



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Partners Fund

September 2012

NAV
Class A (AAM100) \$25.3950
Class D (AAM200) \$20.5019

Fund Review Canadian small cap equities have begun to outperform with strong gains in September. The Fund returned 5.3% as compared to 3.4% for the TSX Composite and 7.6% for the TSX Venture.

The high beta, low market cap stocks (aka "small cap") were the hardest hit in the carnage of 2008 and they subsequently led the market rebound in 2009. We believe it is likely that the same result will occur following the 2011/2012 decline. Small Cap stocks are the focus of the AlphaNorth Partners Fund.

We continue to take profits in winning positions and redeploy money primarily into attractive private placements which we consider to have a more favourable risk/reward outlook. Presently, capital allocation to long positions is highly favoured over short positions. However, in recent weeks we have selectively employed a small number of short positions where we believe an overvaluation exists. The portfolio remained fully invested in September. Sector weightings at the end of September were 39% invested in technology, 11% in biotech, 27% in metals, 14% in energy and 9% in precious metals.

Outlook We believe the long decline of Canadian small cap equities which began in the spring of 2011 has ended. In recent weeks, the TSX Venture Index has strongly outperformed other indices from its lows in June and it has crossed its 50 day moving average to the upside. We are encouraged by this recent market action as fundamentals for Canadian equities continue to be very supportive of continued outperformance. We have highlighted these in a recent Special Market Commentary dated 2012-10-02 which can be found on our website.

Following a major market low, it is not uncommon for the most beaten down sectors to offer the best returns going forward. For example, when U.S. equities bottomed in 2002, it was the NASDAQ tech stocks that were hit the hardest, but they were also the ones that outperformed during the early stages of the subsequent bull market. At this time, it is Canadian small cap equities that have suffered the poorest returns and we believe they are now poised to outperform.

Although the October/November period has typically resulted in poor returns for equities, we believe the current situation is similar to the conditions in 2009 where small cap equities rebounded from severely depressed levels. In 2009, small caps performed strongly through October/November and continued through the period of seasonal strength (December to May).



Regards,

Steven Palmer, CFA
President and CEO

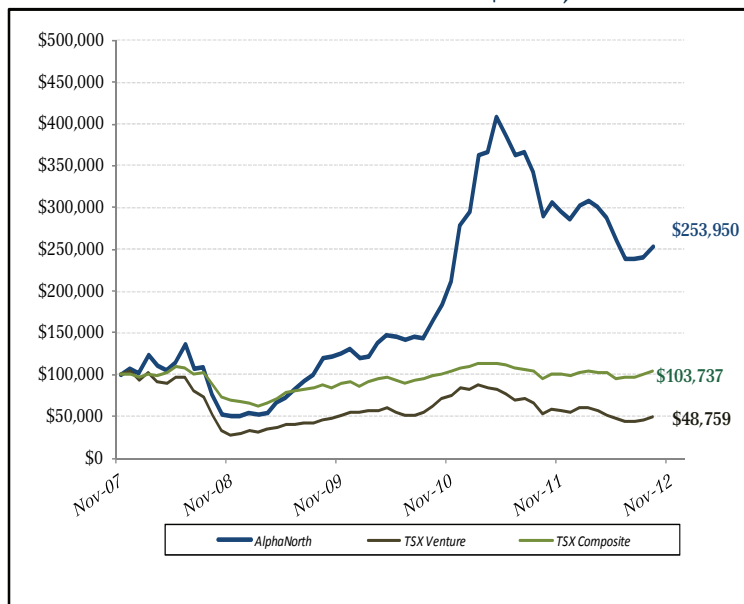
Monthly Performance*

| | 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%) | (2.9%) | 2.4% |
| 2012 | 5.6% | 2.0% | (2.4%) | (3.9%) | (9.9%) | (7.9%) | (0.1%) | 0.9% | 5.3% | | | | (11.1%) |

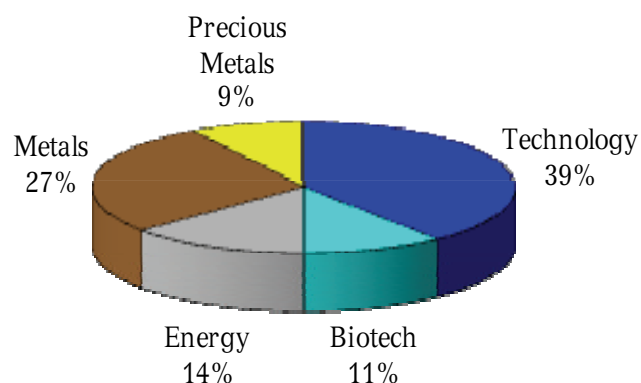
Performance Analysis

| | AlphaNorth Partners Fund | S&P/TSX Venture | S&P/TSX Composite TRI |
|------------------------------|--------------------------|-----------------|-----------------------|
| Returns * | | | |
| 1 Month | 5.3% | 7.6% | 3.4% |
| YTD | (11.1%) | (10.1%) | 5.3% |
| 1 Year | (12.3%) | (9.0%) | 9.2% |
| 2 Year | 24.2% | (11.6%) | 2.6% |
| 3 Year | 28.5% | 1.5% | 5.5% |
| Since Inception (annualized) | 21.3% | (13.8%) | 0.8% |
| Since Inception (cumulative) | 154.0% | (51.2%) | 3.7% |
| Best Month | 31.9% | 11.4% | 11.5% |
| Worst Month | (31.9%) | (35.3%) | (16.7%) |
| Advancing Months | 60.3% | 49.1% | 55.2% |
| Standard Deviation | 40.6% | 34.6% | 17.3% |
| Sharpe Ratio | 0.49 | (0.43) | (0.02) |
| Beta | | 0.94 | 1.73 |

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 | ~\$75 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 2011 Flow-Through LP, the AlphaNorth 2012 Flow-Through LP, the AlphaNorth Rollover Fund 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

**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 2011 are unaudited. The inception date is December 1, 2007.*