



Northern Rivers Conservative Growth Fund

2009 Annual Management Report of Fund Performance

As at December 31, 2009

The Annual Management Report of Fund Performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-866-902-7060, by writing to us at Northern Rivers Capital Management Inc., 70 University Ave, Suite 1200, Toronto, ON M5J 2M4 or by visiting our website at www.NorthernRiversFunds.com or SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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NORTHERN RIVERS CONSERVATIVE GROWTH FUND

Management Discussion of Fund Performance

Investment Objective and Strategy

The Northern Rivers Conservative Growth Fund (the “Fund”) utilizes a long-term investment program to generate maximum absolute returns and capital appreciation through securities selection and asset allocation. Reduced volatility is achieved through diversification of investments across both economic sectors as well as across market capitalization. The Fund’s investments are primarily equity-based.

Investment selection is targeted towards equity and warrants of companies that are believed to be trading at a discount to their intrinsic value. Investment strategies are employed to achieve a balance of risk, return and liquidity within the Fund’s asset and geographic sector allocations.

Risk

The overall risk of the Fund is as described in the prospectus. There were no material changes to the Fund over the period that affected the overall level of risk.

Results of Operations

For the 12 months ending December 31, 2009, Series A units of Northern Rivers Conservative Growth Fund (the “Fund”) returned 26.24% (net of expenses) while the S&P/TSX Composite Total Return Index returned 35.05%. The performance of the other series of the Fund is substantially similar to that of Series A units, save for differences in expense structure. Refer to “Past Performance” section for performance information of each series. As at December 31, 2009, total net assets of the Fund were \$6.6 million.

The second half of 2009 was an excellent period for both the Fund and the broader equity markets, with the Series A units of the Fund rising 17.38% and the S&P/TSX Composite Total Return Index rising 14.88% during this period. The Fund continued its strong rally from the bottom in the equity markets in March. The positive end of 2009 was a strong contrast to the difficult beginning of the year. The first quarter of 2009 delivered one of the worst periods of US economic performance in the post-war period, with GDP contracting over 6%. In contrast, the US exited the recession at the end of 2009, with initial indications that the US economy grew by over 5% in the fourth quarter of 2009.

There were very few detractors from fund performance as over 90% of our holdings appreciated during the second half of the year. The only significant lag on our performance came from Webtech Wireless, which fell by 50% and our US holdings which suffered from an approximate 10% fall in the US dollar relative to the Canadian dollar. We took the opportunity of the pullback in Webtech stock to add to our holdings, as the stock is trading at a massive discount to its intrinsic value and we are confident that

significant catalysts are coming in the next year to allow the stock to appreciate rapidly in 2010.

While most of our holdings contributed to our strong performance in the second half of 2009, the biggest contributions came from five companies that appreciated by over 50%; Daylight Energy Trust, SXC Health Solutions, Horizon North Logistics, Alaris Royalty, and Aeromechanical Services.

The single strongest rise came from Aeromechanical Services, a provider of smart black boxes for the aircraft industry. Aeromechanical stock rose by 120% in the second half of 2009 as investors started to become aware of this emerging Canadian success story. Aeromechanical has a unique defensible franchise in providing the next generation of smart black boxes to the aircraft industry. The company is in the early stages of a substantial sales ramp-up, which with its attractive margins will provide accelerating earnings growth and share appreciation for shareholders over the coming years. While the stock appreciated strongly in the second half of 2009, the company still trades at a small fraction of its intrinsic value.

The manager took advantage of share volatility in the second half of 2009 to add to existing positions and also to establish new positions including Manulife, ZCL Composites, Barrick Gold, Petrobank, Magna, and Vector Aerospace. The manager feels very confident about the long-term prospects for these holdings in the Fund.

Several positions were sold during the second half of 2009 for a variety of reasons. Biovail was sold as we found better risk/reward scenarios in other stocks. Intel was sold after reaching our price objective. Nova Chemicals and Petro-Andina were sold as a result of takeovers.

