-1.28	1.98	0.77	0.77	-0.50	-0.89	0.10	1.60	-0.14	0.45	0.04	2.12	24.90

See page 3 for all references

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## Portfolio Allocation At Oct. 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:** \$670MM @ October 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

Through October we retained roughly the same exposure across assets as we finished September. Global investment managers were focused on the pending U.S. election results, with a watchful eye on the first challenge for the President; avoiding the "Fiscal Cliff". Obama won a close but decisive victory over Romney in electoral votes, as well as in the popular vote. While many, including us, would have predicted that risk assets would rally with the certainty of the election complete, we were cautious NOT to position the Fund with any decided bias or outsized directional position. This proved prudent as the reaction following the election was a dramatic selloff in risk assets. This market response could have been as a result of the well understood Obama proposal to raise capital gains and dividend tax rates. Further, the full cost of Obamacare is seen to create a sizeable burden on U.S. businesses going forward. Time will tell how these broad policy initiatives impact growth in the U.S. economy. Separately, Hurricane Sandy had an impact on market action during the month, shutting the market in the name of safety for all who work on Wall Street. By the time the hurricane passed through, the markets had sold off hard. Market leading Apple Inc. continued to nose dive in October, breaking the \$600 market on its freefall. Commodities were mixed on the month, with oil leading the equity markets south, while copper (long thought to lead the markets) was hanging in during both September and through the majority of October. However, by the 3rd week of the month, copper moved and broke below its 50 and 200 day moving averages. During all of this noise, the North American economic picture looked to be strengthening. PMI, production and employment all strengthened while inventories were stable and housing starts continued to show promise. Given all the uncertainty in the market, we chose to reduce our equity exposure to 20% and to increase our exposure to our Macro strategies to 30%. Most of the risk taken in our Macro strategy was to U.S. and Canadian Government bonds. Thus, while we did not have a cash balance heading in to October, the forecasted volatility for the Fund was a mere 4% (25% of the equity market). Given the uncertainty around the U.S. election and the resolution of the Fiscal Cliff, we believed that it was prudent to be cautious.

## 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