

Fund Review

The Fund returned (0.4%) in August. The TSX Venture index and TSX Composite returned 5.1% and 1.9% respectively in August. On a year to date basis, the Fund continues to perform well returning 10.4% as compared to the TSX Venture and TSX Composite which generated returns of (1.4%) and 3.2% respectively over this period.

We added two new positions to the portfolio during August, both of which included a full warrant. We are very optimistic about both of these positions as they offer potential near term catalysts which could result in dramatically higher valuations.

The Fund remains fully invested and well diversified across several sectors. We believe broader equity markets are likely to be strong over the next several months. The resource sector remains the largest broadly defined grouping with energy and base metals comprising the largest weightings.

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%	(0.4%)					10.4%

Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
Returns **			
1 Month	(0.4%)	5.1%	1.9%
YTD	10.4%	(1.4%)	3.2%
1 Year	43.6%	27.6%	12.7%
2 Year	15.4%	(13.1%)	(4.0%)
Since Inception (annualized)	14.2%	(19.6%)	(2.0%)
Since Inception (cumulative)	44.2%	(45.2%)	(5.3%)
Avg. Monthly Return (Since Inception)	2.0%	(1.1%)	(0.1%)
Best Month	21.6%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	63.6%	54.5%	54.5%
Current NNAV: Class A	14.4191		
Class D	11.6943		

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

Outlook

Fears of the economy slowing negatively impacted US equity markets during the month of August. Canadian markets fared better as gold edged higher. Economic data has reflected a slowing in the North American economy in recent weeks. However, we do not view this as a reason for equity markets to decline. Historically, there has been little correlation between economic growth rates and equity markets. We believe that for the majority of investors, the equity markets will show surprising strength over the next several quarters. We highlighted a few of our reasons for this in a recent email to investors which are summarized below:

1. Investor sentiment is very bearish and focused on capital preservation;
2. Equity valuations are historically cheap especially in the context of record low yields for fixed income products;
3. Seasonality favours the December to May time period;
4. Fixed income returns are nominal;
5. Our technical analysis work suggests that the recent market weakness which is typical for Canadian small caps in the summer months presents a buying opportunity
6. High cash levels in investor accounts.

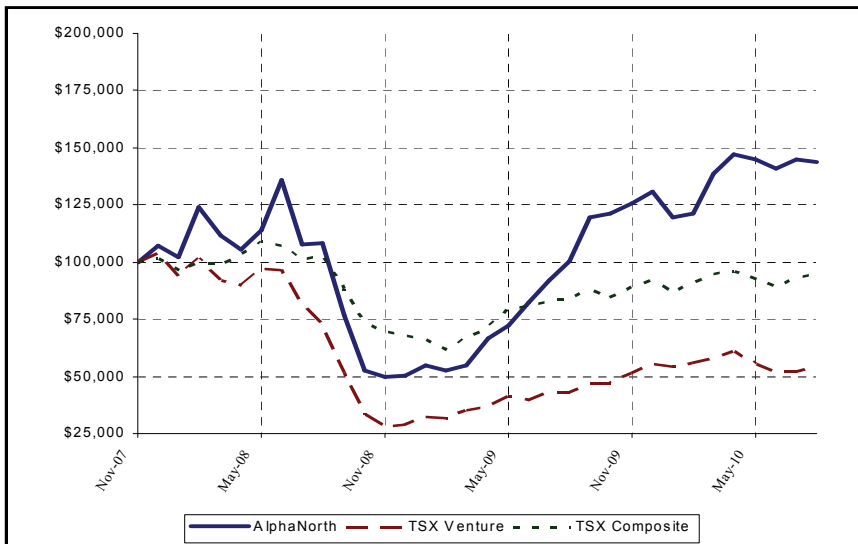
We continue to hold a bullish view for Canadian equity markets over the next several quarters. The Fund is well positioned in securities which offer favourable risk/reward and it should benefit from company specific catalysts and a strong overall equity markets.

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

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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