



### Fund Review

The Fund continued its strong run of positive performance with a return of 5.8% in January. We are very pleased with this result as we have continued to substantially outperform the TSX Venture index which was down by 0.6% in January. The TSX Composite managed to climb back from a decline over the first part of the month into positive territory returning 1.0% in January. **Initial investors in the Fund have now been rewarded with nearly a triple on their investment while the TSX is only up 8.9% and the TSX Venture remains negative over this same period.** It is significant to note that we achieved these returns with the use of **minimal leverage**. In fact, in the past two years, the Fund has employed less than 1% leverage on average. Leverage has typically been employed to add short exposure to reduce systematic risk during periods where we believed the market was vulnerable.

We have recently been taking profits in some of our large winners, particularly in the rare earth sector. One of these investments has increased by approximately 10x since last summer during which time we had been accumulating additional shares. As a result of the selling of positions, the cash position in the Fund has climbed to nearly 7% of assets. The focus of new investments has been in the technology and special situation areas. **Several of our favourite non-resource holdings were highlighted in a Globe and Mail article by Shirley Won on January 27th. The article highlighted the Fund's performance achievement which ranks #1 over the one and three year periods in the alternative strategies category in the Globefund database.** Entertainment Media (TSXV:INT), one of our favourite holdings as noted in the article, has been a very strong performer returning 345% over the past week. Our short position in the Horizons BetaPro COMEX Gold Bullion Gold Plus ETF, which we initiated in September, is now coming our way as this position is nearing a profitable position.

We would like to remind investors that it has been our intention since inception to **limit new investors once the Fund reaches \$100 million in assets**. The net assets of the Fund are now over \$75 million. **Unlike many funds, our focus is on performance rather than asset gathering.** A restriction in assets is prudent to preserve the ability to generate the returns to which we have been accustomed. Although there is no guarantee of future positive returns, our internal goal has always been to achieve 25%+ annualized returns. We use this discount rate in our valuation methodologies to determine valuations compared to the industry norm of a 0 to 10% discount rate which is typically used by analysts. We are very pleased that since inception, we have handily exceeded this objective by generating a 40%+ annualized return despite a very challenging market environment.

### 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%	
2011	5.8%												5.8%	

### Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
<b>Returns **</b>			
1 Month	5.8%	(0.6%)	1.0%
3 Month	61.0%	16.6%	7.6%
1 Year	147.0%	52.4%	25.5%
2 Year	132.5%	60.5%	28.6%
3 Year	42.5%	(3.9%)	4.1%
Since Inception (annualized)	40.7%	(5.7%)	2.7%
Since Inception (cumulative)	195.1%	(16.9%)	8.9%
Avg. Monthly Return (Since Inception)	3.7%	0.2%	0.3%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	68.4%	57.9%	60.5%
Current NNAV: Class A	29.5130		
Class D	24.0278		

\*\*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

Our market outlook for 2011 remains positive. It is our view that in 2011, the TSX will trade in a similar pattern to that seen in 2010 with an overall strong market. However, we expect to see some weakness during the year, particularly during the summer months. The broader market, as measured by the TSX Composite, increased by 18% in 2010. Overall, we expect that 2011 returns will not be as strong as returns in 2010, but they should remain well into positive territory. Given the strong performance of commodities in 2010, we expect that the resource sector will have a difficult time matching the results achieved last year. It is our prediction that lower returns in the resource sector combined with a period of sector rotation into technology and financials, will allow the market to achieve positive returns in the low double digit range in 2011.

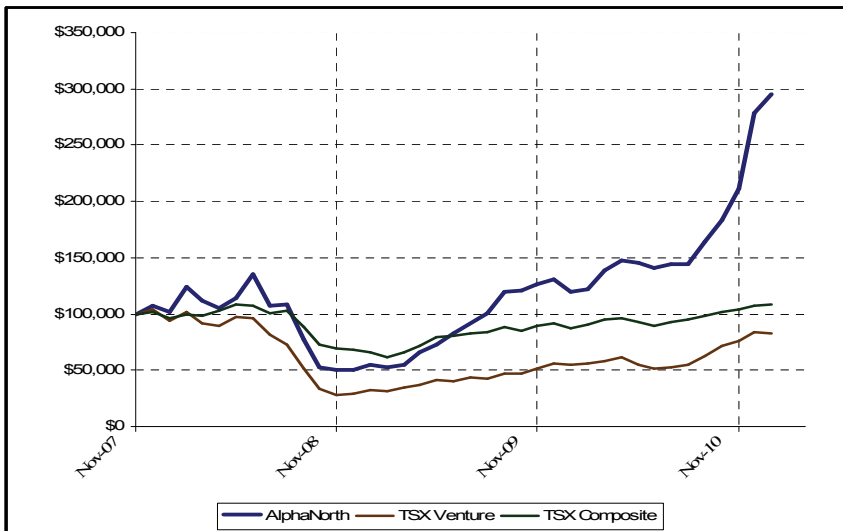
The fundamentals of the broader equity market continue to be supportive for equities as earnings estimates for the TSX constituents have been revised higher in recent weeks and are now forecasted to grow earnings by approximately 25% in 2011. This results in a price earnings multiple of close to 15x which is quite low in the context of the current low yield environment of fixed income investments.

Our outlook for the near term continues to be positive. However, we intend to take a more cautious positioning after further market strength and/or as the summer approaches.

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

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