

## Fund Review

The Fund returned 14.2% in September which surpassed the performance of both the TSX Venture and the TSX Composite indices. These indices returned 13.9% and 4.1% respectively in September. Since the Fund's inception in December 2007, both the TSX Composite and TSX Venture indices have generated negative returns. In contrast, the Fund has returned 65% over this period. **The Fund's relative performance over the TSX Venture since its inception has increased to 102%.**

The Fund is beginning to be recognized for its performance achievements. We are pleased to announce that the **AlphaNorth Partners Fund** was recognized in the 3rd Annual Canadian Hedge Fund Awards for being the **2<sup>nd</sup> place winner** in the category of **New Funds (Less than 3 Years): Best 1-Year Return (July 31, 2009-July 31, 2010)** for its superior performance. The **AlphaNorth Partners Fund returned +57%** over that period. We look forward to the Fund's eligibility for awards and achievements in the longer term return categories in the future. An important milestone will be hit at the end of November 2010 which will be the 3<sup>rd</sup> anniversary of the AlphaNorth Partners Fund.

Performance during the month was the result of a broad based rally in many of the Fund's investments. The Fund has maintained a lower than average exposure to short investments due to our belief that equity markets would be strong during the fall months. So far this has proven to be the case. The strong performance of gold and gold shares over the past few weeks have been a major contributor to the strong return in the TSX Venture index. However, we continue to prefer investments with leverage to other commodities, many of which have outperformed gold since equity markets bottomed in March 2009. For example, since that time, oil is up 57%, copper has increased by 88%, nickel is up by 125%, while gold is up by only 51%.

## Monthly Performance\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2007</b>												7.4%	<b>7.4%</b>
<b>2008</b>	(5.0%)	21.6%	(10.1%)	(5.6%)	8.1%	19.2%	(20.7%)	0.7%	(29.1%)	(31.9%)	(4.9%)	0.7%	<b>(53.3%)</b>
<b>2009</b>	9.0%	(3.5%)	4.0%	21.2%	9.0%	14.1%	11.5%	9.0%	19.1%	1.2%	4.1%	3.7%	<b>160.6%</b>
<b>2010</b>	(8.5%)	1.7%	14.0%	6.4%	(1.6%)	(2.7%)	2.6%	(0.4%)	14.2%				<b>26.2%</b>

## Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
<b>Returns **</b>			
1 Month	<b>14.2%</b>	13.9%	4.1%
YTD	<b>26.2%</b>	12.3%	7.5%
1 Year	<b>37.7%</b>	33.7%	11.6%
2 Year	<b>46.5%</b>	9.9%	5.9%
Since Inception (annualized)	<b>19.3%</b>	(15.3%)	(0.5%)
Since Inception (cumulative)	<b>64.7%</b>	(37.6%)	(1.5%)
Avg. Monthly Return (Since Inception)	<b>2.3%</b>	(0.7%)	0.1%
Best Month	<b>21.6%</b>	13.9%	11.5%
Worst Month	<b>(31.9%)</b>	(35.3%)	(16.7%)
Advancing Months	<b>64.7%</b>	55.9%	55.9%
Current NNAV: Class A	<b>16.4731</b>		
Class D	<b>13.3754</b>		

\*\*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. Inception for Class D shares is February 2010.

## Outlook

Despite much caution and speculation by the pessimists in the media about a double dip recession as well as obscure fringe concepts such as Hindenburg omens and the media's predictions that the September/October timeframe was going to be a difficult period for equities, the US equity market, as measured by the S&P 500 index, had the best September return since 1939. This was the case despite the rants and words of caution by bearish commentators. Although some of these commentators successfully called the "meltdown in 2008", albeit with a long lead time, many have remained negative despite the fact that the equity market has now almost recovered its entire decline since the Lehman bankruptcy induced meltdown in the Fall of 2008. It is of little benefit to investors for commentators to correctly predict a decline but then fail to turn positive at any point of the subsequent rally which has seen equity returns of 74% for the S&P and 115% for the TSX Composite off of the bottom reached less than two years ago.

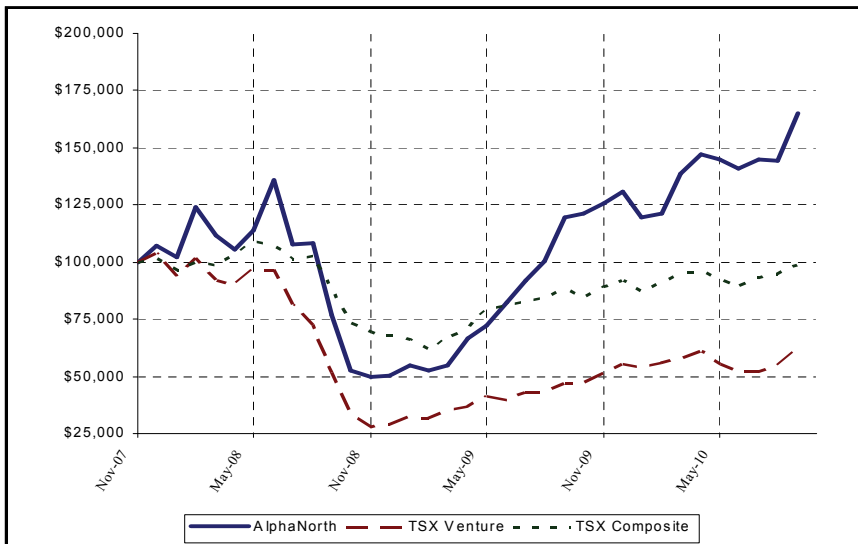
We reiterate our comment from previous commentaries that it is our belief that equities will continue to show surprising strength to many investors. It is interesting to note that very strong Septembers have been associated with excellent returns over the balance of the year. It is our prediction that this will likely be the case in 2010.

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 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

*\*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 2009 are unaudited. The inception date is December 1, 2007.*