

Fund Review

Market conditions culminated in a brutal sell-off in October. The record books were rewritten with respect to many statistics, as many indicators hit levels that have never been seen before. October was one of the worst performing months ever for a Canadian small cap index. Unfortunately, the Fund was hit hard under these conditions, falling 31.9% for the month. The Fund fared slightly better than the TSX Venture index which declined by 35.3%.

As we indicated in our last monthly commentary, we noted that a significant market low was near. It appears that this occurred in October as markets formed a classic panic low. This sets the stage for a return to fundamentals, normal levels of volatility and possibly, a significant rally. We went through an interesting exercise last week to determine how many companies in the portfolio are trading at cash per share or less. It turns out that 8 of our 37 holdings trade at cash value or below cash value. It is our expectation that fundamentals will matter again. There are many signs in place which show that the credit crisis is being dealt with and that the banking system has stabilized. In the coming weeks, we expect that the media will shift its focus to the economy. Debate about the severity and length of the recession will dominate media discussions. We believe the equity markets were reflecting a quite negative economic outlook in October. Given that the stock market typically bottoms prior to the end of a recession, we believe that the current risk/reward greatly favours that the market will go higher. Our expectation in the intermediate term is to generate gains above that which can be normally expected in the long term. This occurred after the technology stocks found a bottom in 2002. It is unsustainable to have dysfunctional equity markets.

We are pleased that we continued to experience new contributions to the Fund for the current valuation. This is in contrast to many of our peers who have had the additional challenge of managing redemptions.

AlphaNorth is pleased to announce the coming launch of a new large cap focussed fund targeted for January 2009. This fund will be co-managed by Nick Abe, subject to regulatory approval. Nick has generated strong returns in his model portfolio in 2008 and he has made some very timely and accurate market calls which have been contrary to consensus.

Please note that the Fund is now eligible for rsp investments.

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)			(51.3)


Performance Analysis

	AlphaNorth Partners Fund	TSX Venture	TSX Composite
Returns			
1 Month	(31.9%)	(35.3%)	(16.7%)
3 Month	(51.4%)	(58.8%)	(27.6%)
6 Month	(50.3%)	(62.7%)	(28.9%)
YTD	(51.3%)	(67.8%)	(27.8%)
Since Inception	(47.7%)	(66.6%)	(26.8%)
Avg. Monthly Return (Since Inception)	(4.1%)	(8.4%)	(2.6%)
Best Month	21.6%	8.5%	5.2%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	45.5%	27.3%	45.5%
Current NNAV	5.2311		

Outlook

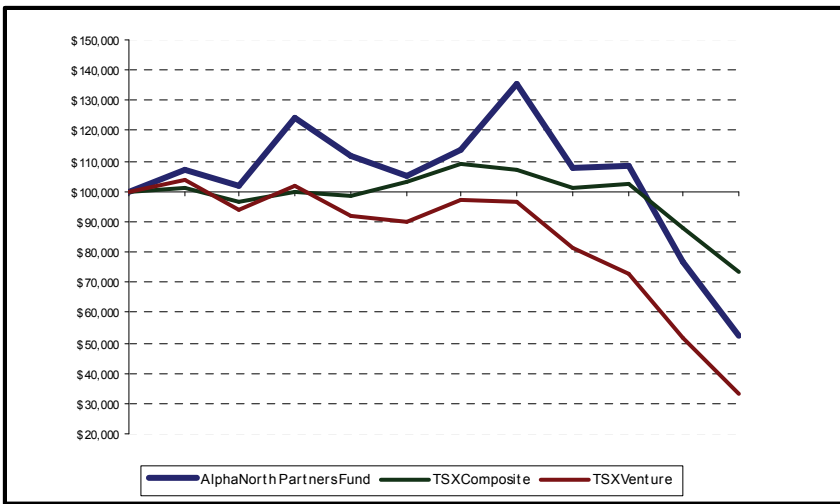
It has been a wild ride over the past several months but when we look through the front window, we are quite excited about the future prospects of small cap markets. As depicted in the attached chart, there have been several periods of boom and bust for Canadian small caps. The cycle of greed and fear will continue. Surprisingly, the transition typically occurs more quickly than one would expect. Over the past 10 years, there have been three full cycles in the small cap equity market. 1. The Bre-X induced bull market; 2. the technology bubble; 3. the recent resource bubble. The decline of over 76% in the Venture index since its peak in May 2007 matches similar declines in the past in both magnitude and timeframe. We believe that at current levels, the opportunities in Canadian small cap stocks are better than they have been since the corresponding lows in 2002 and 1991. The majority of industry participants with whom we have recently communicated see tough times ahead for the small cap asset class. We take the contrarian view. The focus of our portfolio is on investments which are well financed with strong management teams. Accordingly, we believe that we will be able to generate significant gains from current levels. In fact, from the low in October, the TSX Venture index has already outperformed the TSX Composite with a gain of 18.9% compared to 15.8% for the TSX Composite to October 5th.

Regards,



Steven Palmer, CFA
President and CEO

Growth of Initial Investment (\$100,000)



Terms

Lead Manager:	Steven Palmer
Inception:	December 1, 2007
Minimum Investment:	\$150,000
Subsequent Investments:	\$25,000
Sub/Redemption:	Monthly, 90 day notice
Valuation:	Monthly
Lock-up:	None
Redemption Fee:	None
High Water Mark:	Yes (no reset)
Management Fee:	2%
Performance fee:	20%
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 achieve industry leading long term capital growth 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. The firm combines both a bottom-up and top-down strategy in the selection of investments offering the best risk/reward characteristics. AlphaNorth employs various technical analysis techniques, which have proven to be successful, to assist in the timing of buy/sell decisions.

