



AlphaNorth
Asset Management

FUND COMMENTARY

AlphaNorth Partners Fund

October 2012

NAV

Class A (AAM100) \$25.8629
Class D (AAM200) \$20.8698

Fund Review The Fund returned 1.8% as compared to 1.1% for the TSX Composite and (1.5%) for the TSX Venture during the month of October.

We are pleased that the **AlphaNorth Partners Fund** was again recognized for its strong long term performance at the 5th Annual Canadian Hedge Fund Awards on October 30th receiving the **1st place award in the category of Established Funds—Best 3 Year Annualized Return**. This marks the second year in a row the Fund has achieved this award and underscores a key mandate of AlphaNorth of ‘maximizing returns for investors over the long term.’

We continue to believe that Canadian small cap equities bottomed in June. For this reason, we have intentionally maintained a lower than average exposure to short investments. Since June, small caps have outperformed both the S&P 500 index and the TSX Composite. We note that it is still early in what we believe will be a significant rally for small cap equities.

Notable portfolio transactions included the addition of several precious metal names by way of private placement. We note that holdings in Life Sciences investments have outperformed other sectors. We are excited about the further prospects of these investments as they could return multiples of current prices if their products are successful.

The portfolio remained fully invested in October. Sector weightings at the end of September were 43% invested in technology, 12% in biotech, 27% in metals, 11% in energy and 7% in precious metals.

Outlook The macro picture for equities continues to unfold as we have previously forecast. We believe the recent consolidation in the broader markets and improving economic data are setting the stage for another “leg up” over the next few months. Strength in U.S. employment data, housing and retail sales are all a reflection of the improving economic outlook. The recent uptick in the Chinese PMI data is also supportive for a re-acceleration of Chinese growth. This will benefit the commodity sector and will have disproportionate benefits to Canadian equities. We have already witnessed the outperformance of the TSX Composite over the S&P 500 index since the end of June.

Historically, the best months of the year for Canadian small cap equities are December, January and February. Data we have compiled for the venture indices since 1982 shows that the December to February period has generated positive returns over 80% of the time while over the past 10 years, the returns have been consistently positive. In the context of the current cheap and depressed status of Canadian small cap equities, we have confidence that this year will be no different.



Regards,

Steven Palmer, CFA
President and CEO

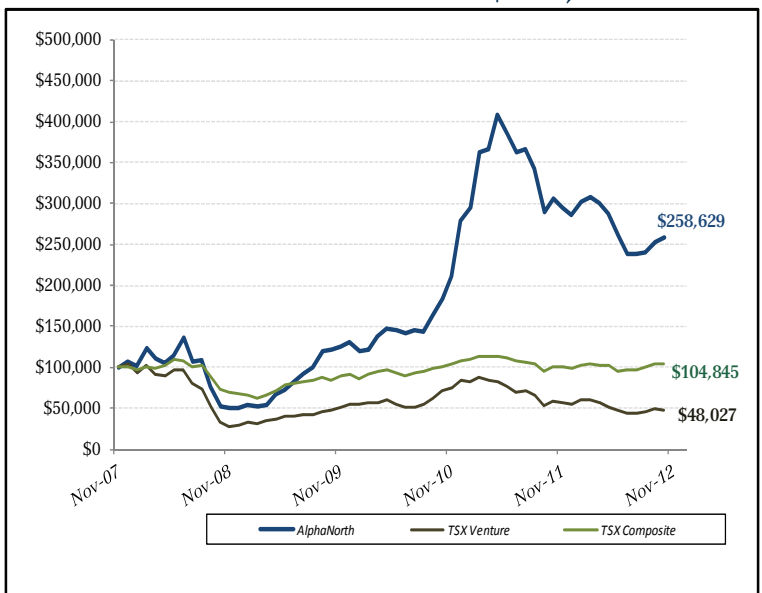
Monthly Performance*

	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%	1.8%			(9.5%)

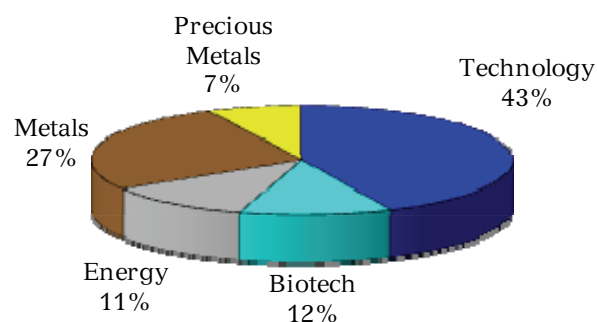
Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite TRI
Returns *			
1 Month	1.8%	(1.5%)	1.1%
YTD	(9.5%)	(11.5%)	6.5%
1 Year	(15.4%)	(18.6%)	4.5%
2 Year	18.8%	(17.9%)	1.8%
3 Year	28.8%	0.6%	7.4%
Since Inception (annualized)	21.3%	(13.9%)	1.0%
Since Inception (cumulative)	158.6%	(52.0%)	4.8%
Best Month	31.9%	11.4%	11.5%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	61.0%	48.3%	55.9%
Standard Deviation	40.2%	34.3%	1.3%
Sharpe Ratio	0.50	(0.44)	(0.1)
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.*