

## Fund Review

Markets continued their dramatic sell-offs in November. We were fortunate that our stock selection was solid but unfortunately, we were unable to totally avoid losses for the month. Again, small cap stocks performed the worst out of all of the major indices as the TSX Venture index declined by 16.3% in the month. We speculated in our October commentary that equity markets likely made a capitulation low in October. Most European and Asian indices were able to hold above their October lows during the month of November but North American indices traded briefly to new lows in November. The TSX broke below the October low for several days in late November, falling the most in a single day since the crash of 1987 before rebounding sharply to end the month only down 4.7%. We are pleased that AlphaNorth's performance held in quite well with losses for the month of 4.9%. This is far better than the TSX Venture Index.

Over the course of the month, Fund activity concentrated around short term trading opportunities in more liquid mid cap stocks. The majority of these trades were profitable in November. We will continue with this strategy in the short term given that the private placement market remains extremely inactive and we prefer not to lock up additional capital in illiquid positions until the markets return to their normal functioning. We anticipate that this will improve in the first part of 2009 for the higher tier small cap companies. We have also been adding to our favoured positions that are well financed and which have the most favourable risk/reward potential. We scaled back one of our most successful investments during the month which had appreciated by over 70% from our initial purchase price in Q1/08. This position remains a key holding. Several smaller, riskier positions were eliminated during the month. The Fund maintained a small cash position at month end.

Many of the investments in the Fund remain very depressed. It is quite likely that once the tax loss selling abates in late December, we will see strong rebounds in many share prices into January 2009. We are looking forward to putting 2008 behind us and we are optimistic for a better equity environment in 2009.

## 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)	(31.9)	(4.9)		(53.7)

## Performance Analysis

	AlphaNorth Partners Fund	TSX Venture	TSX Composite
<b>Returns</b>			
1 Month	(4.9%)	(16.3%)	(4.7%)
3 Month	(54.0%)	(61.4%)	(32.1%)
6 Month	(56.3%)	(71.2%)	(36.0%)
YTD	(53.7%)	(73.0%)	(31.2%)
Since Inception	(50.2%)	(72.0%)	(30.3%)
Avg. Monthly Return (Since Inception)	(4.2%)	(9.1%)	(2.8%)
Best Month	21.6%	8.5%	5.2%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	42%	25%	42%
Current NNAV	4.9774		

## Outlook

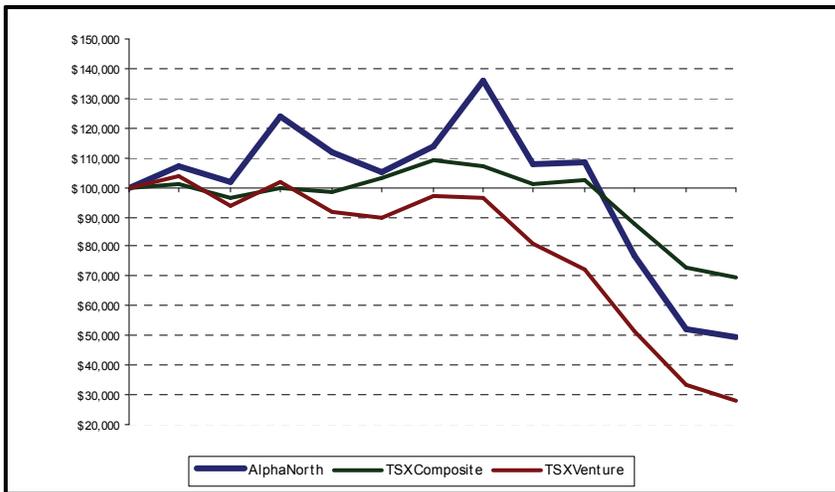
Concerns about the world economy continue as we have clearly entered significant recessions in most areas of the world. Many governments are finally realizing the severity of the problem and are responding aggressively to stimulate consumers and the economy. However, these policies take time to see results. We are optimistic that government policy initiatives will be effective in improving the economy and we believe that equity markets are currently in the bottoming process and that they are showing signs of stabilizing. The dramatic decline in both energy prices and the 30 year mortgage rates (6.47% on Oct 31 to 5.17% Dec. 2) in the U.S. also provide a significant stimulus to the consumer and will allow homeowners to lock in significantly lower mortgage payments. There is already evidence of this occurring as mortgage applications increased by the largest amount on record last week. Investors who have exited equity funds in record amounts in 2008, will in due course venture back into equities as fixed income returns are at levels not seen in decades. The TSX Composite has a single digit P/E multiple while the dividend yield is 4.5%, higher than all Canadian government bond yields across all maturities.

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.*