

Fund Review

October was another strong month for equities. The Fund returned 11.3% in October as compared to 14.2% and 2.7% for the TSX Venture and TSX Composite respectively. **The Fund's relative performance over the TSX Venture since its inception has increased to 112%.**

It is interesting to note that the resource component of the Canadian equity market has been the primary driver of returns in recent years. This continues to be the case in 2010. As a result of the strong performance of the resource sector, the TSX Composite is now comprised of approximately 65% resource stocks compared to 25% at December 1999. US equity markets are much more diversified as the S&P is comprised of only 15% resource issuers with the largest sector being technology at a 19% weighting. Many of the top performing funds in Canada are resource focussed. Precious Metals funds in particular have been the star performers. **The AlphaNorth Partners Fund is a diversified fund with investments across a broad range of sectors.** Despite this, the Fund has managed to keep pace with the top fund performers. We expect that the Fund's 3 year track record will rank quite favourably once we have this data following the Fund's third anniversary next month.

The Fund's significant weighting in junior rare earth equities has been a strong contributor to performance since the summer months. We have been championing the merits of this market niche for some time and successfully used the pullback over the summer to accumulate larger positions. We have started to scale out of several of these positions into the recent strength in this market area. The Fund continues to be positioned with a higher than average long bias as we believe equity markets will remain strong through the end of the year. Although the Fund has capitalized on the strong performance of the Precious Metals subsector to date, we believe that the risk/reward is currently more favourable in other sectors. Within resources, we have been targeting new investments in the energy, uranium and rare earth companies as we believe these areas offer the best risk/reward. The Fund has several material investments in the non-resource area which are also performing well and which are positioned for substantial growth over the coming year.

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%)	14.2%	11.3%			40.4%

Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
Returns **			
1 Month	11.3%	14.2%	2.7%
YTD	40.4%	28.3%	10.4%
1 Year	51.5%	51.0%	19.5%
2 Year	87.2%	46.0%	17.6%
Since Inception (annualized)	23.1%	(11.0%)	0.4%
Since Inception (cumulative)	83.3%	(28.7%)	1.2%
Avg. Monthly Return (Since Inception)	2.6%	(0.3%)	0.1%
Best Month	21.6%	14.2%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	65.7%	57.1%	57.1%
Current NNAV: Class A	18.3332		
Class D	14.8958		

**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

Seasonality of the Canadian small cap equity market as measured by the BMO Small Cap Total Return Index indicates that the best performing months are typically December through May. In fact, **December has been the best performing month for this index by a wide margin over the past 25 years.** Over this period there has only been one year with a negative return in December. Furthermore, **average returns of this index for the December to May period was 13.5%. This compares to a negative return of -3.1% on average for the May to December period.**

We believe that investors will become increasingly anxious about not participating in the strong equity market and will continue to capitulate by re-allocating from fixed income investments into equities. Fixed income investments currently offer mediocre returns with substantial risk of rising interest rates. We believe that current risk/reward highly favours equities over fixed income investments.

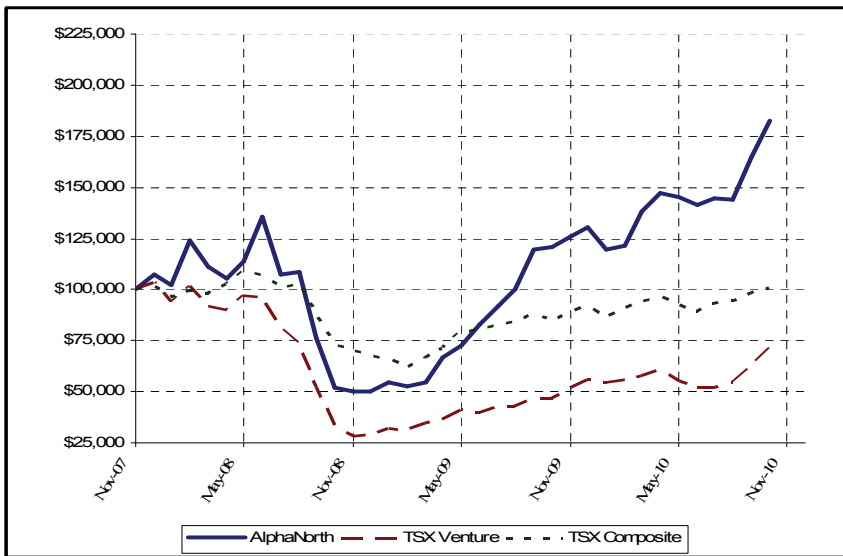
Over the longer economic cycle, we believe the Fund's positioning in a broad range of sectors will lower volatility and generate superior returns.

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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