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. Steve and Joey together have over 25 years experience in the investment industry. Presently, AlphaNorth manages the AlphaNorth Partners Fund, a long biased small cap focused hedge fund.

Key Personnel:

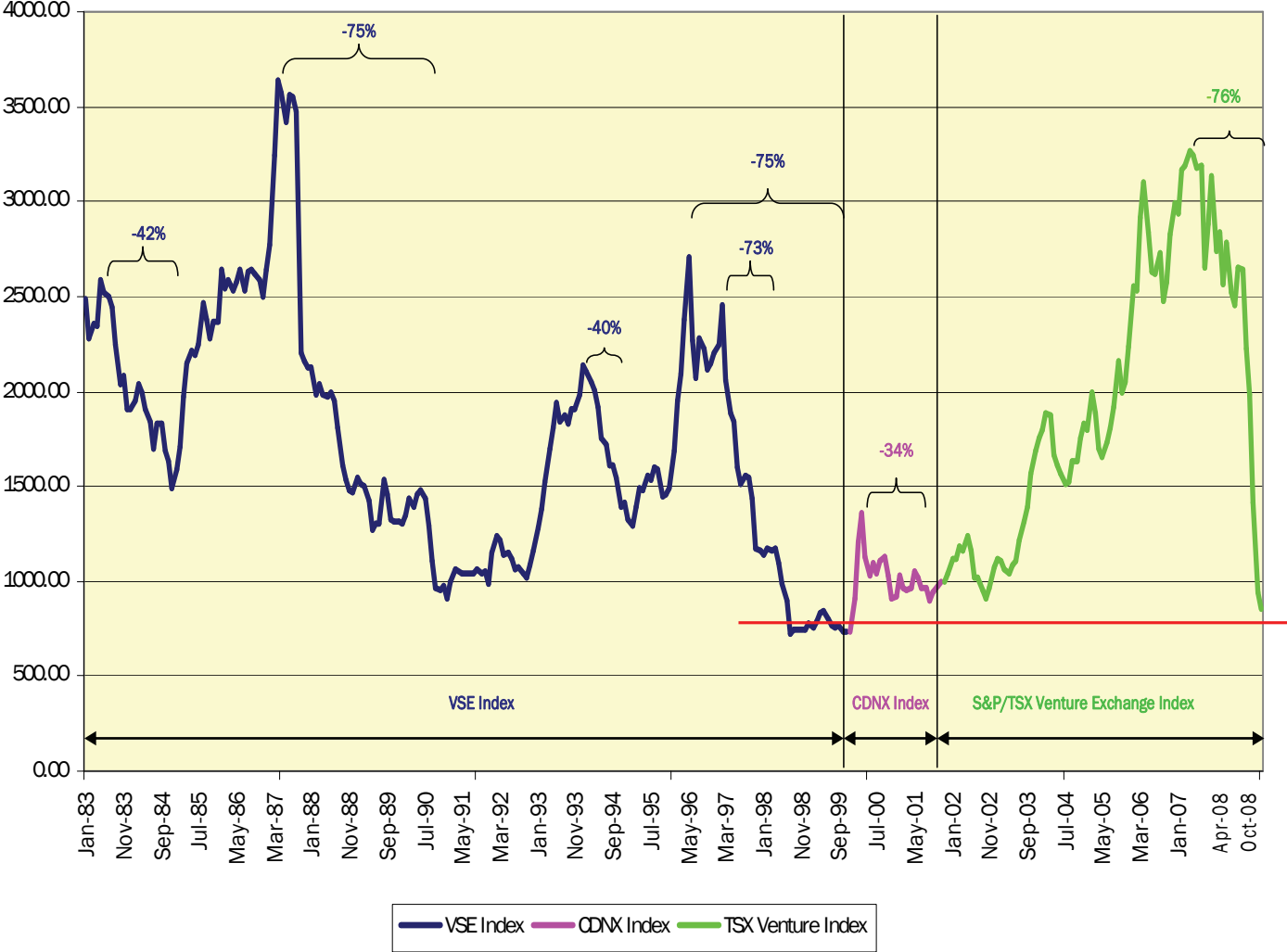
Steven Palmer is the President, CEO and Director of AlphaNorth Asset Management. Mr. Palmer started his career in the investment industry in 1995 on the sell side of the business before transitioning to the buy side in 1997. Most recently, from July 1998 to August 2007 he was employed as Vice President - Canadian Equities at AIG Global Investment Corp. (Canada) where he managed the Canadian equity assets of approximately \$350 million. A small companies fund managed by Mr. Palmer was awarded by API Asset Performance Inc in 2007 and 2006: (a) API Asset Performance (2007): Best Fund Over 1, 3, and 5 Years, *Canadian Small Cap Universe*; and (b) API Asset Performance (2006): Best Fund Over 1, 3 Years, *Canadian Small Cap Universe*. The fund had a nine year compound annual return of 35.8% during Mr. Palmer's tenure. Mr. Palmer earned a BA in Economics from the University of Western Ontario and is a CFA.

Joey Javier is Vice President, Secretary and a Director of AlphaNorth Asset Management. Mr. Javier started his career in the investment industry in 1997 as an Equity Trader for AIG Global Investment Corp. (Canada). 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 on a compound annual basis, unaudited and stated net of all fees. The inception date is December 1, 2007.*

VSE, CDNX and S&P/TSX Venture Exchange Index (January 1983-October 2008)



Note: VSE and CDNX values adjusted to the S&P/TSX Venture Exchange values.
 Source: S&P/TSX Venture Exchange, Bloomberg, Canaccord Adams