



Northern Rivers Capital Management Inc.

Royal Bank Plaza
 North Tower, Suite 2000
 200 Bay Street, PO Box 66
 Toronto, Ontario
 M5J 2J2 Canada

Tel: 416.597.1226
 Fax: 416.597.8926

August 11, 2009

Dear Partners and Friends:

July was a decent month for our funds. The Northern Rivers Global Energy Fund LP (Energy Fund) was up 0.76% and the Northern Rivers Conservative Growth Fund LP (Growth Fund) was up 0.30%.

Average Annual Returns to July 31, 2009*

	2009 YTD	1 mo.	3 mo.	6 mo.	1 Yr.	3 Yr.	Inception**
Northern Rivers Global Energy Fund LP	7.00%	0.76%	7.52%	6.49%	-48.89%	-13.24%	-5.83%
Northern Rivers Conservative Growth Fund LP	5.94%	0.30%	9.22%	8.30%	-35.52%	-7.01%	1.28%

**Inception date: Nov. 1, 2005

What happened in July?

July marked the start of the second quarter reporting season. Earnings were weak but better than the bears had expected. The market generally reacted favorably, especially to some of the more cyclical names as more investors started to get excited about the possibility that the recession was ending and strong growth lay ahead.

Preliminary US GDP growth estimates for the second quarter came out at -1%, significantly better than the -6.4% decline in the first quarter, but still a decline. It now looks like the US economy has been in recession for twenty months, the longest recessionary period in the post-war period.

Unemployment continued to rise, albeit at a slower rate, and there is now optimism that the unemployment rate will peak below 10% in the US. Private sector paycheck growth in the second quarter is estimated at an anemic 0.2%.

Northern Rivers Global Energy Fund LP

The Energy Fund performed a balancing act during the month. Approximately half the holdings were up while the other half were down. The fund was up slightly on its long positions, while slight losses were experienced from the short positions. This reflected a seesawing energy market during the month that saw the oil price fluctuate between the high \$50's and high \$60's, while natural gas remained under \$4.

Oil and oil product inventories continue to run at extremely high levels, causing us to continue questioning the near term strength in the oil markets. North America's largest storage hub was reporting inventories of 32 million barrels of oil, near ultimate capacity of 36 million barrels. Distillate stocks, one of the primary end products from crude oil, are at their highest levels since 1987, and just another indicator of the overall bloated oil inventories facing the market. US oil consumption continues to be down about 4% (about 800,000 barrels per day) from a year ago.

Despite the bloated inventory numbers, the oil prices have held up remarkably well in the short-term. Increasing optimism is leading to increased speculation by financial players, which we believe is helping to keep oil prices at levels somewhat above what they might otherwise be. The speculators may be in for a bit of a downside correction, however, should fundamental demand in the west continue to be weak. An additional source of concern is that the largest oil-exporting nation on the planet, Saudi Arabia, has started to produce at levels slightly above their OPEC quotas, after consistently under-producing their quota in the past year. We believe the Saudis may be concerned that oil prices are too high given the weak state of the western economies.

Natural gas storage levels continue to be at record highs and injections into storage continue at a strong pace. We believe that the gas price will likely remain at very low levels for the short-term and will remain depressed for longer than the consensus believes. For this reason, we are continuing to underweight the portfolio in natural gas weighted names.

We have recently added a new top holding to the fund, Highpine Oil and Gas Ltd. Highpine is a mid-sized Western Canadian producer of primarily light oil, and the leading independent player in the prolific West Pembina Nisku reservoirs. The company sports high profitability production, prolific wells, an excellent balance sheet, a large inventory of drilling locations, ownership of critical infrastructure, strong cash flows, and it trades at a substantial discount to its intrinsic value. The company has two core areas: West Pembina and West Central.

Highpine is an interesting opportunity that came to the public markets with much fanfare and a high valuation in April 2005 at an initial public offering price of \$18 per share (and a market capitalization of \$560 million) as investors were very excited about the highly productive wells the company was drilling in West Pembina. The stock then traded in a \$10-25 per share range, from the time of the IPO until late last year. During this time, the company continued to build its production from 7000 barrels per day at the time of the IPO to around 17,000 barrels per day today. Annualized cash flow at the time of the IPO was about \$40 million and in 2009 should be over \$100 million. Yet despite the fact that the company has more production, more reserves, more land, more drillable locations, and more cash flow, the entire company is being valued by the market at a value substantially less than what it was valued at four years ago. At recent prices around \$4 per share, the market cap of the company is only \$270 million. It is trading at under three times cash flow and under \$20,000 per flowing barrel of production.

So why has the stock declined so much to set up this tremendous buying opportunity? While there are many factors that contributed to this, we will simply say that we feel the company was over-valued at the time of the IPO, trading at very high valuations on the assumption of some very strong future growth that was only partially fulfilled. Today, the market has over-reacted on the assumption that disaster is impending for this fundamentally sound, cash flow generating business.

The company has a sound balance sheet with strong cash flow emanating primarily from its operations in the West Pembina core area. The company's valuation today is not even paying full price for this opportunity. We feel we are paying a low valuation for Highpine's West Pembina assets, while receiving the remainder of the company for free. Included in this portfolio are a number of very attractive gas prospects in the West Central area. An example of this is the Montney resource opportunity at Wapiti, where Highpine owns 27,000 acres of Montney rights, which could potentially contain over 300 BCF of gas reserves for Highpine. While the Wapiti Montney play is

still in the exploration stage, it is a good example of the substantial upside that is contained in hidden assets within the company at the current valuations. We are getting this play essentially for free at today's prices.

