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Dear Partners and Friends:

November was another month of stunning volatility *and* new bear market lows in global markets with, for example, both the TSX Composite and S&P500 experiencing ~25% peak-to-trough declines in November alone. November capped off the most devastating four month period in the history of North American financial markets since the Great Depression, with both the TSX Composite and S&P500 falling more than 43% peak-to-trough during that short period of time. For comparative purposes: it took the S&P500 about 21 months to fall 48.2% during the 1973-74 bear market, and about 18 months to fall 50.5% during the 2000-2002 bear market.

In this challenging environment, the Northern Rivers Innovation Fund LP (the Innovation Fund) was down 8.80% in November, and the Northern Rivers Innovation RSP Fund (RSP Fund) was down 8.91%.

	Average Annual Returns to November 30, 2008*							
	2008 YTD	1 mo.	3 mo.	6 mo.	1 Yr.	3 Yr.	5 Yr.	Inception**
Northern Rivers Innovation Fund LP	**-59.73%**	**-8.80%**	**-48.02%**	**-60.55%**	**-57.65%**	**-6.06%**	**1.60%**	**11.20%**
Northern Rivers Innovation RSP Fund	**-59.72%**	**-8.91%**	**-46.18%**	**-59.99%**	**-57.25%**	**-4.68%**	**N/A**	**-3.19%**

**Northern Rivers Innovation Fund LP inception date: May 8, 2001.
Northern Rivers Innovation RSP Fund inception date: March 1, 2004.

You have all seen countless charts and facts and figures supporting either the bull or the bear case going forward

The fact is, it is fundamentally unknowable whether or not the markets have truly seen their bottoms, but I *do* know the following:

- All bear markets (in U.S. equities anyway) have ended in either October or November.
- A number of markets (including the S&P500) actually hit or went through their October 2002 lows during November 2008. (The October 2002 lows were the levels I had referred to in a number of the most recent letters as the levels I was half-expecting to represent the bottom of this bear market.)
- The 40%-60% declines seen in major global equity indices in the September-November timeframe have ALREADY told us that the North American and global economies are going to get MUCH worse between now and next May (because equity markets look out 6-

9 months). If the economy can bottom sometime in the May-August timeframe, then it should mean we have already seen the equity market lows.

- Financial and monetary authorities around the world (with Canada's federal government as perhaps the only exception) are "pulling out all the stops". As one person said on CNBC yesterday (referring to the U.S. economy, the Fed and Treasury's actions, and Obama's stimulus plans): "$2 trillion of stimulus in a $14 trillion economy should do the trick."
- The bear market, PLUS the most brutal tax-loss selling season that I have ever seen, has ALREADY knocked many of our core positions down to levels that I would have only expected to see in an economic depression or very severe recession.
- The *fundamentals* of our core positions stand out as beacons in the gloom.

So, as strange as this may sound (and as awful as I feel about so many things), I feel very strongly about the prospects for the core positions over the next twelve months. To illustrate why this is so, I plan on laying out the case for at least one core position per month over the next few months. Since I just got back from a Vendtek-related due diligence trip to Abu Dhabi, I will start with Vendtek.

Vendtek: can Vendtek become a billion-plus revenue company within 3-5 years?

This may seem rather pie-in-the-sky, given that they are working from a current revenue base of about $120 million. But if you ask Privinvest (one of Vendtek's business partners and now their largest shareholder), the answer is yes. With expanding penetration in North America and China, and Privinvest as a powerful business and capital markets partner in the Middle East, North Africa and Europe, I tend to agree with Privinvest.

First, some background on the company. Vendtek has a great business model (essentially transaction processing) in a great industry: wireless prepaid and gift cards. Vendtek's software and systems enable the distribution and sale of prepaid goods and services (so far, primarily gift cards and prepaid wireless time) at retail points of sale. Vendtek is Canada's largest prepaid distribution network, with almost 15,000 points of presence (POPs). In the United States, Vendtek is currently partnered with companies that have over 130,000 points of retail presence, and is expanding into those POPs from a very small current installed base. Vendtek has approached markets outside of North America by licensing its software to partners (such as Privinvest)—as opposed to operating its own network—although it still gets paid on a per transaction basis in those markets.

One of Vendtek's critical competitive advantages is that the company *both:*

1) supports the sale of card-based *and* pin-based prepaid goods and services, and simultaneously,

2) is device agnostic (i.e., most software for point-of-sale hardware is device specific).

Along those lines, I was encouraged to see Vendtek mentioned positively in a "Seeking Alpha" summary of a recent Gartner Group report on the wireless business. Specifically, the quotation was: "Look for electronic prepaid network providers such as Euronet and Safeway's Blackhawk Network to benefit from the need for more transaction security, along with Canadian-listed Vendtek Systems."

One of Vendtek's other critical competitive advantages is that its business model allows it to partner with groups like United Bank Card in the United States (which has over 100,000 POPs for Vendtek to expand into in the United States), and Privinvest in the UAE. This brings us back to Privinvest, and Vendtek's increasingly close relationship with them.