Overall portfolio structure was fully invested in equities and well diversified at December 31, 2009. The portfolio is invested in companies that we believe are trading at substantial discounts to their intrinsic values. The largest sector weighting is the energy sector at 24%, reflecting our bullish outlook for the sector as we move back into a period of rising energy prices and increasing industry activity. Other larger sector weightings are technology at 17%, followed by healthcare, consumer staples, and telecoms all in the 8% area.

Recent Developments

The global economy bottomed in 2009 and has started to rebound. Economic growth is likely to continue in 2010, providing a good backdrop to support increasing corporate profits and equity markets. Stock markets started to recognize this recovery in the second quarter of 2009 and we expect further gains to occur in 2010.

While we expect the stock markets to continue their climb in 2010, selectivity will be much more important in 2010 than it was in 2009. The recovery from the all out panic of late 2008 and early 2009 provided substantial rebounds in many distressed and illiquid

situations in the 2009 rally. In 2010, individual stock performance will be much more selective and there will be winners and losers.

The high debt of many consumers and poor lending portfolios from some financial institutions will still likely continue to be a hindrance for some Western economies, somewhat offsetting the strong growth that will come from those countries, companies, and consumers that have followed a more measured approach to their balance sheets. But the growing economic force of the emerging economies is likely to provide the backdrop for a continued expansion and prosperity of the overall global economy in coming years. The Fund is fully invested and well positioned to profit from this backdrop.

Other Material Information

The shareholders of Northern Rivers Capital Management Inc. (the “Manager”), the manager of the Fund, entered into an agreement with BluMont Capital Corporation (“BluMont”) which provides that, subject to the satisfaction of conditions precedent to the proposed transaction, BluMont will purchase all of the issued and outstanding shares of the Manager. BluMont intends to have the Manager amalgamate with BluMont subsequent to the sale of shares, as a result of which, subject to the approval of the unitholders of the Fund and receipt of all necessary regulatory approvals, the trustee and manager of the Fund will change from the Manager to the amalgamated corporation, BluMont Capital Corporation effective on or about March 23rd, 2010.

Adoption of New Accounting Standards

The Fund adopted the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures on for the financial year ended December 31, 2009. The amendment establishes a three-tier hierarchy as a framework for disclosing fair value based on the inputs used to value the Fund’s investments. The hierarchy of inputs is summarized below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Adoption of the new standards does not impact the daily price of the Fund’s securities for subscription and redemption purposes, nor for the calculation of net assets.

In January 2009, the CICA issued Emerging Issues Committee Abstract 173, Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC-173). EIC-173 requires that an entity’s own credit risk and the credit risk of counterparties be taken into account when determining the fair value of financial assets and financial liabilities. The abstract did not have a significant impact on the financial position or results of operations of the Fund.

Related Party Transactions

Management Fee

In consideration for portfolio and advisory services received from the Manager and Trustee of the Fund, Northern Rivers Capital Management Inc., the Fund paid management fees of \$78,016 during the period ended December 31, 2009. The management fee for Series A, Series F and Series P units is an annualized management fee (Series A – 2.5%; Series F – 1.5%; Series O – 0%; Series P – 1.75%) based on the net asset value of that series of units of the Fund and is accrued daily and paid at month-end as a percentage of the daily net assets.

Dealers are paid a share of the Manager’s management fee – called a trailer commission – for all assets that their sales representatives place in the Fund. Trailer commissions are paid as a percentage of assets to dealers based on the range shown below.

	Management Fee (%)	Trailer Commissions (%)	
		Minimum	Maximum
Series A	2.50	0.50	1.00
Series F	1.50	N/A ⁽¹⁾	N/A ⁽¹⁾
Series O	0.00 ⁽²⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Series P	1.75	0.25	0.25

(1) No trailer commissions are paid in respect of Series F and Series O units of the Fund

(2) No management fees are charged to the Fund in respect of the Series O units as each investor or dealer negotiates a separate fee with the Manager

As at December 31, 2009, the Fund owed the Manager \$28,535 for operating costs incurred in administering the Fund. During the period ended December 31, 2009, the Manager agreed to absorb \$118,371 of total expenses on behalf of the Fund.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the financial years ended December 31, as indicated. This information is derived from the Fund's audited annual financial statements.

