

Fund Review

We are pleased to report another strong month for the Fund which returned 2.6% in July. This represents the 5th straight month that the return for the Fund has exceeded the TSX Venture despite significant market volatility over the period. In fact, over this period, monthly fluctuations have ranged from (9.5%) to +6.2%. For the month of July, the TSX Venture index returned 0.8% while the TSX Composite increased by 4.0%.

The summer has seen a lot of volatility and has presented a very challenging equity environment. In past commentaries, we predicted this to be the case. Currently, the Fund is fully invested and is well positioned in a variety of holdings which are poised to generate strong returns over the coming months. We continue to evaluate new opportunities with a bias towards non-resource companies. The resource component of the portfolio remains fairly consistent with the long term average for the Fund at approximately 55%. We have found that deal flow continues to be highly skewed toward junior gold companies which is an area we are trying to avoid in the short term. At this time, we are restricting our investments in this area to very compelling situations. Within the resource space, our current bias leans towards companies in the energy and rare earth sectors.

Our technical analysis work has indicated that several of the Fund's positions appear poised to trade higher over the short term. This strength may coincide with strength in the broader market which may come sooner than we had previously expected.

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%
2010	(8.5%)	1.7%	14.0%	6.4%	(1.6%)	(2.7%)	2.6%						10.9%

Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
Returns *			
1 Month	2.6%	0.8%	4.0%
YTD	10.9%	(6.1%)	1.3%
1 Year	57.1%	21.0%	11.7%
2 Year	16.0%	(19.9%)	(4.1%)
Since Inception (annualized)	14.9%	(21.7%)	(2.7%)
Since Inception (cumulative)	44.8%	(47.9%)	(7.1%)
Avg. Monthly Return (Since Inception)	2.0%	(1.3%)	(0.1%)
Best Month	21.6%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	65.6%	53.1%	53.1%
Current NNAV: Class A	14.4762		
Class D	11.7458		

*Returns are presented here for Class A shares on a compound annual return basis stated net of all fees except for since inception returns which are cumulative.

Outlook

A high number of companies which reported Q2 results in July beat expectations for both earnings and sales. Growth for many companies has been in the double digits while P/E multiples remain low. Low earnings multiples are particularly significant in the context of the low yield environment in the fixed income market. This is supportive of strength in equities.

Much of the worry in recent weeks has been centered around the deterioration in the housing market and debate as to whether the economic recovery is merely slowing or turning toward a double dip recession. There has been no shortage of bearish prognosticators on these topics. In addition to the data points we mentioned in last month's commentary, we would like to point out that the 30 year mortgage rate in the U.S. has recently declined to its lowest level since the mortgage Association began tracking data in 1990. This is a huge stimulus for the average American as it reduces the cost of the biggest expense most consumers incur while providing time for consumers to reduce debt.

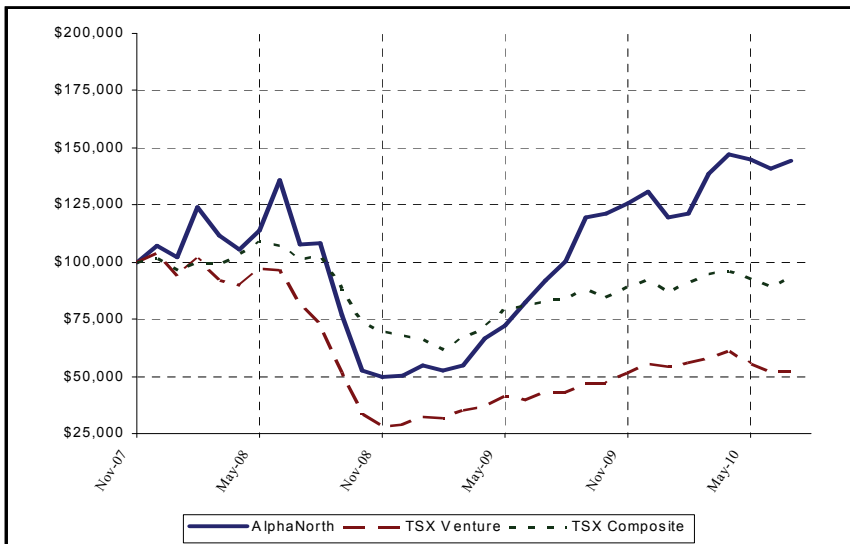
Money is still pouring into yield products as Bank of America recently estimated in a recent research piece that inflows to bond funds in 2010 is \$200-425 billion compared to net redemptions for equity funds of \$16 billion. Further evidence of this desire for yield was the \$1.5 billion 3 year note recently issued by IBM which was priced to yield 1.0%. We find it surprising that investors would invest at such unattractive terms. This clearly supports our view that the majority of investors remain focused on capital preservation instead of generating a return on investment. **We believe that the odds strongly favour strength in North American equity markets over the next 2-3 quarters which will surprise many investors**

Regards,



Steven Palmer, CFA

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

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 in the investment industry. Presently, AlphaNorth manages the AlphaNorth Partners Fund, a long biased small cap focused hedge fund and the AlphaNorth 2010 Flow-Through LP.

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

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