

### Fund Review

August continued to be a challenging environment for small cap stocks. The TSX Venture declined by over 10% again in August bringing the year to date return to (30.2%). We are pleased that the portfolio held up well during the month. The Fund returned 0.7% even though we held no short positions during the month. This extended our outperformance versus the TSX Venture to more than 35% since inception of the Fund nine months ago. We believe that over the last few days, commodity prices have been trying to find a interim bottom. We are optimistic that this will occur in the short term and that market conditions will improve. If the market rallies as we expect, we intend to use technical analysis to help us ascertain the optimal time to lock in some gains in certain holdings. In general, we feel it is unlikely that commodities will be able to achieve new highs over the short term.

At the end of August, the Fund was employing leverage of 1.07x. Trading activity was minimal during the month as the summer doldrums combined with poor markets were not conducive to active trading strategies. Nonetheless, we added a small position in one new technology name during the month, preferring to add to existing positions that were excessively oversold during the month. The portfolio benefitted from its exposure to non-resource companies as resource stocks were the poorest performers in August. Looking forward, we have a more favourable view of resource companies in view of their dramatic sell-off in recent weeks. Many of these companies appear deeply oversold in the short term and should be expected to rebound. However, as we have communicated since inception of the Fund, in the longer term, we are leery of maintaining a high resource focus and we prefer to invest in other more attractive opportunities with better risk/reward characteristics.

We are expecting some key catalysts for several of our largest holdings over the next couple of months which should have a beneficial impact on portfolio returns.

### Monthly Performance (%)\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2007												7.4	7.4
2008	(5.0)	21.6	(10.1)	(5.6)	8.1	19.2	(20.7)	0.7					0.9

### Performance Analysis

	AlphaNorth Partners Fund	TSX Venture	TSX Composite
<b>Returns</b>			
1 Month	0.7%	(10.8%)	1.5%
3 Month	(4.8%)	(25.3%)	(5.8%)
6 Month	(12.7%)	(28.7%)	2.8%
YTD	0.9%	(30.2%)	1.3%
Since Inception	8.3%	(27.5%)	2.7%
Avg. Monthly Return (Since Inception)	1.7%	(3.2%)	0.3%
Best Month	21.6%	8.5%	5.2%
Worst Month	(20.7%)	(15.6%)	(5.9%)
Advancing Months	55.6%	33.3%	55.6%
Current NAV	10.8309		

### Outlook

Market sentiment for small caps remains at a pessimistic extreme. Although we can never be certain, we believe that a market bottom is very near. In recent weeks, the direction of many share prices has been driven by redemptions and fear rather than by company fundamentals. The portfolio remains well positioned for a recovery in small cap companies. We will be looking to add back some short exposure into any significant market rally.

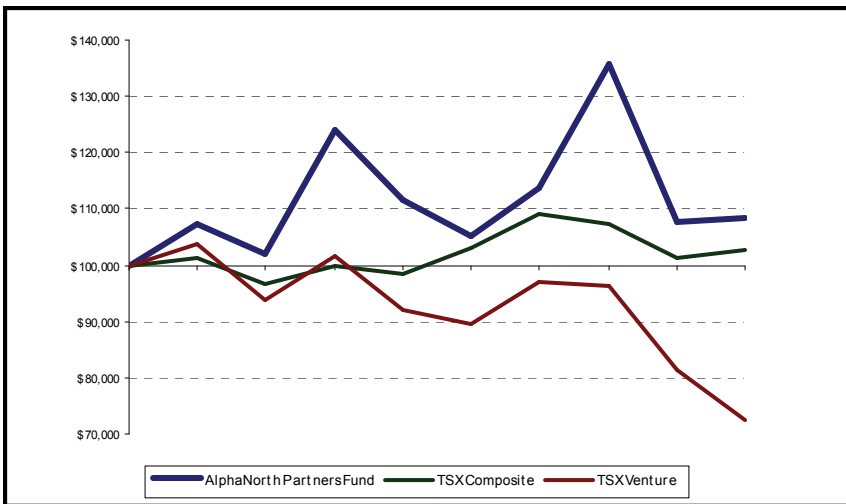
Many investors we have communicated with in recent weeks have been hesitant to commit capital in view of the poor market conditions over the past several months. However, this is likely a golden opportunity for new investments as it is generally wise to be buying when everyone else is selling. The risk to this view is that we are a little early in our timing but after a 30%+ decline in the TSX Venture index this year, we think we are very close to a turn-around.

Regards,



Steven Palmer, CFA  
President and CEO

## Growth of Initial Investment (\$100,000)



## Terms

<b>Lead Manager:</b>	Steven Palmer
<b>Inception:</b>	December 1, 2007
<b>Minimum Investment:</b>	\$150,000
<b>Subsequent Investments:</b>	\$25,000
<b>Sub/Redemption:</b>	Monthly, 90 day notice
<b>Valuation:</b>	Monthly
<b>Lock-up:</b>	None
<b>Redemption Fee:</b>	None
<b>High Water Mark:</b>	Yes (no reset)
<b>Management Fee:</b>	2%
<b>Performance fee:</b>	20%
<b>Auditor:</b>	Deloitte
<b>Administration:</b>	Harmonic Fund Services
<b>Prime Broker:</b>	Scotia Capital
<b>Legal:</b>	Stikeman/Maples & Calder

## Investment Strategy

The AlphaNorth Partners Fund (the "Fund") is a long biased small cap hedge fund focusing primarily on Canadian companies. The Fund's investment objective is to achieve industry leading long term capital growth through superior selection of principally Canadian securities. AlphaNorth believes that superior long term investment returns are achievable by exploiting inefficiencies in the Canadian small cap universe through careful security selection on both a long and short basis. The firm combines both a bottom-up and top-down strategy in the selection of investments offering the best risk/reward characteristics. AlphaNorth employs various technical analysis techniques, which have proven to be successful, to assist in the timing of buy/sell decisions.

## Company Profile

Founded in 2007, AlphaNorth Asset Management's goal is to achieve superior long term returns for investors. Our value added approach combines the successful track record and investment experience of Steven Palmer and Joey Javier who have worked together as a team since 1998. Steve and Joey together have over 25 years experience in the investment industry. Presently, AlphaNorth manages the AlphaNorth Partners Fund, a long biased small cap focused hedge fund.

### Key Personnel:

**Steven Palmer** is the President, CEO and Director of AlphaNorth Asset Management. Mr. Palmer started his career in the investment industry in 1995 on the sell side of the business before transitioning to the buy side in 1997. Most recently, from July 1998 to August 2007 he was employed as Vice President - Canadian Equities at AIG Global Investment Corp. (Canada) where he managed the Canadian equity assets of approximately \$350 million. A small companies fund managed by Mr. Palmer was awarded by API Asset Performance Inc in 2007 and 2006: (a) API Asset Performance (2007): Best Fund Over 1, 3, and 5 Years, *Canadian Small Cap Universe*; and (b) API Asset Performance (2006): Best Fund Over 1, 3 Years, *Canadian Small Cap Universe*. The fund had a nine year compound annual return of 35.8% during Mr. Palmer's tenure. Mr. Palmer earned a BA in Economics from the University of Western Ontario and is a CFA.

**Joey Javier** is Vice President, Secretary and a Director of AlphaNorth Asset Management. Mr. Javier started his career in the investment industry in 1997 as an Equity Trader for AIG Global Investment Corp. (Canada). Mr. Javier was responsible for all equity and money market trading as well as back-up for the fixed income portfolio manager. Mr. Javier has a BA in Economics from York University.

## Disclaimer

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