THE FUND'S NET ASSETS PER UNIT (IN \$)

Series A

	2009	2008	2007 ⁽²⁾	2006	2005
Net assets per unit, beginning of year ⁽¹⁾	19.73	31.73	25.00 ⁽³⁾	N/A	N/A
Increase (decrease) from operations:					
Total revenue	0.67	0.47	0.12	N/A	N/A
Total expenses	(0.78)	(0.77)	(2.04)	N/A	N/A
Realized gains (losses) for the year	0.11	(2.23)	0.16	N/A	N/A
Unrealized gains (losses) for the year	6.43	(9.32)	7.37	N/A	N/A
Total increase (decrease) from operations^(a)	6.43	(11.85)	5.61	N/A	N/A
Distributions:					
From income (excluding dividends)	0.00	0.00	0.02	N/A	N/A
From dividends	0.00	0.00	0.01	N/A	N/A
From capital gains	0.00	0.00	0.10	N/A	N/A
Return of capital	0.00	0.00	-	N/A	N/A
Total distributions^(b)	0.00	0.00	0.13	N/A	N/A
Net assets per unit, end of year^(1,4)	25.09	19.73	31.73	N/A	N/A

Ratios and Supplemental Data

Series A

	2009	2008	2007 ⁽²⁾	2006	2005
Net asset value (000's) ^(c)	1,727	672	331	N/A	N/A
Number of units outstanding ^(c)	68,818	33,577	10,364	N/A	N/A
Management expense ratio ^(d)	3.53%	2.95%	8.75%	N/A	N/A
Management expense ratio before waivers or absorptions ^(e)	6.22%	7.17%	15.79%	N/A	N/A
Net asset value per unit	\$25.25	\$20.00	\$31.90	N/A	N/A
Portfolio turnover rate (%) ^(f)	73.60%	97.52%	36.91%	N/A	N/A
Trading expense (%) ^(g)	0.37%	0.52%	1.25%*	N/A	N/A

THE FUND'S NET ASSETS PER UNIT (IN \$)

Series F

	2009	2008	2007 ⁽²⁾	2006	2005
Net assets per unit, beginning of year ⁽¹⁾	19.69	31.33	25.00 ⁽³⁾	N/A	N/A
Increase (decrease) from operations:					
Total revenue	0.67	0.42	0.15	N/A	N/A
Total expenses	(0.55)	(0.50)	(1.96)	N/A	N/A
Realized gains (losses) for the year	(0.04)	(1.72)	0.15	N/A	N/A
Unrealized gains (losses) for the year	6.43	(10.01)	6.07	N/A	N/A
Total increase (decrease) from operations^(a)	6.51	(11.81)	4.41	N/A	N/A
Distributions:					
From income (excluding dividends)	0.00	0.00	0.03	N/A	N/A
From dividends	0.00	0.00	0.02	N/A	N/A
From capital gains	0.00	0.00	0.17	N/A	N/A
Return of capital	0.00	0.00	0	N/A	N/A
Total distributions^(b)	0.00	0.00	0.22	N/A	N/A
Net assets per unit, end of year^(1,4)	25.28	19.69	31.33	N/A	N/A

Ratios and Supplemental Data
Series F

	2009	2008	2007 ⁽²⁾	2006	2005
Net asset value (000's) ^(c)	3,096	1,297	1,764	N/A	N/A
Number of units outstanding ^(c)	122,467	64,978	56,009	N/A	N/A
Management expense ratio ^(d)	2.48%	1.90%	7.92%	N/A	N/A
Management expense ratio before waivers or absorptions ^(e)	5.16%	6.13%	14.96%	N/A	N/A
Net asset value per unit	\$25.44	\$19.96	31.49	N/A	N/A
Portfolio turnover rate (%) ^(f)	73.60%	97.52%	36.91%	N/A	N/A
Trading expense (%) ^(g)	0.37%	0.52%	1.25%*	N/A	N/A

