

**Fund Review** Equity markets rebounded strongly from the low on October 4th. In fact, for U.S. equities, October ranked among the best performing months in history. The Fund had a strong month, gaining 5.6%. This compares to the TSX Composite and TSX Venture index returns of 5.6% and 10.1% respectively for October. The Fund has returned 9.7% year to date.

The Fund is well diversified across sectors with 36% invested in technology including biotech/pharma, 28% in energy, 27% in metals and 9% in precious metals. The Fund remained fully invested.

**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.**

**Outlook** As predicted in our recent commentaries and our Special Market Commentary of October 10, 2011, equity markets have rallied strongly from the lows over recent weeks. The S&P 500 index is already 17% above the October low while the TSX has risen 14%. Economic data continues to be supportive of our view that the U.S. and Canada will avoid a recession in the near term. The media and market commentators seem to also be coming around to this conclusion. Positive steps toward a

containment of the European debt crisis has been one of the catalysts for the strong equity market returns. In addition, third quarter earnings reports have been quite strong which supports our view that equities remain attractively priced in the context of the macro situation. Approximately 75% of S&P 500 companies have beaten earnings estimates for Q3. Many of these companies increased forward guidance. This is very supportive of our bullish outlook. All of our funds have been fully invested from the recent market lows. With record high earnings for the S&P 500, it would normally be fair to assume that equities would correspondingly be at all-time highs. However, this is not the case and in fact, all time highs would require a further gain for the S&P 500 index of 26%. Many investors believe that the current market strength is merely a bear market rally. Whether this is true or not will only be determined over time. Equity markets are rallying strongly as we have previously predicted and we believe this strength will continue. It is quite possible that the major equity indices will experience new highs in the coming months.

Perhaps the best is yet to come.



Regards,



Steven Palmer, CFA  
President and CEO

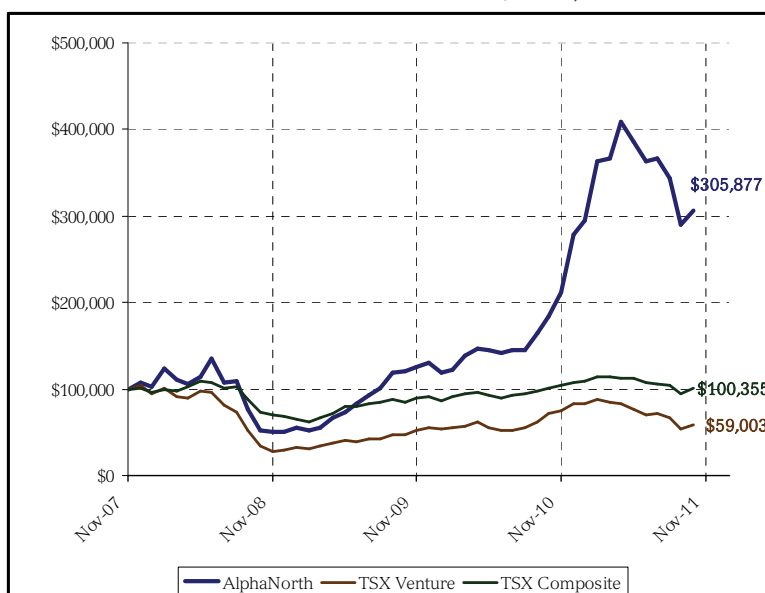
### Monthly Performance\*

	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%)	5.6%			9.7%

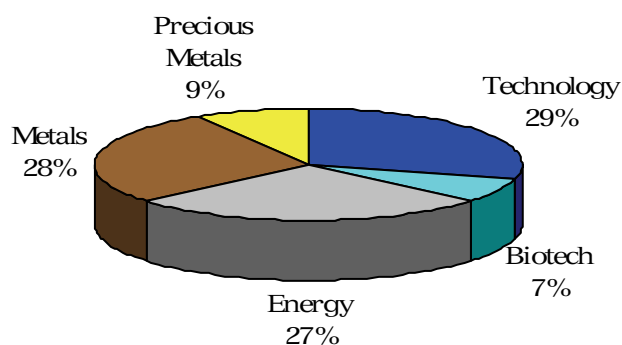
### Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
<b>Returns *</b>			
1 Month	5.6%	10.1%	5.6%
YTD	9.7%	(29.4%)	(6.9%)
1 Year	66.8%	(17.2%)	(0.8%)
2 Year	55.6%	11.8%	8.8%
3 Year	80.2%	20.8%	11.1%
Since Inception (annualized)	33.0%	(12.6%)	0.1%
Since Inception (cumulative)	205.9%	(41.0%)	0.4%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	66.0%	53.2%	55.3%
Standard Deviation	43.9%	36.9%	18.7%
Sharpe Ratio	0.73	(0.37)	(0.04)
Beta		0.96	1.76

### 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; Class D—3% yr 1, 1.5% yr 2
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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