

FLATIRON CAPITAL

Domestic Market Neutral

Monthly report - December 2011

Fund Performance

NBF Managed Account

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2000	0.70%	2.01%	0.77%	2.06%	2.71%	1.83%	0.43%	1.51%	1.12%	0.30%	0.91%	3.77%	19.64%
2001	1.57%	0.92%	1.73%	2.16%	0.16%	1.93%	1.03%	0.84%	0.74%	1.00%	0.15%	0.45%	13.41%
2002	0.37%	0.94%	0.84%	-0.27%	0.29%	0.17%	0.66%	0.41%	1.13%	1.02%	-0.47%	0.12%	5.32%
2003	0.59%	0.63%	1.70%	0.02%	-0.58%	0.53%	0.42%	0.92%	1.03%	2.11%	0.15%	1.86%	9.76%
2004	0.86%	2.00%	1.41%	-0.24%	-0.56%								3.49%

Managed Account

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004						0.42%	0.85%	0.99%	0.79%	0.74%	0.79%	0.59%	5.29%
2005	1.00%	0.60%	0.73%	0.58%	0.28%	0.14%	1.12%	0.51%	0.91%	1.97%	0.93%	0.29%	9.43%
2006	1.21%	0.77%	1.36%	1.15%	1.30%	1.49%	1.09%						8.67%

Flatiron Market Neutral LP

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2006								0.76%	1.10%	0.47%	1.09%	0.24%	12.69%
2007	1.67%	1.97%	0.38%	1.07%	1.15%	1.12%	0.42%	0.40%	0.60%	0.16%	0.04%	0.35%	9.73%
2008	0.21%	0.22%	-0.33%	0.32%	0.38%	0.22%	-0.30%	0.38%	0.91%	-8.59%	-0.34%	-5.37%	-12.04%
2009	1.00%	4.26%	1.61%	3.05%	2.48%	2.40%	-0.03%	0.21%	1.81%	2.71%	-0.22%	1.78%	23.08%
2010	1.35%	-0.17%	-0.09%	0.74%	1.39%	-0.20%	0.73%	1.36%	1.59%	2.02%	3.53%	2.55%	15.79%
2011	0.55%	0.67%	-0.41%	-0.26%	-3.76%	0.21%	1.70%	1.69%	1.31%	1.10%	-0.03%	2.66%	5.41%

Note - the performance from Jan 2000 to May 2004 is for the NBF Managed Account only. The capital base was \$15 mill CAD to Sep 2001 and then moved up to \$30 mill CAD. Unused cash was assumed reinvested at 2% and the fee assumption was 1% management fee with a 20% performance fee. From Jun 2004 to July 2006, the numbers represent the performance of a managed account with the same fee structure. On August 1, 2006 the managed account was rolled into Flatiron Market Neutral LP without changing any of the financial terms of the managed account.

Fund Objective

Flatiron Market Neutral LP is an alternative investment vehicle, which offers low volatility and low market correlation while providing consistent positive rates of return. The primary objective of the Fund is to provide consistent positive absolute returns on a monthly basis with a goal of producing an annual return of at least 8% using various market neutral strategies.

Fund Activity

Canadian equity markets were down 1.70% for the month of December, adding to the TSX losses for the year. The fund was up just over 2.6% for December finishing the year up over 5.4%. Convertible debt continued to rally through the month of December. Volatility in the second half of the year was beneficial to the fund in 2011. Volatility should remain fairly high this year due to the uncertain conditions in Europe which will continue to benefit the fund. The fund currently has a standing gross yield of just over 8.5% and is hedged at approximately 50%. We will continue to trade volatility and add to properly valued yield plays during the upcoming year. We remain optimistic for the fund's prospects in 2012.

Investment Strategy

The Fund will achieve its objectives through various market neutral trading strategies, focusing primarily on Canadian convertible arbitrage. The Fund will also seek to be market neutral through merger arbitrage, warrant delta trading, hedged royalty trust convertible debentures, capital structure arbitrage, high yield debt and such other similar market neutral trading strategies as the Investment Adviser deems appropriate.

Return Analysis

	FMNLP	S&P/TSX
Monthly return	2.66%	-1.70%
Year to date	5.41%	-8.71%
Last 12 months	5.41%	NA
Average annualized return	9.76%	NA
Profitable months	87%	NA
Standard deviation	1.34%	NA
Sharpe ratio	1.54	NA
Sortino (0%)	0.91	NA

Flatiron Market Neutral LP - Fund Terms

Lead Manager	Steve Duenkler
Inception date	June 2004*
Domicile	Canada
Strategy	Market Neutral
Minimum account size	\$150,000 CAD
Valuation	Monthly
Subscriptions	Quarterly
Redemptions	Quarterly
Redemption notice	30 days
Redemption fee	1% before 1st anniversary
Lock-up period	No
Management fee	1%
Performance fee	20%
Hurdle	No
High water mark	1 year rolling
Prime broker	TD Securities
Auditor	KPMG

Note - Flatiron Market Neutral LP and the NBF Managed Account employ various market neutral investment strategies with an objective of an absolute annual return. The strategy in no way tries to mirror or replicate the S&P/TSX or S&P 500. These numbers are provided for information purposes only. All ratios are calculated using the net performance numbers from the inception of the fund. The Sharpe and Sortino ratios are a measure of return versus risk. We use the Canadian T-bill rate for the risk free rate in the Sharpe ratio and 0% for the minimum acceptable return for the Sortino ratio.



Flatiron Capital Management Partners

199 Bay Street, Suite 5060
Commerce Court West
P.O. Box 411
Toronto, Canada
M5L 1G3

Contact: Steve Duenkler
E-mail: steve@flatironcapital.ca
Tel: (416) 361-3038
Fax: (416) 361-9199

This document is intended for information purposes only. No information in this document shall in any way constitute an offer or solicitation of an offer to buy or sell any securities. There is no guarantee of performance, and past or projected performance is not necessarily indicative of future returns. The information contained herein has been provided by Flatiron Capital. Flatiron Capital is compliant with Canadian privacy laws.

* These funds were in a managed account from Jun 2004 to Jul 2006, at which time Flatiron Market Neutral LP was set up. The managed account was rolled into the LP without changing any of the financial terms or investing methods in the managed account.