THE FUND'S NET ASSETS PER UNIT (IN \$)

Series O

	2009 ⁽⁵⁾	2008	2007	2006	2005
Net assets per unit, beginning of year ⁽¹⁾	25.00	N/A	N/A	N/A	N/A
Increase (decrease) from operations:					
Total revenue	0.34	N/A	N/A	N/A	N/A
Total expenses	(0.09)	N/A	N/A	N/A	N/A
Realized gains (losses) for the year	1.22	N/A	N/A	N/A	N/A
Unrealized gains (losses) for the year	1.75	N/A	N/A	N/A	N/A
Total increase (decrease) from operations ^(a)	3.22	N/A	N/A	N/A	N/A
Distributions:					
From income (excluding dividends)	0.00	N/A	N/A	N/A	N/A
From dividends	0.00	N/A	N/A	N/A	N/A
From capital gains	0.00	N/A	N/A	N/A	N/A
Return of capital	0.33	N/A	N/A	N/A	N/A
Total distributions ^(b)	0.33	N/A	N/A	N/A	N/A
Net assets per unit, end of year ^(1,4)	27.88	N/A	N/A	N/A	N/A

Ratios and Supplemental Data

Series O

	2009 ⁽⁵⁾	2008	2007	2006	2005
Net asset value (000's) ^(c)	1,115	N/A	N/A	N/A	N/A
Number of units outstanding ^(c)	40,000	N/A	N/A	N/A	N/A
Management expense ratio ^(d)	1.00%*	N/A	N/A	N/A	N/A
Management expense ratio before waivers or absorptions ^(e)	3.66%*	N/A	N/A	N/A	N/A
Net asset value per unit	28.06	N/A	N/A	N/A	N/A
Portfolio turnover rate (%) ^(f)	73.60%	N/A	N/A	N/A	N/A
Trading expense (%) ^(g)	0.37%*	N/A	N/A	N/A	N/A

THE FUND'S NET ASSETS PER UNIT (IN \$)

Series P

	2009	2008	2007 ⁽²⁾	2006	2005
Net assets per unit, beginning of year ⁽¹⁾	19.75	31.51	25.00 ⁽³⁾	N/A	N/A
Increase (decrease) from operations:					
Total revenue	0.68	0.28	0.05	N/A	N/A
Total expenses	(0.61)	(0.56)	(2.15)	N/A	N/A
Realized gains (losses) for the year	0.07	(2.38)	0.10	N/A	N/A
Unrealized gains (losses) for the year	6.47	(10.33)	8.06	N/A	N/A
Total increase (decrease) from operations ^(a)	6.61	(12.99)	6.06	N/A	N/A
Distributions:					
From income (excluding dividends)	0.00	0.00	0.04	N/A	N/A
From dividends	0.00	0.00	0.02	N/A	N/A
From capital gains	0.00	0.00	0.19	N/A	N/A
Return of capital	0.00	0.00	-	N/A	N/A
Total distributions ^(b)	0.00	0.00	0.25	N/A	N/A
Net assets per unit, end of year ^(1,4)	25.30	19.75	31.51	N/A	N/A

Ratios and Supplemental Data

Series P

	2009	2008	2007 ⁽²⁾	2006	2005
Net asset value (000's) ^(c)	624	231	251	N/A	N/A
Number of units outstanding ^(c)	24,650	11,546	7,922	N/A	N/A
Management expense ratio ^(d)	2.75%	2.17%	8.69%	N/A	N/A
Management expense ratio before waivers or absorptions ^(e)	5.43%	6.39%	15.73%	N/A	N/A
Net asset value per unit	\$25.45	\$20.02	31.68	N/A	N/A
Portfolio turnover rate (%) ^(f)	73.60%	97.52%	36.91%	N/A	N/A
Trading expense (%) ^(g)	0.37%	0.52%	1.25%*	N/A	N/A

(1) This information is derived from the Fund's audited financial statements. The net assets per unit presented in the financial statements differ from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the Fund's financial statements.

