

## Fund Review

Market conditions remained brutal in September, resulting in poor performance for both the Fund (29.1%) and the TSX Venture Index (28.7%). This brings the year to date performance of the TSX Venture to a decline of over 50%. This has been the worst year to date performance in the history of Canadian small cap indices (to this point in the year). Despite disappointing performance for the Fund, the positive side is that the Fund has outperformed the TSX Venture by over 25% in its first 10 months. We strongly believe that we are near an intermediate-term bottom and we are hopeful that the return potential from current levels will be quite dramatic. The last time we experienced such a dramatic decline in small cap stocks was after the bursting of the technology bubble of the late 1990's. During this time, we managed a small cap portfolio which declined by over 70% from its peak to the bottom over a two year period. The subsequent four year period after this decline resulted in above trend performance, with our portfolio rising by over 900%. The TSX Venture has sold off by over 67% (as of today) from its peak 18 months ago and it is well on its way to matching the magnitude of the decline following the technology bubble. The Fund, which was launched subsequent to the peak of the TSX Venture index has weathered the storm fairly well and is poised to benefit strongly once rational markets return.

We would like to emphasize that our investment strategy is more conducive to a rising market. We get significant leverage from our warrant positions when shares rise in price. It is not possible to obtain the equivalent leverage to profit in a declining market.

Many of our holdings appear deeply oversold in the short term and should be expected to rebound. 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	(29.1)				(28.5)

## Performance Analysis

	AlphaNorth Partners Fund	TSX Venture	TSX Composite
<b>Returns</b>			
1 Month	<b>(29.1%)</b>	(28.7%)	(14.5%)
3 Month	<b>(43.4%)</b>	(46.3%)	(22.3%)
6 Month	<b>(31.2%)</b>	(43.8%)	(12.1%)
YTD	<b>(28.5%)</b>	(50.2%)	(13.3%)
Since Inception	<b>(23.2%)</b>	(48.7%)	(12.2%)
Avg. Monthly Return (Since Inception)	<b>1.7%</b>	(3.2%)	0.3%
Best Month	<b>21.6%</b>	8.5%	5.2%
Worst Month	<b>(29.1%)</b>	(28.7%)	(14.5%)
Advancing Months	<b>50%</b>	30%	50%
Current NNAV	<b>7.6756</b>		

## Outlook

Fundamentals and rationality have been absent from the market in recent months. Stock prices have not been driven by company fundamentals over the last several months. As a result, the market sentiment for small caps has remained at a pessimistic extreme. There are a multitude of technical, quantitative and fundamental indicators that suggest a near term market bottom. Some examples are: volatility index (VIX); put/call ratio; various technical analysis indicators; extreme negative sentiment of portfolio managers; new government measures (halts on shorting, bailout package); Warren Buffet putting his cash to work; media embellishment ("Financial Crisis"); heavily discounted block trades; broker research focusing on cash per share. Given what has occurred in equity markets over the past several months, we look forward to conditions improving which have historically allowed us to achieve significant above market returns after such periods of market corrections.

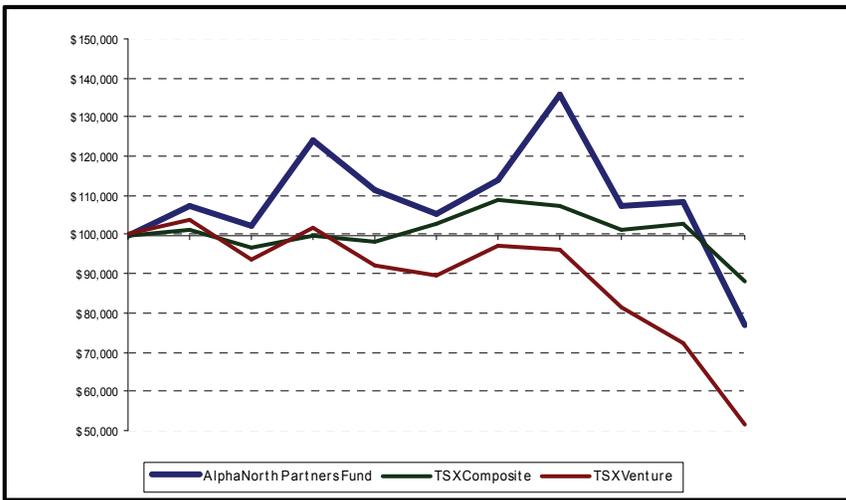
One thing we know for certain is that we are closer to a market bottom than we were last month and anyone putting capital to work now is definitely not buying anywhere near the top. Buy low, sell high!

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

*\*The information contained in this document is not a solicitation to sell any investment products offered by AlphaNorth Asset Management. The information contained herein is for discussion purposes only. Please refer to the Offering Memorandum for complete details of any investment products offered by AlphaNorth Asset Management. There is no guarantee of performance and past performance is not indicative of future results. Returns are presented on a compound annual basis, unaudited and stated net of all fees. The inception date is December 1, 2007.*