

## Fund Review

The Fund increased by 1.2% in October, slightly surpassing the TSX Venture index return of 1.1%. The TSX Composite declined by 4.0%. The Fund continues to be one of the few funds which has recouped all of its 2008 losses while at the same time achieving positive returns in all but one month in 2009.

The anticipated market "pull-back" which we have been expecting seems to have arrived and disappeared fairly quickly. The last week of October saw the TSX decline over 800 points or approximately 7% from its recent highs but it has quickly recouped much of this decline in early November. We were fortunate to cover half of our largest short position near the low. A common saying which usually proves true is that stocks take the stairs up and the elevator down.

Over the past couple of months, we have focused on protecting profits and mitigating against losses by employing several strategies. We have recently added several short positions as communicated in previous commentaries. These positions have provided a modest cushion to declining equity markets and have helped to dampen the volatility inherent in a small cap portfolio. We also reiterate that we have reduced portfolio risk by locking in profits in some of our largest holdings and biggest winners by reducing their portfolio weighting. The top five names now comprise approximately 29% versus 40% in June. The proceeds of these sales have been reinvested in new opportunities offering attractive risk/reward characteristics. For example, one of the new Fund's new additions trades was purchased at a 25% discount to cash value per share. We believe it is likely that this investment will trade at a multiple of cash value in the future.

## 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	1.2			141.4

## Performance Analysis

	AlphaNorth Partners Fund	TSX Venture	TSX Composite
<b>Returns</b> (Class A shares)			
1 Month	1.2%	1.1%	(4.0%)
3 Month	31.3%	9.5%	1.8%
YTD	141.4%	62.0%	24.8%
1 Year	131.3%	41.0%	15.7%
Since Inception	21.0%	(52.8%)	(15.3%)
Avg. Monthly Return (Since Inception)	2.0%	(2.3%)	(0.6%)
Best Month	21.6%	10.7%	5.2%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	65.2%	47.8%	47.8%
Current NNAV (Class A)	12.0986		

## Outlook

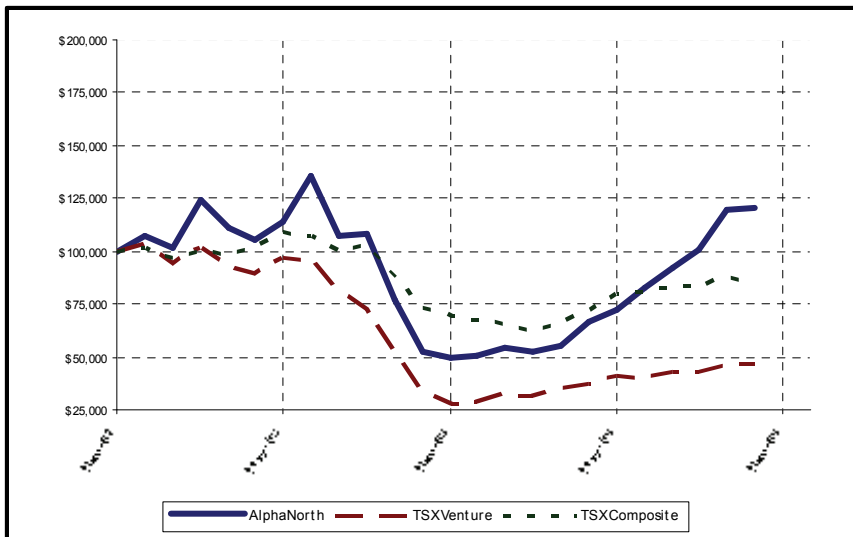
With the modest pull back in Canadian equity markets in late October the markets are likely poised for a strong finish to the year. Ongoing strength in commodity prices are particularly supportive of Canadian markets and will likely carry the positive momentum into the new year. The majority of economic data continues to be positive and we believe this will continue in the short term. Consumer confidence and leading indicators of manufacturing, construction and sales have recently exceeded consensus forecasts. Governments are in no hurry to withdraw stimulus measures until it is clear that a sustainable economic recovery is well underway.

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 D – 3% in yr 1, 1.5% in yr 2
<b>High Water Mark:</b>	Yes (no reset)
<b>Management Fee:</b>	Class A 2%, Class D 2.5%
<b>Performance fee:</b>	20%
<b>Auditor:</b>	Deloitte
<b>Administration:</b>	Harmonic Fund Services
<b>Prime Broker:</b>	Scotia Capital

## 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.*