(2) Information presented is for the period August 27 to December 31.

(3) Initial offering price

(4) This is not a reconciliation of the beginning and ending net assets per unit.

(5) Information presented is for the period to September 2 to December 31.

* Ratio has been annualized

Supplementary information to the Financial Highlights calculations are based on the following:

- (a) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period.
- (b) Distributions were paid in cash, reinvested in additional units of the fund, or both.
- (c) This information is provided as at December 31 of the year shown.
- (d) Management expense ratio for each series of units is based on the total expenses of the Fund, incurred by or allocated to that series of units for the year shown, expressed as an annualized percentage of daily average net assets of that series during the year. The MER includes incentive fees, if any.

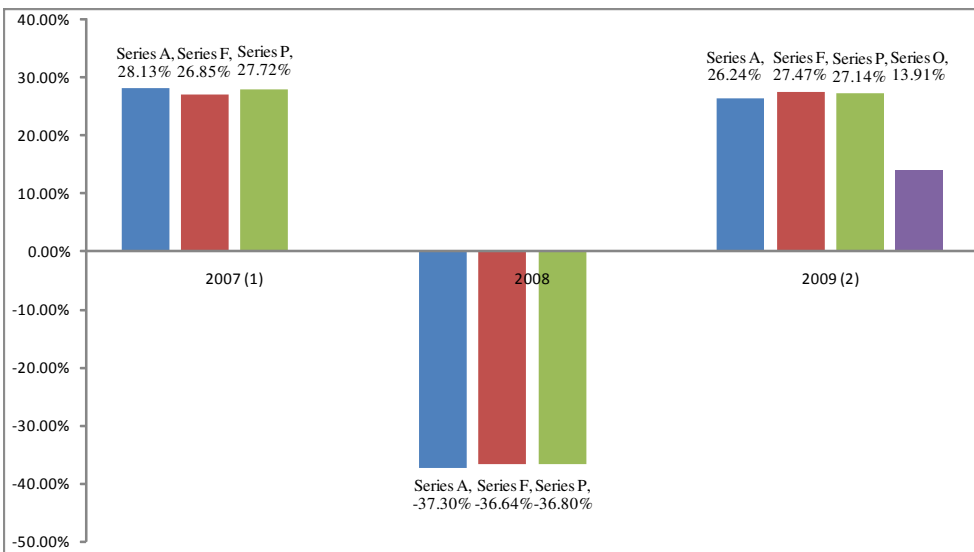
- (e) The decision to waive and/or absorb management fees and operating expenses is at the discretion of the Manager. The practice of waiving and/or absorbing management fees and operating expenses may continue indefinitely or may be terminated at any time without notice to unitholders.
- (f) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (g) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year. Spreads associated with fixed income securities trading are not ascertainable, and, for that reason are not included in the trading expense ratio calculation.

Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns (based on Net Asset Value)

The following chart shows the Fund's performance for the previous three financial years shown. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year of the Fund would have grown or decreased by the last day of the financial year.



- (1) Inception: August 27, 2007
- (2) Inception for Series O: September 2, 2009

Annual Compound Returns (based on Net Asset Value)

	1 Year	3 Year	5 Year	Since Inception
Fund - Series A ⁽¹⁾	26.24%	N/A	N/A	0.60%
S&P TSX Composite Total Return Index ⁽³⁾	35.05%	N/A	N/A	-3.29%
Fund - Series F ⁽¹⁾	27.47%	N/A	N/A	1.04%
S&P TSX Composite Total Return Index ⁽³⁾	35.05%	N/A	N/A	-3.29%
Fund - Series O ⁽²⁾	N/A	N/A	N/A	12.24
S&P TSX Composite Total Return Index ⁽³⁾	N/A	N/A	N/A	7.81%
Fund - Series P ⁽¹⁾	27.14%	N/A	N/A	1.11%
S&P TSX Composite Total Return Index ⁽³⁾	35.05%	N/A	N/A	-3.29%

(1) Inception date August 27, 2007.

