

**Fund Review** Investors continued to aggressively sell equities in September resulting in declines of 8.7% and 19.0% for the TSX Composite and TSX Venture respectively. The Fund held in relatively well considering its long-biased small cap focus. With a decline of 15.6% in September, the Fund remains one of the few equity funds which has generated positive returns in 2011 with a year to date return of 3.9% as at September 30th.

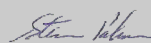
**The Fund remains fully invested and well positioned to capitalize on a rally in equities which remains our prediction for the remainder of the year.** Transactions during the month focused on selling non-core and more speculative positions while adding to our high conviction, less speculative positions. This is the same strategy which we employed during the 2008 financial crisis which led to extremely positive results. The core names of the Fund (positions greater than 3%) are well funded and currently represent extremely compelling reward versus risk. Sector mix in the Fund is currently comprised of 40% in technology including biotech/pharma, 27% in energy, 24% in metals and 9% in precious metals. The Fund remained fully invested in September. Fund liquidity remains strong as there were no redemptions in the month while we continue to receive new subscriptions from existing investors. We are highly confident that the investment thesis is intact

**Outlook** Although September was a very weak month for equities throughout the world, which was further impacted by the media highlighting the negatives, there is not much that has fundamentally changed. Given the recent increase in volatility and negative performance of equity markets, we have composed a *Special Market Commentary* which outlines our current market outlook in greater detail.

Recent times have reminded us of the incredibly stressful period in 2008 for investors and fund managers alike. Although it seemed like an eternity at the time, the market turmoil of the time actually only lasted for a few months. Our market call in the Fall of 2008 was to aggressively buy equities. This proved to be the correct call even though few investors acted and capitalized on the opportunity. History can be an important guide. In our *Special Market Commentary* we outline the interesting similarities of both the news headlines and the chart pattern in 1998 as compared to what we have seen in recent months. The report also recaps the fundamental reasons which support our bullish thesis and highlights some of our past major market calls which have proven to be quite timely. The resolution of the situation in 1998 spawned one of the greatest equity bull runs in history. During this time, the S&P 500 index increased by 50% in a 9 month period and ultimately set its all-time high in early 2000, representing a 63% return in 17 months. It is possible that we will experience similar returns from current levels. At a minimum, we remain confident that our bullish scenario will play out over the balance of 2011. As always, we will continue to monitor new developments and modify our strategy and outlook when appropriate.



Regards,



Steven Palmer, CFA  
President and CEO

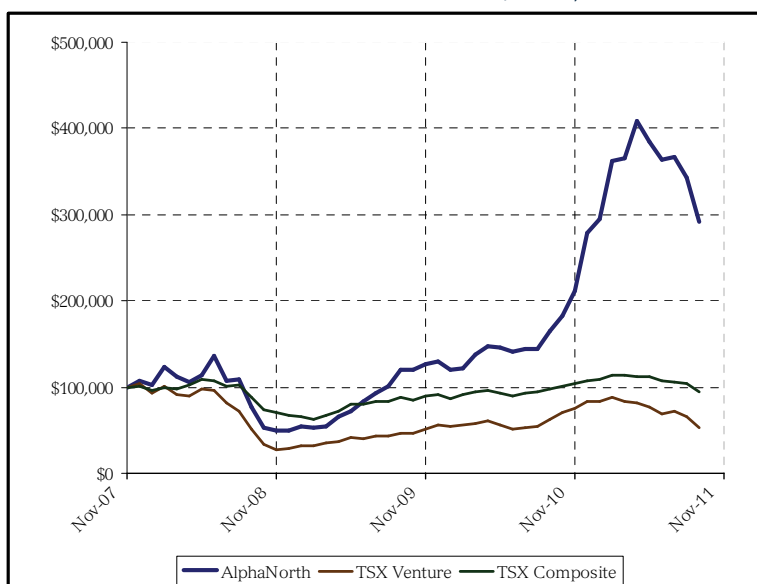
### Monthly Performance\*

	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%)	(15.6%)				3.9%

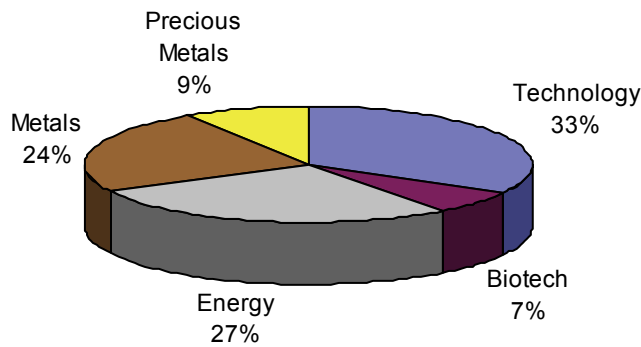
### Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
<b>Returns *</b>			
1 Month	(15.6%)	(19.0%)	(8.7%)
YTD	3.9%	(35.9%)	(11.9%)
1 Year	75.8%	(14.1%)	(3.6%)
2 Year	55.6%	7.2%	3.7%
3 Year	55.7%	1.2%	2.7%
Since Inception (annualized)	32.0%	(15.0%)	(1.3%)
Since Inception (cumulative)	189.7%	(46.4%)	(5.0%)
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	65.2%	52.2%	54.3%
Standard Deviation	44.3%	36.9%	18.7%
Sharpe Ratio	0.70	(0.43)	(0.12)
Beta		0.97	1.78

### Growth of Initial Investment \$100,000



## Sector Allocation



## Fund Information

Lead Manager	Steven Palmer
Inception	December 1, 2007
Fund Type	Alternative Strategies (Long biased small cap)
Fund Status	Closed to new investors
Fund Codes	Class A— AAM100 Class D— AAM200
Assets	\$100 million +
Eligibility	Accredited Investors only
Fund Details	Management Fee Class A- 2%, Class D- 2.5% 20% Performance Fee RRSP eligible High water mark (no reset) Monthly valuation \$150k minimum investment
Sub/Redemption	Monthly, 90 day notice
Lock-up	None
Redemption Fee	Class A—none;
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

## 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 2010 are unaudited. The inception date is December 1, 2007.*