Privinvest and Vendtek started working together about three years ago when Privinvest was first establishing their prepaid wireless distribution network in the UAE. Vendtek provides the technology platform and transaction processing for Privinvest's business there. Privinvest has grown this business from 0% to 40% market penetration in the UAE over the past three years, growing the top-line for this business into the hundreds of millions of dollars. As has been discussed during several of Vendtek's quarterly conference calls and in their MD+A, Vendtek expects this relationship to expand to include numerous other countries in the Middle East, North Africa, and potentially Europe.

Thus, when Privinvest showed up as a buyer of Vendtek's stock (first press releasing a 9% stake on September 15, 2008), I was very encouraged, as was Vendtek's CEO who said in the press release: "Privinvest has witnessed the opportunities for our business firsthand in the MENA (Middle East and North Africa) region and their recent share purchases display their confidence in our prospects for those markets. I am very proud to say that one of our largest customers is now also one of our largest shareholders." Between September 15 and December 8, Privinvest moved from about 9% of the company to over 19%.

When a business partner starts accumulating shares aggressively, you can deduce any number of things, including the following two possibilities:

1) They intend to acquire the company
2) They foresee future business success which should make the shares they are acquiring substantially more valuable than the price at which they are being acquired.

So, when I got a call from Privinvest inviting me to fly to Abu Dhabi to discuss Vendtek and other investment opportunities, I jumped at the chance.

The most valuable *facts* I got over there were simply what I learned about the strength of Privinvest: it is a holding company for a group of investors that have interests in real estate, construction, shipbuilding and telecommunications. The most important aspect of their operations (at least for times like these) is that they are virtually debt free, and are sitting on lots and lots of cash. Their past investments (such as buying distressed assets during the past two recessions and paying off their debt during the good times) points to their business acumen and sense of investment timing. As such, I was very happy to learn that Privinvest's principals are as optimistic about Vendtek's future as I am, and see Vendtek in much the same way I do: as a company that can grow strongly, even in recessionary times. Indeed, Privinvest's principals contend (based on their experience) that Vendtek's business model is such that the velocity of transactions that Vendtek processes actually increases during recessions (as people move from buying, for example, one $50 prepaid wireless card per month to buying two $10 cards per month).

The *possibilities* I picked up about Vendtek's future were also very exciting. Looping back to the bold-faced question from the top of this section: Privinvest laid out a possible path by which

Vendtek could become a billion-plus revenue company within 3-5 years. Is this assured? Absolutely not. But is it credible? Given Privinvest's strengths, I believe it is.

The bottom-line is that Vendtek is *currently* i) a free-cash-flow positive company, ii) with $120 million (or thereabouts) in revenue and a debt-free balance sheet, iii) already operating in over 5 countries (including the US, Canada, China and the UAE). The two strongest aspects of Vendtek's *future* growth prospects are:

1) Vendtek is expanding from a base of negligible penetration in countries like China and the Unites States, working with partners that control tens of thousands of POPs into which Vendtek will proliferate its software platform. (The implication of this is that it is almost impossible NOT to grow strongly in those countries over the coming years.)
2) Vendtek has credible potential to rapidly develop into a multi-billion dollar company within five years, simply through the opportunities that Privinvest believes it can bring to the table.

I will discuss other core positions in coming letters

A brief note here, however, is appropriate: I believe that each of the core positions is *dramatically* undervalued. Much of the beating these positions have taken is because of the heaviest tax-loss selling season I have ever experienced, leaving the stocks artificially depressed. As such, it is fortuitous that—based on due diligence contacts such as the one I have at Prolog, Webtech's master distributor in Mexico—I am expecting significant developments in each of the core positions in the January-February timeframe. Some have asked me: will anyone care? The best answer I have to that is in the words of one of my mentors who at dinner not too long ago said that (to paraphrase): "Your holdings may lag the market for a while—particularly now in the first rally attempts—but when they DO get recognized, they will double, triple and quadruple very quickly, and that is something that you simply won't get in the big caps."

I would like to highlight Bob Blakely's "Letter from the President" that he sent Wednesday

I hope you all have received it. In my mind, the most important message from that letter is simply this: the family behind Northern Rivers continues to give us their full backing, and will invest in the funds again on January 1, 2009.

I will leave you with this final thought: the 10-year trailing return on the S&P500 is now negative for only the third time in the last 100 years. Although that may at first blush seem terribly depressing (and is in many ways), Warren Buffett and other astute investors point out that investing *after* the trailing 10-year returns have gone negative is when investing in the stock market bears the most fruit for the *next* ten years. That makes a lot of sense to me, and I believe it will be the case this time too.

Next closing

The next closing for the Northern Rivers Innovation Fund LP, the Northern Rivers Innovation RSP Fund, the Northern Rivers Conservative Growth Fund LP, and the Northern Rivers Global Energy Fund LP is December 31, 2008.

As always, my colleagues and I are available for one on one meetings or conversations with all 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.

Thank you for your patience and confidence through this most difficult year. We are working hard on your behalf for a better 2009.

Best regards,

Hugh Cleland, CFA
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, 5 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 Innovation Fund and the RSP Fund invest primarily in North American equities with a sector focus on technology, healthcare and resources. Geographic and sector allocations may, however, vary significantly over time. Investments made are primarily in small cap companies believed to be trading at a discount to their intrinsic value and which offer innovative products and services and a sustainable competitive advantage. The funds normally follow a more concentrated investment approach where the manager may overweight selected core holdings and industry sectors 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, TSX Venture, Dow Jones Industrial or other market indices.