

## Fund Review

The Fund had another strong month gaining 6.4% in April. This compares favourably to a 6.2% return for the TSX Venture index and a 1.7% return for the TSX Composite. The Fund has continued to outperform these benchmarks on a "since inception" basis as they have both generated negative returns over this period.

As mentioned in previous commentaries, we have been becoming increasingly cautious with respect to the broader equity markets. During April, we locked in gains from a couple of our large winners, raising 10% cash. We started to deploy some of this capital into several short positions which have helped to moderate losses in the recent market weakness. The short position referenced in our March commentary has been profitable as the shares declined by 41% during April. We are pleased that this trade unfolded as predicted, capturing a large percentage return over a short period of time. We covered the majority of the short position during the month of April. We have identified several other opportunities which we believe are attractive short candidates over the near term.

## 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									12.9

## Performance Analysis

	AlphaNorth Partners Fund	S&P/TSX Venture	S&P/TSX Composite
<b>Returns **</b>			
1 Month	6.4%	6.2%	1.7%
6 Month	21.8%	29.6%	13.5%
YTD	12.9%	10.1%	4.9%
1 Year	121.7%	65.9%	34.7%
2 Year	18.3%	(17.4%)	(3.4%)
Since Inception	47.4%	(38.9%)	(3.9%)
Avg. Monthly Return (Since Inception)	2.3%	(0.9%)	0.0%
Best Month	21.6%	10.7%	5.2%
Worst Month	(31.9%)	(35.3%)	(16.7%)
Advancing Months	69.0%	52.5%	52.5%
Current NNAV (Class A)	14.7360		

\*\*Returns are presented are for Class A shares on a compound annual return basis stated net of all fees except for since inception returns which are cumulative.

## Outlook

North American equity indices continued to climb the "wall of worry" in April. There has been considerable discussion in the press recently about the coming inflation and higher interest rates which will be the catalyst for lower equity prices. As stated in previous commentaries, we are not proponents of this concept. We have maintained that equities are due for a correction after such an uninterrupted bull run since Q1/09. Recent unstable market activity may indicate that a correction has already begun.

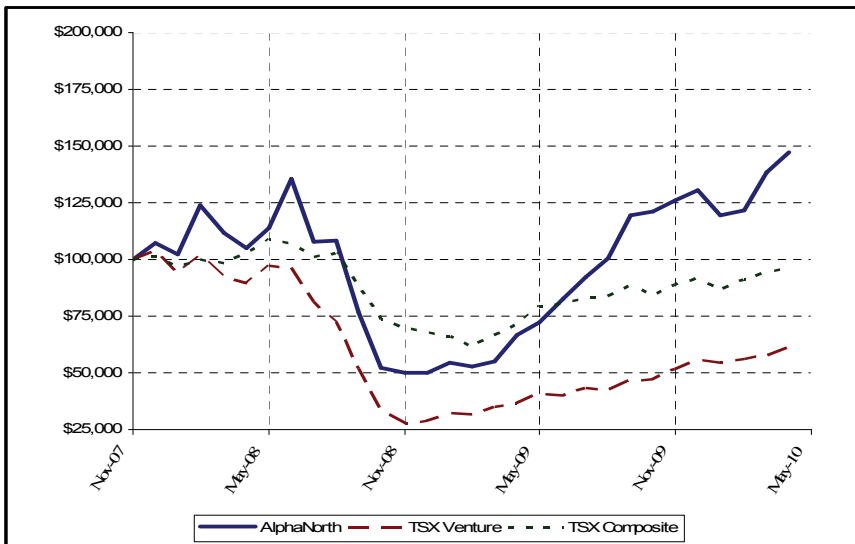
We believe that investor enthusiasm will dissipate over the summer months, contributing to a market correction which should be used for adding to equity weightings. Notwithstanding this, we believe there is significant room for Canadian small cap equities to outperform over the coming years as the TSX Venture index has retraced only 34% of its decline since 2007 while the broader TSX Composite has retraced 59% of its decline. In addition, although there has been growing concern over the instability of certain European economies and despite the U.S. economy still appearing sluggish by certain indicators, the fundamentals of the Canadian economy are strong and it remains one of the strongest players on the world economic stage. This will likely bode well for Canadian equities in the longer term.

Regards,



Steven Palmer, CFA  
President and CEO

## Growth of Initial Investment (\$100,000)



## Terms

<b>Lead Manager:</b>	Steven Palmer
<b>Inception:</b>	December 1, 2007
<b>Minimum Investment:</b>	\$150,000
<b>Subsequent Investments:</b>	\$25,000
<b>Sub/Redemption:</b>	Monthly, 90 day notice
<b>Valuation:</b>	Monthly
<b>Lock-up:</b>	None
<b>Redemption Fee:</b>	Class A – none Class D – 3% in yr 1, 1.5% in yr 2
<b>High Water Mark:</b>	Yes (no reset)
<b>Management Fee:</b>	Class A 2%, Class D 2.5%
<b>Performance fee:</b>	20%
<b>Auditor:</b>	Deloitte
<b>Administration:</b>	Harmonic Fund Services
<b>Prime Broker:</b>	Scotia Capital

## 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 in the investment industry. Presently, AlphaNorth manages the AlphaNorth Partners Fund, a long biased small cap focused hedge fund and the AlphaNorth 2010 Flow-Through LP.

### 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 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% 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, Secretary and a Director 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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