



AlphaNorth  
Asset Management

# AlphaNorth Partners Fund

February 2011

## Fund Review

NAV  
Class A (AAM100) \$36.2942  
Class D (AAM200) \$29.5363

The Fund continued its strong run of positive performance with a return of 23.0% in February. We are very pleased with this result as the Fund has continued to substantially outperform the TSX Venture index and the TSX Composite index which increased by 5.1% and 4.4% respectively during February. **Initial investors in the Fund have now returned over 262% despite the difficult period for Canadian equities.**

The Fund experienced strength in a wide variety of positions during the month. However, several positions are notable as they have contributed to 1,000% gains or more within a relatively short period of time since the date of purchase. Notably, Exploration Orbite (TSXV:ORT.A), one of the Fund's largest positions, rose by 58% during the month. Another large winner was a technology company, Intertainment Media (TSXV:INT) which increased by over 200%. Intertainment has recently garnered significant investor interest from its social media division called Orsbo which translates communications across platforms. In February, we also locked in substantial gains in Stans Energy (TSXV:RUU), one of our best performing rare earth investments, at prices very close to the highs.

Although there are many attractive opportunities in which to invest in the resource sectors, we remain intent on adding exposure in the non-resource sectors. Two recent commitments we have made for the Fund in the biotech sector experienced a general lack of pricing power. This allowed us to negotiate the purchase of units at a discount which included a full warrant. The Fund maintained a small cash position at month end and was using no leverage during the month.

**Outlook:** We have reiterated our bullish outlook for Canadian equity markets on several occasions since the summer of 2010. This has not changed. However, we believe the odds are increasing that Canadian equities may show considerable strength in the near term with a recent shift in fund flows to equity funds combined with a strong RRSP season. In addition, equity valuations remain below long term averages despite the relative attractiveness as compared to fixed income products. We believe that the odds favour substantial new highs for the TSX Composite this year. The Fund is well positioned to achieve substantial gains if markets play out as we predict.

Regards,

Steven Palmer, CFA  
President and CEO

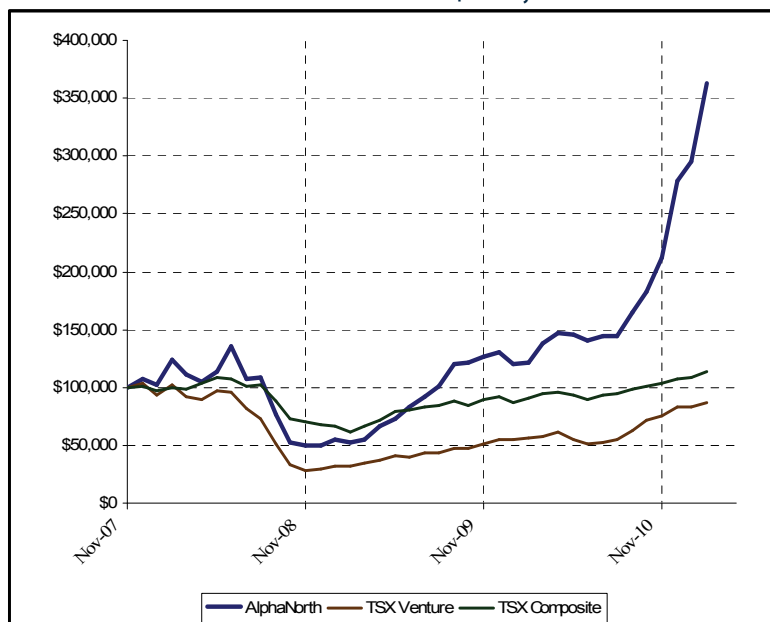
## Monthly Performance\*

	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%	23.0%											30.1%

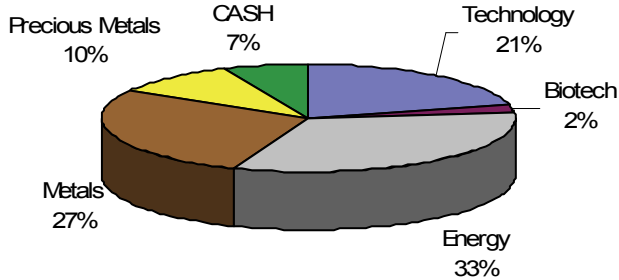
## Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
<b>Returns *</b>			
1 Month	23.0%	5.1%	4.4%
YTD	30.1%	4.5%	5.5%
1 Year	198.8%	56.2%	24.8%
2 Year	162.4%	66.6%	35.7%
3 Year	43.0%	(4.9%)	4.4%
Since Inception (annualized)	48.7%	(4.1%)	4.0%
Since Inception (cumulative)	262.9%	(12.6%)	13.7%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	69.2%	59.0%	61.5%
Standard Deviation	45.8%	37.8%	19.5%
Sharpe Ratio	1.09	0.16	(0.13)
Beta		0.97	1.75

## Growth of Initial Investment \$100,000



## Sector Allocation



## Fund Information

<b>Lead Manager:</b>	Steven Palmer
<b>Inception:</b>	December 1, 2007
<b>Fund Codes:</b>	AAM100/AAM200
<b>Eligibility:</b>	Accredited
<b>Fund Details:</b>	2% Management Fee 20% Performance Fee RRSP eligible High water mark (no reset) Monthly valuation \$150k minimum investment
<b>Sub/Redemption:</b>	Monthly, 90 day notice
<b>Lock-up:</b>	None
<b>Redemption Fee:</b>	Class A – none Class D – 3% in yr 1, 1.5% in yr 2
<b>Management Fee:</b>	Class A 2%, Class D 2.5%
<b>Auditor:</b>	Deloitte
<b>Administration:</b>	Harmonic Fund Services
<b>Prime Broker:</b>	Scotia Capital
<b>Legal:</b>	Stikeman/Maples & Calder

## 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 maximize returns over the long term 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. Fundamental analysis of companies is used in combination with technical analysis techniques, which has proven to be successful, to assist in the timing of buy/sell decisions. The firm combines both a bottom-up and top-down strategy in the selection of investments offering the best risk/reward characteristics.

## 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, the AlphaNorth 2010 Flow-Through LP and the AlphaNorth 2011 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 an annualized basis except where noted and stated net of all fees. Returns subsequent to 2009 are unaudited. The inception date is December 1, 2007.*