Overall, the Energy Fund remains quite defensively positioned with a net long position of only about 70%. Long positions are focused in power and energy infrastructure areas or in some special situations, but as illustrated above, we are finding some opportunities in oil and gas producers. We are examining and starting to accumulate several new opportunities for the portfolio currently. Short positions are focused primarily in the debt-levered high cost producers. We look forward to being rewarded by our shorter-term strategy in the coming months, after which we will reposition the portfolio to take advantage of our longer-term bullish view on all energy markets.

Northern Rivers Conservative Growth Fund LP

The Growth Fund also experienced ups and downs during the month. We saw slightly more gainers than detractors, but unfortunately the US dollar's 8% fall during July held back the overall portfolio performance as 20% of the portfolio in US holdings suffered a pullback in Canadian dollar terms. The highlight of the month was a 20% gain from top ten holding Neptune Technology and Bioresources, which is finally starting to attract some attention from investors as they start to realize the solid progress the company has been making.

The currency fluctuation was the biggest detractor for the month and serves as the basis for an interesting discussion of the US dollar versus the Canadian dollar. The US dollar had been in a sustained downtrend from 2002 until last summer. During that period the US dollar fell from over \$1.60 Cdn. to a low of \$0.92 Cdn. in late 2007 (a massive 42% fall in five years).

In late 2008, with the onset of the financial crisis, the US dollar (ironically where the financial crisis started) broke its downtrend and started to rally sharply as investors in a panic fled to the reserve currency. (As shaky as it might appear, the US dollar still serves as the world's reserve currency). The US dollar rallied all the way from its bottom at \$0.92 Cdn up to \$1.30 Cdn on March 9, 2009, another 42% move in just 16 months! Coincidentally this was also the day the stock market appears to have bottomed). Since the US dollar high of \$1.30 on March 9, it has now fallen to \$1.07, a depreciation of 18% in just four and a half months!

So where do we see the dollar going from here and how are we going to take advantage of this? We will likely see continued volatility in the exchange rate with the US dollar rallying during times of panic (due to the US continuing to be viewed as a safe haven in times of crisis), and experiencing modest downside during times of increased confidence that the world is returning to its long-term growth trajectory. In managing the portfolios, we take our currency outlook into account when evaluating the intrinsic values of companies. It is with just such a view that we have chosen to buy and hold our biggest foreign holding, Philip Morris International.

Philip Morris International (PM), while being primarily listed on the NYSE and reporting in US dollars, has almost no operations in the US. The company was split in two several years ago; Altria (MO, another public company) owns the US operation and Philip Morris International all the non-US operations. As such, in the last year PM stock was showing compressed US dollar earnings as a result of the strengthening US dollar, while in local currency terms the company was continuing to grow earnings. This was a drag on the stock performance in the last year, but we now expect this negative to turn into a positive in the year to come. While the stock has appreciated off the bottom

of earlier this year, we expect more gains to come from the company in future years as it continues to grow in both local currency and in US dollar terms. The stock should be a solid contributor to future appreciation of our portfolios. Meanwhile its 5% dividend pays us to wait for the market to recognize the undervaluation.

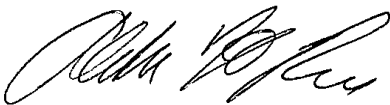
The portfolio maintains its balanced approach. No one sector represents more than 20% of the portfolio with the top sector weightings being technology followed by healthcare, consumer staples and utilities. At the end of July, the portfolio had an 83% net long position, up slightly from last month as we added to core holdings on weakness and finished building our new top ten holding, Highpine, which is discussed in some detail in the previous section of this letter. We expect mixed economic and market news over the coming months to provide us with good opportunities to add to new positions, while the present portfolio is already poised for good appreciation.

August 31st Next LP Closing

The next closing for the Northern Rivers Global Energy Fund LP, the Northern Rivers Conservative Growth Fund LP, the Northern Rivers Innovation Fund LP and the Northern Rivers Innovation RSP Fund is August 31, 2009. The Northern Rivers Conservative Growth Fund (mutual fund) offers daily valuations and is both RRSP and TFSA eligible.

As always, my colleagues and I are available for meetings with clients and interested parties. Please contact Jeffrey Zicherman, Sales Associate at 416-597-8508 or Robyn Graham, Vice President Sales & Marketing 416-597-3890 for more information or to set up an appointment, or call 416-597-1226 to speak with any one of us directly concerning the specific funds we manage. Our toll free number is 1-866-902-7060.

Warmest regards,



Alex Ruus, CFA, MBA, P.Eng.
Portfolio Manager

*Commissions, trailing commissions, management fees, performance fees, and expenses all may be associated with investment funds. Please read the offering memorandum before investing. The indicated rates of return are the simple returns (YTD, 1 mo, 3 mo, 6 mo) or the historical annual compounded total returns (1 yr, 3 yr and since inception). All returns are net of fees but do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

The Energy Fund and the Growth Fund invest primarily in North American equities. Geographic and sector allocations may vary significantly over time. The funds tend to follow a relatively concentrated investment approach where the manager may overweight selected core holdings and industry sectors such as energy or financial services in which the manager has particular conviction and/or specialized expertise. The funds may engage in short selling and may also use specified derivatives, such as calls and puts, warrants, index futures and exchange traded funds. This may result in portfolio weightings and investment performance being substantially different from that of the S&P/TSX Composite, S&P 500 or other market indices.