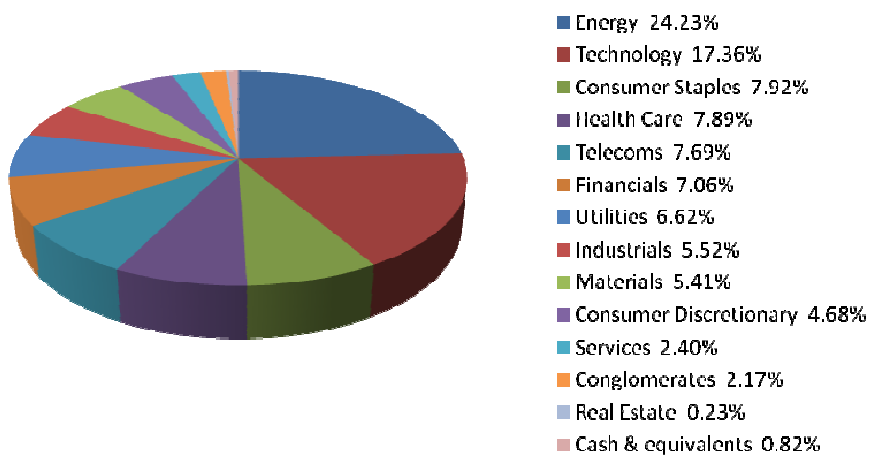
(2) Inception date September 2, 2009

(3) The S&P/TSX Composite Total Return Index is based on stocks that make up the S&P/TSX Composite Index, with the assumption that all dividends paid are reinvested in the stocks in proportion to their index weights.

Summary of Investment Portfolio

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

Industry Classifications*



* Based on Net Asset Value

Top 25 Holdings

	% of Net Asset Value
As at December 31, 2009	
1 Daylight Resources Trust	8.46%
2 BCE Inc.	7.69%
3 Philip Morris International Inc.	7.58%
4 TransCanada Corp.	5.10%
5 Aeromechanical Services Ltd.	4.04%
6 Niko Resources Ltd.	4.02%
7 Rogers Communications Inc., Class 'B'	4.01%
8 Neptune Technologies & Bioresources Inc.	3.79%
9 SXC Health Solutions Corp.	3.73%
10 Webtech Wireless Inc.	3.71%
11 TMX Group Inc.	3.11%
12 Horizon North Logistics Inc.	3.02%
13 Coca-Cola Co. (The)	2.81%
14 Algonquin Power & Utilities Corp.	2.42%
15 Just Energy Income Fund	2.40%
16 Manulife Financial Corp.	2.37%
17 ZCL Composites Inc.	2.20%
18 Alaris Royalty Corp.	2.17%
19 VendTek Systems Inc.	1.69%
20 Intact Financial Corp.	1.58%
21 Fort Chicago Energy Partners L.P.	1.53%
22 Petrobank Energy & Resources Ltd.	1.47%
23 Indigo Books & Music Inc.	1.43%
24 Cogeco Cable Inc.	1.27%
25 Barrick Gold Corp.	1.25%
Top 25 Holdings	82.85%
Other Investments	16.33%
Cash & Equivalents, other assets net of liabilities	0.82%
Total Net Asset Value	100.00%

The total Net Asset Value of the fund as at December 31, 2009 was \$6,602,555

Caution Regarding Forward-looking Statements

Certain portions of this report, including, but not limited to, “Results of Operations” and “Recent Developments”, may contain forward-looking statements about the Northern Rivers Conservative Growth Fund (the Fund), including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and similar forward-looking expressions or negative versions thereof. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future action of the Fund is also a forward-looking statement.

Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and relevant market factors in North America and internationally, interest and foreign exchange rates, equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing any undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.