

## Fund Review

The AlphaNorth Partners Fund increased by 19.1% in September while the TSX Venture index increased by 8.7%. The Fund is one of the few that has recouped all of its 2008 losses and generated positive returns for investors which are well ahead of the Canadian benchmarks. We are proud to report that since inception, the Fund has returned 19.6% as compared to (53.3%) for the TSX Venture and (11.7%) for the TSX Composite. What makes this accomplishment even more significant to investors is that the AlphaNorth Partners Fund does not have a High Water Mark reset like many of its competitors. The Management Team does not get compensated until previous losses have been recovered.

Over the past couple of months, we have been reducing exposure to some of our big winners and transitioning into new ground floor opportunities with more attractive risk/reward profiles. Winners during the month included AusPotash, one of our private company investments, which was taken over for roughly twice our cost. Another one of the Fund's private company investments is expected to go public in October at a premium to our cost. It is encouraging that our investment thesis for these holdings has materialized and has not been negatively impacted by the liquidity crisis of 2008 as there are many junior companies which have not seen their share prices recover. Our short term trading strategy added about 2% to the monthly return, while the remainder of the positive performance was generated through a variety of our longer term positions. The largest winner during the month was Colossus Minerals which continued to deliver spectacular drill results from its precious metal property in Brazil.

We have been adding short exposure into the market rally in order to hedge some market risk as we believe equities are extended in the short term. One short position that we recently employed was shorting gold and gold stocks. In September we determined that it was timely to initiate these positions as a result of the overwhelming bullishness by investors, media and the financial community as well as the euphoria which was demonstrated by the high number of capital raises for both gold ETFs and gold stocks. The Fund entered short positions using ETFs for both Comex gold and the global gold index ETF. These positions are intended as short term trades to take advantage of short term market fluctuations in addition to partially hedging the market risk of our junior gold stock investments. Despite this negative short term view on gold, we added three junior gold stocks to the portfolio during the month which offer attractive risk/reward. We expect the return drivers of these new investments will be driven by company specific catalyst events.

## 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	(3.5)	4.0	21.2	9.0	14.1	11.5	9.0	19.1				138.7

## Performance Analysis

	AlphaNorth Partners Fund	TSX Venture	TSX Composite
<b>Returns</b> (Class A shares)			
1 Month	19.1%	8.7%	5.1%
3 Month	44.7%	17.0%	9.5%
YTD	138.7%	60.1%	30.0%
1 Year	55.8%	(9.7%)	0.5%
Since Inception	19.6%	(53.3%)	(11.7%)
Avg. Monthly Return (Since Inception)	2.0%	(2.5%)	(0.5%)
Best Month	21.6%	10.7%	5.2%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	63.6%	45.5%	50.0%
Current NNAV (Class A)	11.9616		

## Outlook

We do not believe that inflation is a concern in the near term. This is another reason for not championing the merits of gold. It is extremely unlikely that there will be significant inflation while there is so much excess manufacturing capacity and reduced spending power of consumers. Notwithstanding this, equities generally perform well during inflationary times.

Although the TSX Venture index has had stellar returns over the past few months, it remains 62% below its peak level which occurred in May 2007. Even if the index were to appreciate another 100% from current levels, it would remain 24% below its 2007 high. We are optimistic that small caps, as reflected by the TSX Venture index, will continue to perform well but, of course, may be moderated by the usual setbacks along the way. If this occurs, it has historically provided a solid backdrop for our investment style to generate strong returns.

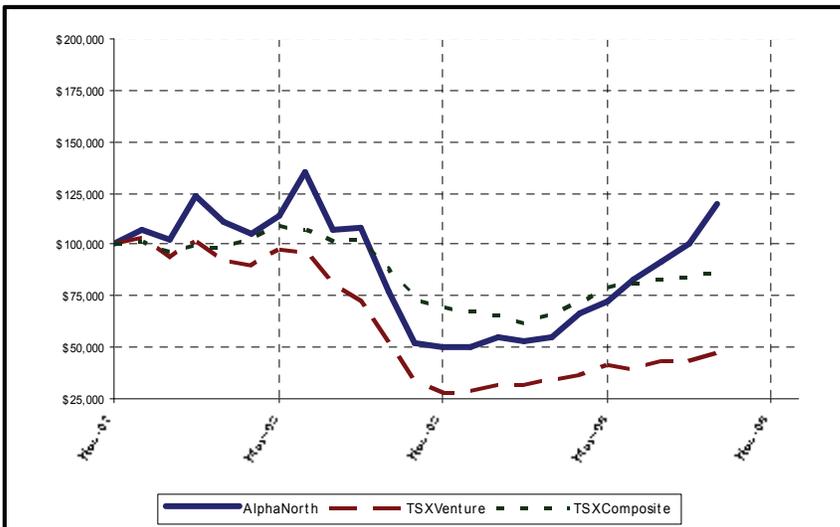
We continue to remain cautious on the broader equity markets in the short term and accordingly, have hedged some of this systematic risk using exchange traded funds (ETFs).

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>	Class A – none Class B – see OM
<b>High Water Mark:</b>	Yes (no reset)
<b>Management Fee:</b>	Class A 2%, Class D 2.25%
<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 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 for Class A shares on a compound annual basis and stated net of all fees. Returns subsequent to 2008 are unaudited. The inception date is December 1, 2007.*