



Northern Rivers Conservative Growth Fund

2008 Annual Management Report of Fund Performance

As at December 31, 2008

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., Royal Bank Plaza, North Tower, Suite 2000, 200 Bay Street, PO Box 66, Toronto, Ontario M5J 2J2 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 equity derivatives 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 twelve month period ended December 31, 2008, Series A units of the Fund returned -37.3% after expenses, series F units returned -36.6% after expenses, and series P units returned -36.8% after expenses, while the S&P/TSX Total Return Index produced total returns of -33.0%. As at December 31, 2008, total net assets of the Fund were \$2.1 million.

The second half of 2008 proved to be a difficult period for the Fund’s investment discipline, and the most trying period ever for equities since 1931. What began as a 2007 financial crisis in the U.S. due to poor lending practices has now spread, taking the entire global economy into recession. This has caused a massive flight out of equities and other more volatile assets into the relative safety of cash and government securities, and led to every major stock market worldwide declining over 30% in 2008, with numerous indices declining over 40% or 50%. Energy, the Fund’s largest sectoral weighting, came under massive pressure as concern switched from one of short-term supply shortage to one of short-term supply surplus. The price of oil dropped by almost 70% during the second half of 2008, despite substantial concerns that oil supplies may be insufficient to meet global demand in the medium to long-term. Many of the Fund’s holdings suffered substantial declines despite little change in their long-term fundamentals.

Specific detractors from Fund performance included Paramount Resources, Encana, ZCL Composites, Webtech, and Philip Morris International. Positive contributions during the period were received from Saxon Financial and Teranet Income Fund, both of which were taken over and which we believe are indicative of the long-term values of the

holdings in our portfolio. Additionally, one of the top holdings, SXC Health Solutions, turned in one of the top returns within the TSX in the second half of 2008, helping offset weakness in other holdings.

Amid this difficult environment, the manager took advantage of share price weakness in several excellent businesses to add to existing positions and also established new positions including TransCanada Pipelines, Rogers Communications, Legg Mason, and Absolute Software. The manager feels very confident about the long-term prospects for the Fund.

A number of holdings were sold during the second half of 2008, due to shortfalls in their performance, which caused us to downgrade our outlook for the stocks. We sold our positions in Paramount Resources, Encana, CI Financial, and Highpine Oil and Gas.

Overall portfolio structure was quite defensive at December 31, 2008. The portfolio was positioned at the high end of our traditional cash position (at 34%) as a result of sales made in the second half of 2008 and in anticipation of slightly better entry points in the first half of 2009 for a number of solid, undervalued blue chip companies expected to become new core holdings. The portfolio finished 2008 well diversified, with no one industry sector (aside from cash) representing over 13% of the Fund. The largest sector weightings were Materials (mostly Golds) at 12%, Technology at 12%, Energy at 11%, and Healthcare at 10%.

Recent Developments

Economic news worsened as we entered 2009, causing a continued flight to liquidity and out of equities. This environment enables disciplined investors to accumulate quality companies in the market at what will be looked upon at panic prices in a few years. The U.S. financial crisis that started the present downturn was not yet resolved at year-end, but governments and central banks around the world had realized that extraordinary measures would be needed to fix the problems cascading through the global economy, and had mostly demonstrated the willingness and ability to implement these measures. We have a checklist of items that will give us more confidence that the necessary actions have been taken.

The stock market appears to have commenced a bottoming process late in the fall of 2008. We expect the market to bottom at levels slightly lower than the lows of November 2008. One thing is clear, however, we are much closer to the lows of the stock market than the highs. As a leading indicator, the stock market has already digested further expected deterioration of the economy in early 2009. Once the economy has bottomed, we expect the stock market will already be up solidly, as it reacts well in advance of the actual recovery.

Despite a volatile start for the stock market in 2009, and expected continued volatility in the first part of 2009, we expect the overall market to finish the year up, as it becomes apparent that we are experiencing a severe recession, as opposed to the depression scenario being pushed by the scaremongers in the media. Growth will reappear in the

economy as the western world stabilizes and as billions of people in Asia aspiring for a middle class lifestyle restart their climb up the economic ladder. Indeed, this appears to be one of the best opportunities to invest in equities in decades. The market has rarely looked cheaper and the number of blue chip companies with solid financials selling at depressed valuations is remarkable. Given this backdrop, the prospects for the Fund and its holdings going forward are excellent.

