

Fund Review

The AlphaNorth Partners Fund increased by 9.0% in January while the TSX Venture index posted its best monthly return in over a year by returning 10.7%. These returns surpassed the majority of world equity indices by a significant margin which were mostly negative in January. The TSX Composite declined by 3.0%. In fact, the only broad based equity indices in the world which outperformed the TSX Venture in January were the Sri Lankan and Shenzhen index in China.

Over the course of the month, we evaluated numerous private placement opportunities. As we have indicated in previous commentaries, private placement terms in the current environment are quite attractive. We are only considering deals which include a full warrant. The warrant provides double upside leverage and thus makes the potential return extremely attractive. We expect to participate in a couple of these financings in February.

Our position in precious metal stocks had the largest positive impact on performance in January. However, we are hard pressed to find anyone who is bearish on gold. In fact, there are many people who are extremely bullish. It is often most profitable to bet against the crowd in these situations. Consequently, we remain cautious in the short term on gold equities. This approach seems appropriate since brokerage firms have been pumping out gold deals at a frantic pace as they have discovered that they are one of the few things that they can sell in the short term.

Our short term trading yielded positive returns during the month from both a long and a short basis. The Fund continues to use no leverage.

We are pleased that our rate of redemptions has been very low during this time of market turmoil. Many of our competitors have experienced a high degree of redemptions and some have implemented a hold on redemptions. We have no plans to implement any such restrictions.

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)
2009	9.0												9.0

Performance Analysis

	AlphaNorth Partners Fund	TSX Venture	TSX Composite
Returns			
1 Month	9.0%	10.7%	(3.0%)
3 Month	4.4%	(3.6%)	(10.0%)
YTD	9.0%	10.7%	(3.0%)
1 Year	(46.5%)	(65.6%)	(31.7%)
Since Inception	(45.4%)	(67.8%)	(34.1%)
Avg. Monthly Return (Since Inception)	(2.9%)	(6.7%)	(2.8%)
Best Month	21.6%	10.7%	5.2%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	50%	35.7%	35.7%
Current NNAV	5.4598		

Outlook

We take the view that equity markets have already priced in a significant earnings decline in 2009 yet the forward price/earnings multiple (P/E) remains low at approximately 11x. As earnings continue to be revised lower over the coming months, we expect significant P/E multiple expansion as in prior earnings recessions. Fortunately, the TSX was trading at a relatively low multiple prior to the credit crisis and subsequent economic meltdown. Just as valuations reflected by P/E multiples are hesitant to reward companies earnings near market peaks by attributing high multiples, the market will attribute higher multiples on the greatly depressed earnings which will unfold over the next few quarters. Higher P/E multiples are especially justified in an environment of very low interest rates given that equity returns compete with fixed income investment products.

We will not recite nor dwell on the latest negative data points. This has been well covered by the media and others. Although we acknowledge that there are many negative economic statistics, we believe there are many other reasons to be optimistic. One of the recent positive indicators include pending US home sales in December which rose unexpectedly. U.S. housing was the originator of the credit crisis so it is encouraging to see signs of stability in the housing market.

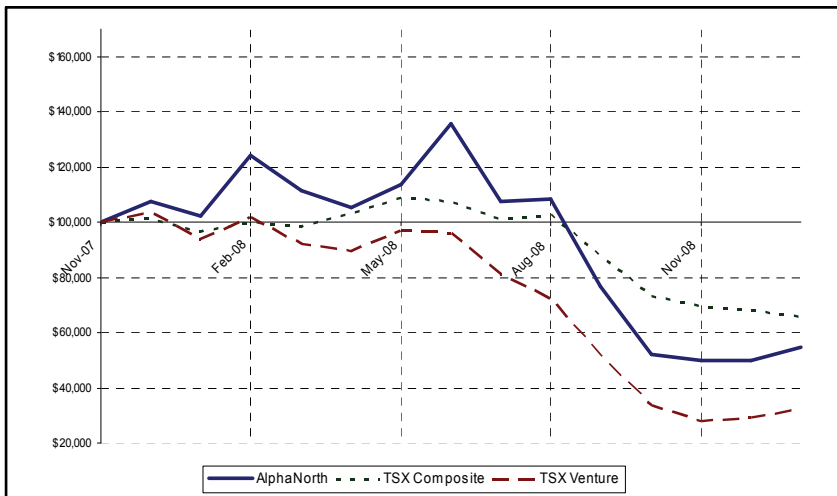
The sleeper sector to watch in 2009 could very well be biotech. We continue to be one of the few funds which are active or experienced in this sector in the Canadian marketplace.

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 one of the world's largest financial institutions where he managed the Canadian equity assets of approximately \$350 million. Mr. Palmer managed a pooled fund focused on small capitalization companies from inception in 1998 to August 2007 achieving returns that were ranked #1 in performance by a major fund ranking service in their small cap pooled fund category (35.8% over 9 years as compared to 10.0 for the S&P/TSX Composite and 13.0% for the BMO Weighted Small Cap Total Return Index) over the same period. Mr. Palmer also managed a large cap fund which was ranked in the first quartile for the following time periods: one year, two year, 3 year, 4 year, 5 year and 10 year. 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 one of the world's largest financial institutions where he worked together with Mr. Palmer as the equity team. 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.*