

Fund Review

Our outlook for December proved to be correct as equity markets ended the year with strong performances. The TSX Venture index and the TSX Composite index returned 4.1% and 10.4% respectively in December. **The Fund experienced its best performing month since inception with a return of 31.9%. The Fund's cumulative return since inception is now 179% as compared to (16.4%) for the TSX Venture index over the same period. We are extremely pleased to have generated such strong results despite a very challenging equity market environment during this time period.**

Over the month of December, the Fund had strong gains across a wide variety of holdings. These included several holdings in private companies which experienced significant revaluations due to liquidity events as well as capital raises which were at significantly higher levels than the Fund paid. In addition, one of the Fund's top holdings, Primary Petroleum (TSXV:PIE), continued to perform well as it appreciated approximately 50% during the month of December. Other positions, particularly in the rare earth sector, also performed extremely well.

We are pleased to announce that during the last quarter of 2010, we welcomed two new members to the AlphaNorth team. Scarlett Rounthwaite has been hired as our Trading and Research Assistant and Skye Collyer as our VP, Sales and Marketing.

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%	15.4%	31.9%	113.6%

Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
Returns **			
1 Month	31.9%	10.4%	4.1%
3 Month	69.3%	33.9%	9.4%
1 Year	113.6%	50.4%	17.6%
2 Year	135.9%	69.4%	26.0%
3 Year	37.5%	(6.9%)	2.1%
Since Inception (annualized)	39.5%	(5.6%)	2.5%
Since Inception (cumulative)	178.9%	(16.4%)	7.8%
Avg. Monthly Return (Since Inception)	2.9%	0.2%	0.3%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	67.6%	59.5%	59.5%
Current NNAV: Class A	27.8948		
Class D	22.7193		

**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

It has now been two years since the meltdown of 2008 and since that time the TSX is up approximately 50%. Equities have remained strong despite the headwinds of ongoing bearish prognosticators to whom the media continues to give airtime despite the fact that there is little in the way of new arguments for a bearish outlook.

Our outlook remains positive for 2011. Notwithstanding this, modest setbacks are expected during the year. However, we have demonstrated the ability to generate strong returns during periods of broader market weakness and we expect continued positive returns.

The following are a selection of conditions which are supportive of our positive outlook over the near term:

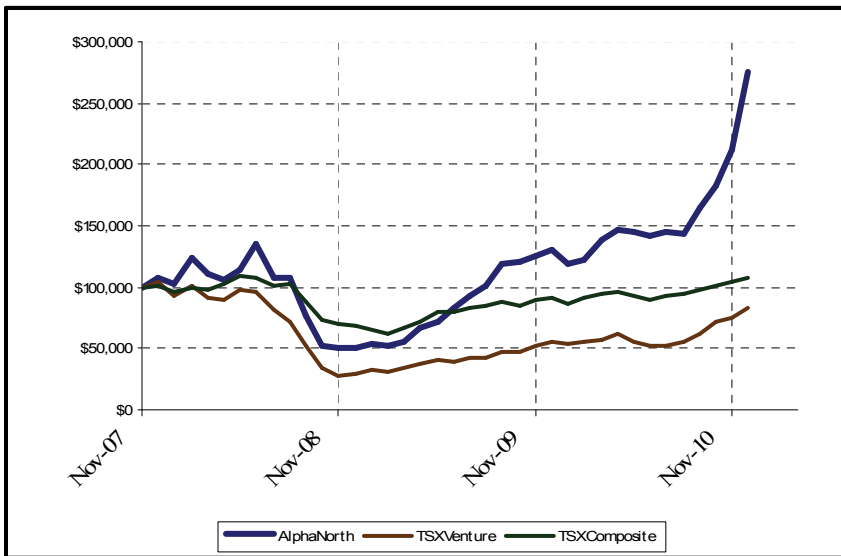
1. Continued improvement in the global economy
2. Historically low equity valuations relative to competing asset classes
3. Record cash levels on corporate balance sheets
4. Sustained corporate earnings growth
5. The Fed is willing to act aggressively to maintain economic recovery
6. Investor risk aversion remains strong
7. Strong equity performance despite continued negative fund flows out of equity funds

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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