

Fund Review

We are very pleased that the AlphaNorth Partners Fund was one of 2009's top performing funds in Canada gaining 160.6% for the year. What makes this achievement even more significant is that the Fund is not a resource fund like many of the other big winners, most of which have yet to recover losses from 2008 despite such a good year in 2009. The Fund returned 3.7% in December compared to 2.9% and 7.5% for the TSX Composite and TSX Venture respectively. As at January 2nd, a major fund database ranks the Fund at #5 amongst a universe of 11,555 funds.

In the money management business, rarely is anything more satisfying than being vindicated on a contrarian call. We noted last month that we initiated a short position in Comex gold. It turns out that this was quite timely as the position was executed the very day gold peaked at \$1226. We were prompted to initiate this trade from our technical analysis work which was supported by our fundamental view that market sentiment was ridiculously bullish and that the US dollar weakness was overdone in the short term. We find it difficult to justify higher prices in the short term.

Continued investor focus on resource shares is not surprising given their strong outperformance in 2009. The Fund has a large exposure to resource companies and ended 2009 with a slightly higher weighting in this area than normal. Recently however, we have been focusing our longer term positions increasingly on technology stocks. We have identified several technology stocks which are making significant progress in growing revenue and which we believe are at an inflection point for turning cash flow positive and thus attracting investor attention. The Fund reduced short exposure during December with the anticipation of a yearend rally and remains fully invested.

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	4.1	3.7	160.6

Performance Analysis

	AlphaNorth Partners Fund	TSX Venture	TSX Composite
Returns*			
1 Month	3.7%	7.5%	2.9%
6 Month	57.9%	39.3%	13.8%
1 Year	160.6%	90.8%	35.1%
2 Year	10.3%	(26.8%)	(4.9%)
Since Inception	30.6%	(44.4%)	(8.3%)
Avg. Monthly Return (Since Inception)	2.1%	(1.5%)	(0.2%)
Best Month	21.6%	10.7%	5.2%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	68%	52%	52%
Current NNAV (Class A)	13.0586		

* cumulative returns for Class A shares except for 2 year returns which are annualized

Outlook

Many market participants that we have talked to in recent weeks have confirmed that there remains a significant reluctance on the part of many investors to purchase equities and particularly, small cap shares. These investors still have the market decline in 2008 fresh in their minds. This gives us comfort that we could continue to see strong small cap returns.

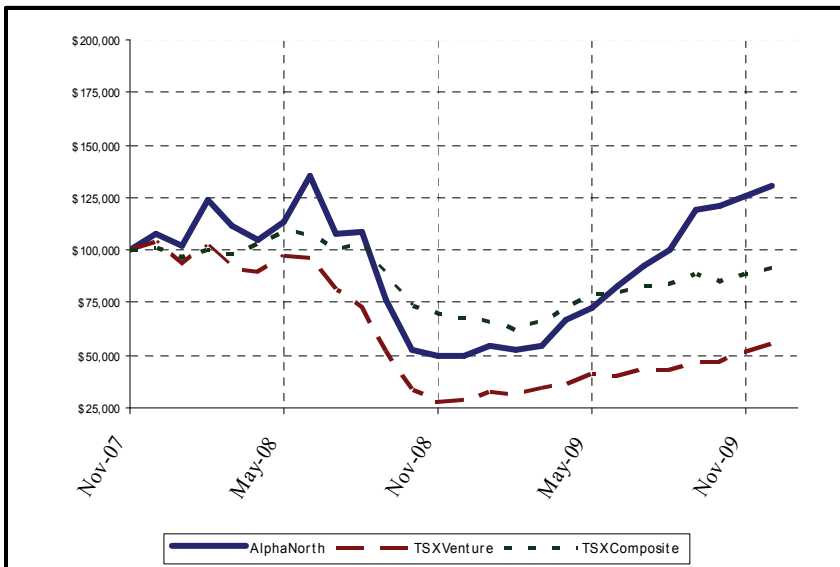
Following the precipitous decline of 80% in the TSX Venture index from the peak in May 2007 to the low in December 2008, the index has since rallied by over 100%. It is timely to revisit the attached chart as it depicts where the small cap stocks have been and where they may be headed as we enter 2010. It is important to put the returns generated in 2009 in context. The chart depicts graphically the past 27 year performance history of the Canadian small/micro cap equities. In this context, we can see that the stellar returns over the past year have made only a modest 31% retracement of this decline. If we take the view that markets will continue to be relatively stable with an upward bias as the world economy continues to improve, one should expect further significant gains in small caps on a percentage basis. The small cap strategy we have employed over the past 11 years, which has generated exceptional returns despite two major market meltdowns, is suited extremely well to this environment. Historically, our small cap investment strategy has performed extremely well in flat to upward markets due to the long biased strategy under this scenario.