Adoption of New Accounting Standards

On January 1, 2008, the Fund adopted CICA Handbook Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation”. The new standards replaced Section 3861, “Financial Instruments – Disclosure and Presentation”. The new disclosure standards increase the emphasis on the disclosure of risks associated with financial instruments and how those risks are managed. The previous requirements related to presentation of financial instruments have been carried forward unchanged. 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.

On January 1, 2008, the Fund adopted CICA Handbook Section 1535, “Capital Disclosure”. The section establishes standards for disclosing information about an entity’s capital and how it is managed. The adoption of this standard results in additional disclosures relating to the redeemable units of the Fund but does not affect the Fund’s results or financial positions.

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 a management fee of \$49,485 during the period ended December 31, 2008. 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 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 P	1.75	0.25	0.25

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

As at December 31, 2008, the Fund owed the Manager \$7,316 for operating costs incurred in administering the Fund. During the period ended December 31, 2008, the Manager agreed to absorb \$109,528 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

	2008	2007 ⁽²⁾	2006	2005	2004
Net assets per unit, beginning of year ⁽¹⁾	31.73	25.00 ⁽³⁾	N/A	N/A	N/A
Increase (decrease) from operations:					
Total revenue	0.47	0.12	N/A	N/A	N/A
Total expenses	(0.77)	(2.04)	N/A	N/A	N/A
Realized gains (losses) for the year	(2.23)	0.16	N/A	N/A	N/A
Unrealized gains (losses) for the year	(9.32)	7.37	N/A	N/A	N/A
Total increase (decrease) from operations^(a)	(11.85)	5.61	N/A	N/A	N/A
Distributions:					
From income (excluding dividends)	0.00	0.02	N/A	N/A	N/A
From dividends	0.00	0.01	N/A	N/A	N/A
From capital gains	0.00	0.10	N/A	N/A	N/A
Return of capital	0.00	-	N/A	N/A	N/A
Total distributions^(b)	0.00	0.13	N/A	N/A	N/A
Net assets per unit, end of year^(1,4)	19.73	31.73	N/A	N/A	N/A

Ratios and Supplemental Data

Series A

	2008	2007 ⁽²⁾	2006	2005	2004
Net asset value (000's) ^(c)	672	331	N/A	N/A	N/A
Number of units outstanding ^(c)	33,577	10,364	N/A	N/A	N/A
Management expense ratio ^(d)	2.95%	8.75%	N/A	N/A	N/A
Management expense ratio before waivers or absorptions ^(e)	7.17%	15.79%	N/A	N/A	N/A
Portfolio turnover rate (%) ^(f)	97.52%	36.91%	N/A	N/A	N/A
Trading expense (%) ^(g)	0.52%	1.25%*	N/A	N/A	N/A

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

Series F

	2008	2007 ⁽²⁾	2006	2005	2004
Net assets per unit, beginning of year ⁽¹⁾	31.33	25.00 ⁽³⁾	N/A	N/A	N/A
Increase (decrease) from operations:					
Total revenue	0.42	0.15	N/A	N/A	N/A
Total expenses	(0.50)	(1.96)	N/A	N/A	N/A
Realized gains (losses) for the year	(1.72)	0.15	N/A	N/A	N/A
Unrealized gains (losses) for the year	(10.01)	6.07	N/A	N/A	N/A
Total increase (decrease) from operations ^(a)	(11.81)	4.41	N/A	N/A	N/A
Distributions:					
From income (excluding dividends)	0.00	0.03	N/A	N/A	N/A
From dividends	0.00	0.02	N/A	N/A	N/A
From capital gains	0.00	0.17	N/A	N/A	N/A
Return of capital	0.00	0	N/A	N/A	N/A
Total distributions ^(b)	0.00	0.22	N/A	N/A	N/A
Net assets per unit, end of year ^(1,4)	19.69	31.33	N/A	N/A	N/A

Ratios and Supplemental Data

Series F

	2008	2007 ⁽²⁾	2006	2005	2004
Net asset value (000's) ^(c)	1,297	1,764	N/A	N/A	N/A
Number of units outstanding ^(c)	64,978	56,009	N/A	N/A	N/A
Management expense ratio ^(d)	1.90%	7.92%	N/A	N/A	N/A
Management expense ratio before waivers or absorptions ^(e)	6.13%	14.96%	N/A	N/A	N/A
Portfolio turnover rate (%) ^(f)	97.52%	36.91%	N/A	N/A	N/A
Trading expense (%) ^(g)	0.52%	1.25%*	N/A	N/A	N/A

