

Fund Review

Markets staged their typical year end rally as the extreme risk aversion which has dominated equity markets waned. Small cap stocks experienced the greatest rebound as reflected by the TSX Venture index rising by 4.0% in December. The TSX Composite partially recovered from its intramonth low with a negative 2.6% return. Since the capitulation low of investor sentiment in mid October, equity markets have gradually stabilized. AlphaNorth's performance was positive in December, rising by 0.7%. Performance was negatively impacted by the write down of a couple of the Fund's private investments to better reflect current market conditions.

Over the course of the month, Fund activity continued to be concentrated around short term trading opportunities in more liquid stocks. We employed all available cash to take advantage of several trading opportunities where tax loss selling had resulted in excessive share price declines in the early part of December. We exited these trading positions at month end and yielded attractive returns. After experiencing several months of a very difficult environment where no money could be raised by way of private placements, several companies took advantage of improved conditions with capital raises. We look forward to the continuing improvement of this trend. In the near term, we expect terms on private placements to be very attractive relative to historical norms in an effort to lure cautious investors.

As we predicted in our commentary last month, small cap stocks took off once the tax loss selling abated. The TSX Venture index has already appreciated 31% from its low on December 5th as compared to a return of 21% for the TSX Composite from its intraday low on November 21st. The Fund maintained a small cash position at month end. We intend to raise additional liquidity into market rallies which will provide the capacity to participate in the anticipated upcoming private placements. We also intend to add short positions if we determine that equity markets are becoming overly optimistic on too quick a basis.

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)	0.7	(53.3)

Performance Analysis

	AlphaNorth Partners Fund	TSX Venture	TSX Composite
Returns			
1 Month	0.7%	4.0%	(2.6%)
3 Month	(34.7%)	(43.7%)	(22.7%)
6 Month	(63.1%)	(69.8%)	(36.8%)
YTD	(53.3%)	(71.9%)	(33.0%)
Since Inception	(49.9%)	(70.9%)	(32.1%)
Avg. Monthly Return (Since Inception)	(3.8%)	(8.1%)	(2.8%)
Best Month	21.6%	8.5%	5.2%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	46.2%	30.8%	38.5%
Current NNAV	5.0115		

Outlook

Concerns about the world economy will continue in 2009. At a certain point it becomes a self fulfilling prophecy when all that people are bombarded with is doom and gloom media reports. People start to become more cautious. Much of the recent commentary depicts a situation worse than will likely unfold. It is clear that the equity markets are in the bottoming process as reflected by the moderation of the VIX, Libor and Treasury rates and other technical indicators. We are optimistic that government initiatives will start to have a meaningful impact on the economy over the next several quarters and that the fear mongering will subside.

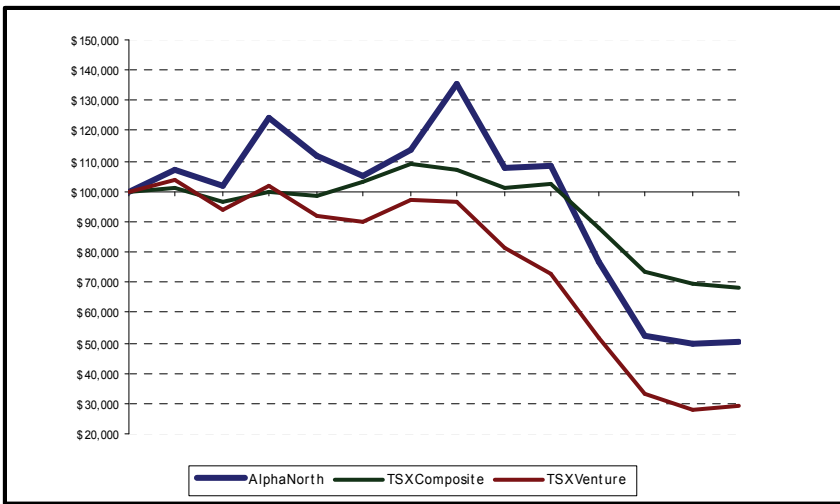
In our past several updates, we have stressed that the Fall of 2008 was a great time to be adding to equities rather than hiding in zero yielding TBills. We mentioned last month that once the tax loss selling abated, it was quite likely that we would have a strong rally into January 2009. This is in fact occurring. The Venture index has appreciated by 13% over the first 5 trading days of 2009. As is typically the case, many investors are overly optimistic at market peaks and overly pessimistic at market bottoms. They will likewise miss the boat on the early gains before mustering the confidence to reallocate their portfolios from their near zero yielding fixed income products and into equities.

Regards,



Steven Palmer, CFA
President and CEO

Growth of Initial Investment (\$100,000)



Terms

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