



AlphaNorth
Asset Management

AlphaNorth Partners Fund

August 2011

NAV

Class A (AAM100) \$34.3188
Class D (AAM200) \$27.8629

Fund Review

Equity markets continued their summer sell-off in August. The TSX Composite declined by 1.2%. The decline in small cap equities was more severe as reflected by the TSX Venture index which declined by 8.5%. The Fund declined by 6.5% for the month of August but it remains up on the year with a return of 23.0% to August 31. This is a very favourable result considering the majority of equity funds are negative on a year to date basis. The TSX Composite and TSX Venture are both negative year to date with returns of (3.5%) and (20.9%) respectively.

The Fund is fully invested and well positioned to capitalize on a rally in equities which remains our prediction for the remainder of the year. Sector mix in the Fund is currently comprised of 37% in technology including biotech/pharma, 25% in energy, 27% in metals and 11% in precious metals. We maintained a small over-invested position in August due to our conviction that equity markets will perform strongly over the balance of the year.



Outlook: Investors remain cautious as concerns about global growth continued in August. Despite the recent slowdown in economic activity, we do not believe that we are heading into another recession at this time. Equities remain extremely attractive relative to historical valuations and they are particularly attractive relative to other asset classes such as bonds. For example, the yield alone on the top 60 TSX listed stocks which are represented by the S&P/TSX 60 Index is 2.7% as compared to 2.3% for 10 year Government of Canada bonds. Rarely has the equity market yield exceeded the yield on government bonds as is currently the case in both the U.S. and Canada. Other metrics such as low investor sentiment, high insider buying, strong corporate balance sheets and strong earnings support our bullish outlook. Investors who are piling into 10 year government debt at 2% yields are almost guaranteeing the loss of capital unless they are prepared to ride out the 10 year period in order to earn the meagre 2% annualized return.

Our mandate to maximize returns over the longer term requires us to outperform in bull markets and limit losses in weak markets. We are pleased that we have been successful in generating strong positive returns in 2011 despite negative returns for our benchmark index. We are confident that our bullish scenario will play out over the balance of 2011.

Regards,

Steven Palmer, CFA
President and CEO

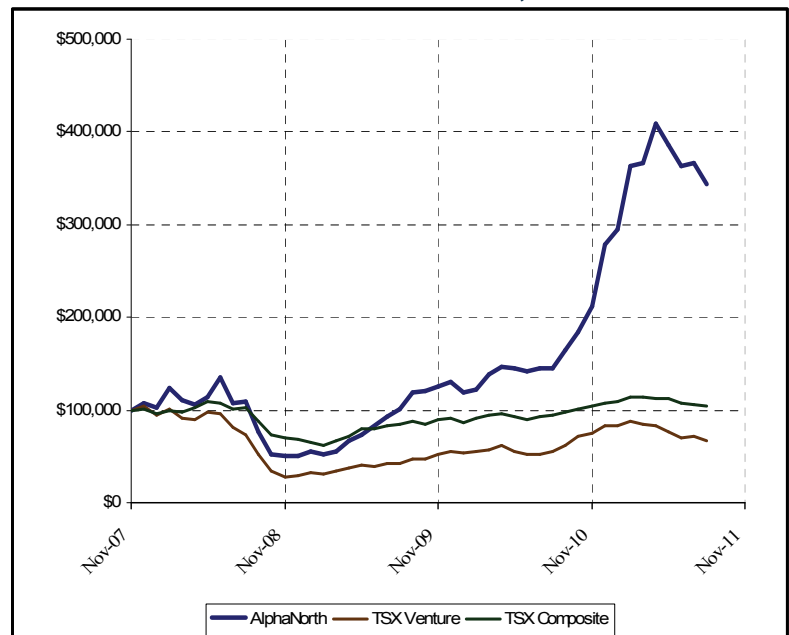
Monthly Performance*

	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%	0.9%	11.7%	(5.7%)	(5.7%)	1.0%	(6.5%)					23.0%

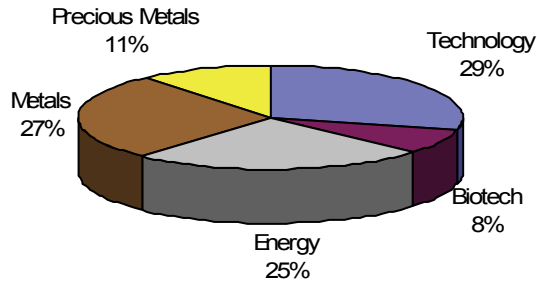
Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
Returns *			
1 Month	(6.5%)	(8.5%)	(1.2%)
YTD	23.0%	(20.9%)	(3.5%)
1 Year	138.0%	20.8%	9.9%
2 Year	84.9%	24.1%	11.3%
3 Year	46.9%	(3.0%)	0.4%
Since Inception (annualized)	38.9%	(10.4%)	1.1%
Since Inception (cumulative)	243.2%	(33.8%)	4.0%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	66.7%	53.3%	55.6%
Standard Deviation	43.7%	36.1%	18.3%
Sharpe Ratio	0.87	(0.31)	0.01
Beta		0.97	1.76

Growth of Initial Investment \$100,000



Sector Allocation



Fund Information

Lead Manager:	Steven Palmer
Inception:	December 1, 2007
Fund Status:	Closed to new investors
Fund Codes:	AAM100/AAM200
Assets:	\$100 million +
Eligibility:	Accredited
Fund Details:	2% Management Fee 20% Performance Fee RRSP eligible High water mark (no reset) Monthly valuation \$150k minimum investment Monthly, 90 day notice
Sub/Redemption:	None
Lock-up:	None
Redemption Fee:	Class A – none Class D – 3% in yr 1, 1.5% in yr 2
Management Fee:	Class A 2%, Class D 2.5%
Auditor:	Deloitte
Administration:	Harmonic Fund Services
Prime Broker:	Scotia Capital
Legal:	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, the AlphaNorth 2011 Flow-Through LP and the AlphaNorth Growth Fund.

Key Personnel:

Steven Palmer is the President and CEO 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% annualized 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 and Secretary 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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