

**Fund Review** Equity markets corrected somewhat in November as European politicians were unable to progress towards a resolution of the sovereign debt issues. This month marks the 4th anniversary of the AlphaNorth Partners Fund. Although equity markets have been extremely volatile over the past four years, despite this volatility, we are very pleased that the Fund has returned 194.3% since inception. This compares to (43.4%) and 0.1% for the TSX Venture and TSX respectively. For the month of November, the Fund outperformed the TSX Venture slightly with a return of (3.8%).

The Fund remains fully invested and well positioned to capitalize on the equity market strength which we expect into 2012. The Fund is diversified across sectors with 38% invested in technology including biotech/pharma, 26% in energy, 29% in metals and 7% in precious metals.

**Outlook** Our bullish scenario, which we outlined in previous commentaries continues to unfold within our expectations. The August low which was re-tested in early October continues to hold. Strong economic data in both employment and retail sales are encouraging. As the North American and Chinese economies re-accelerate, it will be particularly good for commodities and Canada will be a prime beneficiary.

Small cap equities have lagged behind large caps from the August low. It is usually the case that during the early stages of a market rebound, small caps underperform large cap stocks. In our view, tax loss selling and liquidity issues have been the dominant drivers of small cap equity returns over the past couple of months. We expect the performance of small cap equities will improve substantially over the balance of December once the tax loss selling has been completed. A review of the historical data is supportive of this prediction. Over the past 10 years, small caps, as measured by the TSX Venture index, have always rallied strongly over the second half of December generating average returns of 7%. The worst performing year in the last 10 years was 4.6%. We predict that this year will be no different and will quite likely rank among the top performing years given how depressed valuations have become.



Regards,



Steven Palmer, CFA  
President and CEO

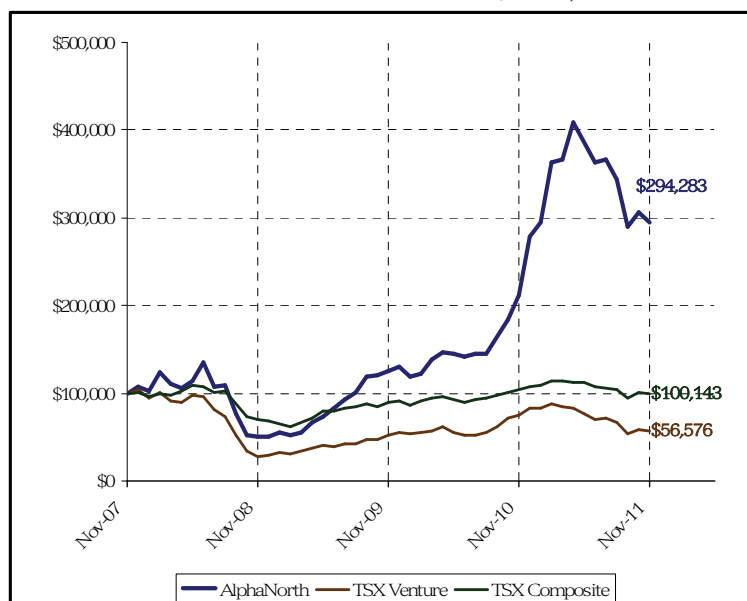
### Monthly Performance\*

	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%	(3.8%)		5.5%

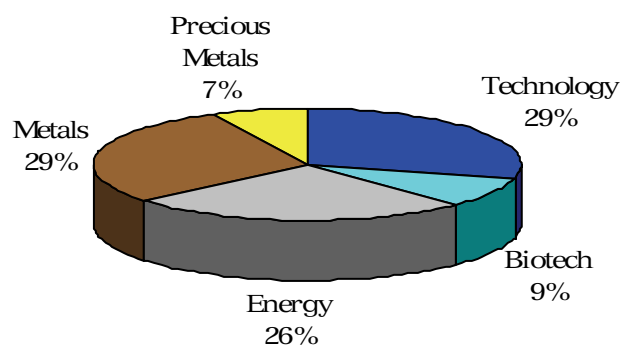
### Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
<b>Returns *</b>			
1 Month	(3.8%)	(4.1%)	(0.2%)
YTD	5.5%	(32.3%)	(7.1%)
1 Year	39.1%	(25.3%)	(3.3%)
2 Year	52.9%	4.6%	6.0%
3 Year	80.8%	26.4%	12.8%
Since Inception (annualized)	31.0%	(13.3%)	0.0%
Since Inception (cumulative)	194.3%	(43.4%)	0.1%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	64.6%	52.1%	54.2%
Standard Deviation	43.5%	36.6%	18.5%
Sharpe Ratio	0.69	(0.39)	(0.05)
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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