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:	Class A – none Class D – 3% in yr 1, 1.5% in yr 2
High Water Mark:	Yes (no reset)
Management Fee:	Class A 2%, Class D 2.5%
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 tax advantaged long biased small cap focused hedge fund.

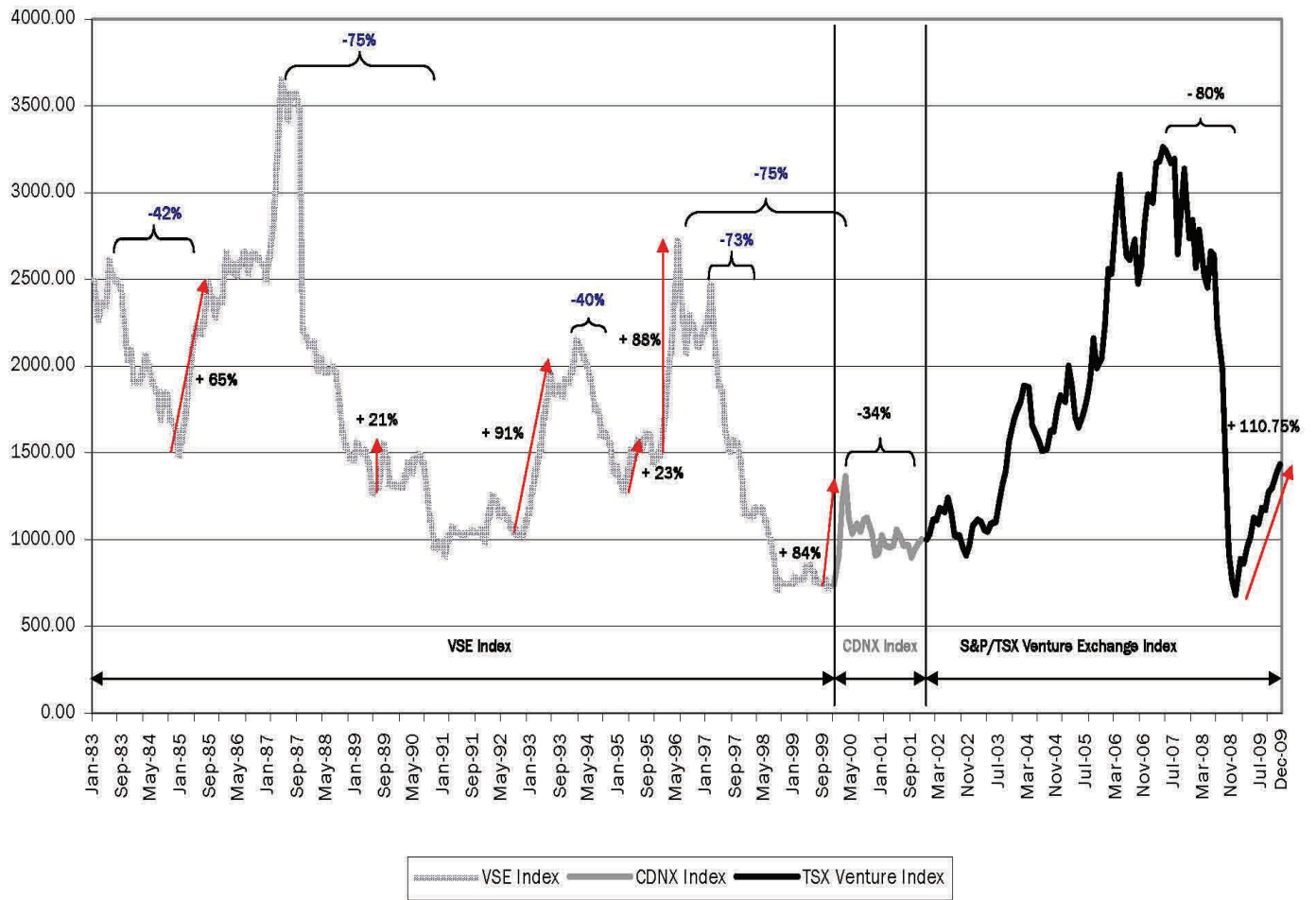
Key Personnel:

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 except where noted. Returns subsequent to 2008 are unaudited. The inception date is December 1, 2007.



Note: VSE and CDNX values adjusted to the S&P/TSX Venture data
 Source: S&P/TSX Venture Exchange, Bloomberg, Canaccord Adams