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

Series P

	2008	2007 ⁽²⁾	2006	2005	2004
Net assets per unit, beginning of year ⁽¹⁾	31.51	25.00 ⁽³⁾	N/A	N/A	N/A
Increase (decrease) from operations:					
Total revenue	0.28	0.05	N/A	N/A	N/A
Total expenses	(0.56)	(2.15)	N/A	N/A	N/A
Realized gains (losses) for the year	(2.38)	0.10	N/A	N/A	N/A
Unrealized gains (losses) for the year	(10.33)	8.06	N/A	N/A	N/A
Total increase (decrease) from operations ^(a)	(12.99)	6.06	N/A	N/A	N/A
Distributions:					
From income (excluding dividends)	0.00	0.04	N/A	N/A	N/A
From dividends	0.00	0.02	N/A	N/A	N/A
From capital gains	0.00	0.19	N/A	N/A	N/A
Return of capital	0.00	-	N/A	N/A	N/A
Total distributions ^(b)	0.00	0.25	N/A	N/A	N/A
Net assets per unit, end of year ^(1,4)	19.75	31.51	N/A	N/A	N/A

**Ratios and Supplemental Data
Series P**

	2008	2007⁽²⁾	2006	2005	2004
Net asset value (000's) ^(c)	231	251	N/A	N/A	N/A
Number of units outstanding ^(c)	11,546	7,922	N/A	N/A	N/A
Management expense ratio ^(d)	2.17%	8.69%	N/A	N/A	N/A
Management expense ratio before waivers or absorptions ^(e)	6.39%	15.73%	N/A	N/A	N/A
Portfolio turnover rate (%) ^(f)	97.52%	36.91%	N/A	N/A	N/A
Trading expense (%) ^(g)	0.52%	1.25%*	N/A	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.

* Ratio has been annualized

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

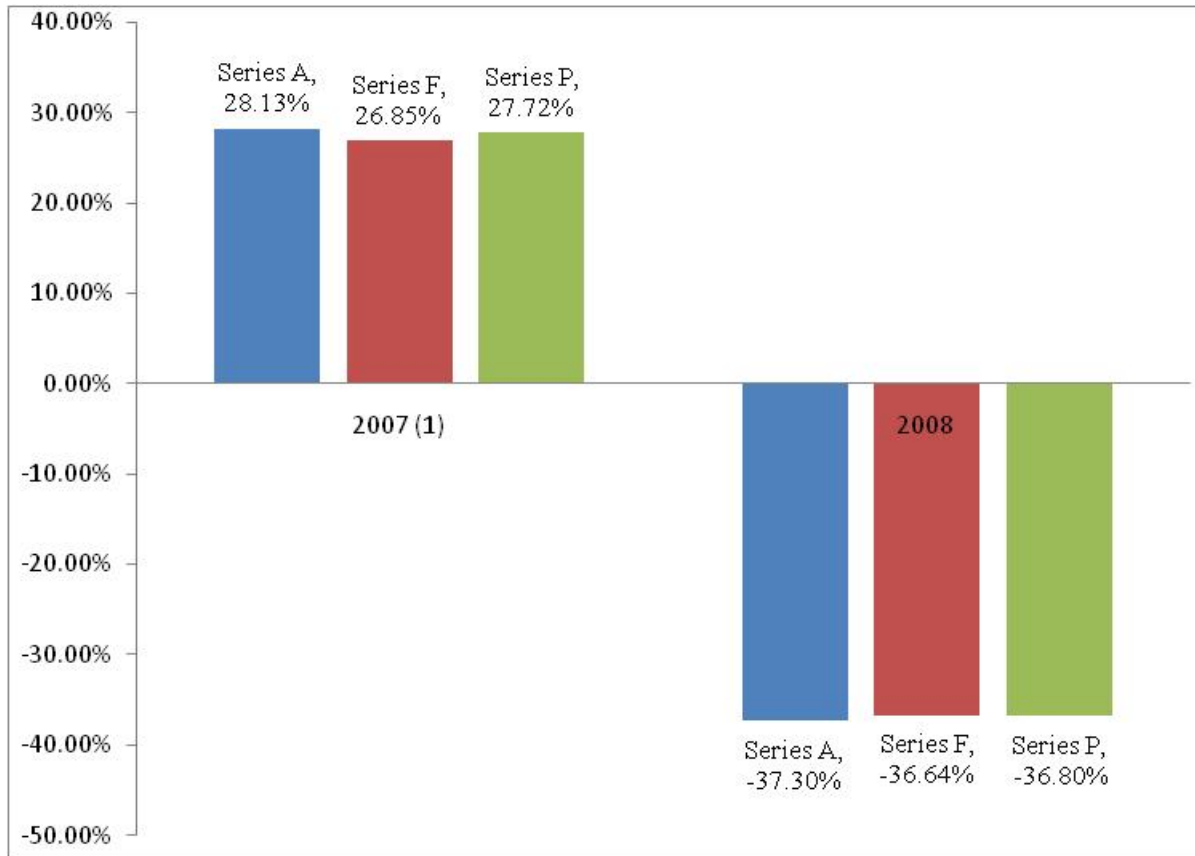
- (a) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period.
- (b) Distributions were paid in cash, reinvested in additional units of the 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.
- (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 periods ended December 31, 2008 and December 31, 2007 (since inception). In percentage terms, the bar chart shows how much an investment made on inception of the Fund would have grown or decreased by the last day of the financial year.



(1) Inception: August 27, 2007

Annual Compound Returns (based on Net Asset Value)

	1 Year	3 Year	5 Year	Since Inception ⁽¹⁾
Fund - Series A	-37.30%	N/A	N/A	-15.00%
Benchmark ⁽²⁾	-33.00%	N/A	N/A	-24.52%
Fund - Series F	-36.64%	N/A	N/A	-14.97%
Benchmark ⁽²⁾	-33.00%	N/A	N/A	-24.52%
Fund - Series P	-36.80%	N/A	N/A	-14.70%
Benchmark ⁽²⁾	-33.00%	N/A	N/A	-24.52%

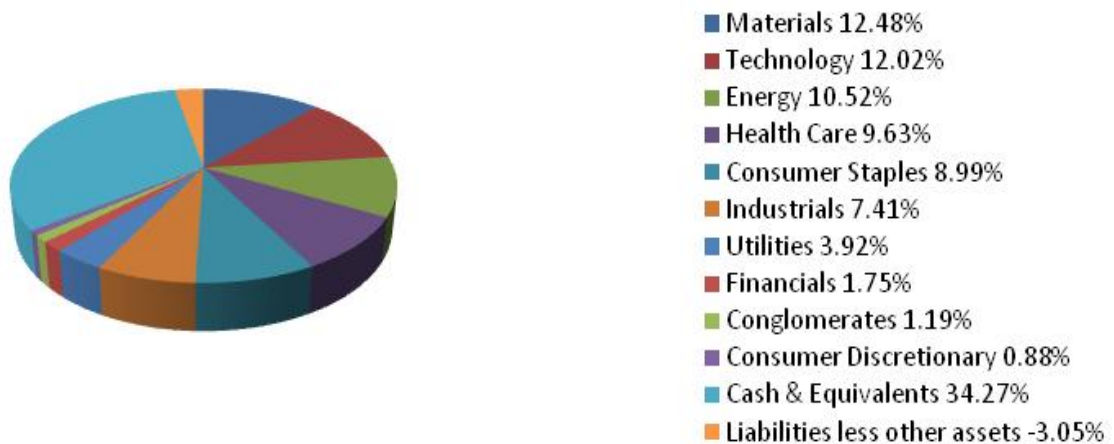
(1) Inception date August 27, 2007.

(2) 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

As at December 31, 2008	% of Net Asset Value
1 Philip Morris International Inc.	8.06%
2 Franco-Nevada Corp.	5.42%
3 SXC Health Solutions Corp.	5.38%
4 Western Goldfields Inc.	5.12%
5 ZCL Composites Inc.	4.99%
6 TransCanada Corp.	3.92%
7 VendTek Systems Inc.	3.74%
8 Northstar Healthcare Inc.	2.79%
9 Horizon North Logistics Inc.	2.70%
10 Rogers Communications Inc., Class 'B'	2.33%
11 Webtech Wireless Inc.	2.22%
12 Niko Resources Ltd.	2.13%
13 Jazz Air Income Fund	2.00%
14 Talisman Energy Inc.	1.44%
15 Legg Mason Inc.	1.35%
16 Neptune Technologies & Bioresources Inc.	1.35%
17 Shanghai Songrui Forestry Products Inc.	1.25%
18 Alaris Royalty Corp.	1.19%
19 Absolute Software Corp.	1.17%
20 Red Maple Energy Inc.	1.15%
21 Altria Group Inc.	0.93%
22 MKS Inc.	0.92%
23 Aeromechanical Services Ltd.	0.90%
24 Indigo Books & Music Inc.	0.88%
25 Zedi Inc.	0.88%
Top 25 Holdings	64.21%
Other Investments	4.58%
Cash	34.27%
Liabilities less other assets	-3.05%
Total Net Asset Value	100.00%

The total Net Asset Value of the Fund as at December 31, 2008 was \$2,199,381

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.