



Annual Financial Statements

Northern Rivers Conservative Growth Fund
December 31, 2009

AUDITORS' REPORT

To the Unitholders of
Northern Rivers Conservative Growth Fund

We have audited the statements of net assets of **Northern Rivers Conservative Growth Fund** (the "Fund") as at December 31, 2009 and 2008, the statements of operations and changes in net assets for the years then ended and the schedule of investments as at December 31, 2009. These financial statements are the responsibility of the Fund's Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Fund's Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 2009 and 2008, the results of its operations and the changes in net assets for the years then ended and the schedule of investments as at December 31, 2009 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 24, 2010.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Northern Rivers Conservative Growth Fund

Formed under the laws of Ontario

STATEMENT OF NET ASSETS

As at December 31

	2009	2008
	\$	\$
ASSETS		
Investments, at fair value	6,507,518	1,483,411
Cash and short-term investments	78,419	753,618
Accrued interest and dividends receivable	32,701	6,122
Receivable for portfolio securities sold	—	2,652
Receivable for units issued	100	10,500
Total assets	6,618,738	2,256,303
LIABILITIES		
Payable for portfolio securities purchased	6,518	75,638
Management fees payable <i>[note 5]</i>	8,781	3,372
Distributions payable to unitholders	13,200	—
Other accrued expenses <i>[note 6]</i>	28,535	7,316
Total liabilities	57,034	86,326
Total net assets	6,561,704	2,169,977
Total net assets per Series		
Series A	1,726,778	662,558
Series F	3,095,998	1,279,349
Series O	1,115,390	—
Series P	623,538	228,070
Number of units outstanding <i>[note 4]</i>		
Series A units	68,818	33,576
Series F units	122,467	64,979
Series O units	40,000	—
Series P units	24,650	11,547
Net assets per unit		
Series A	25.09	19.73
Series F	25.28	19.69
Series O	27.88	—
Series P	25.30	19.75

See accompanying notes

On behalf of the Manager:

"Victor Koloshuk"

Director

"Stephen Johnson"

Director

Northern Rivers Conservative Growth Fund

STATEMENT OF OPERATIONS

Year ended December 31

	2009	2008
	\$	\$
REVENUE		
Dividend income	135,683	22,743
Interest income	1,792	18,896
	<u>137,475</u>	<u>41,639</u>
EXPENSES [note 6]		
Management fees [note 5]	78,016	49,485
Audit fees	28,273	24,700
Unitholder reporting costs	27,327	12,586
Custody	16,780	6,229
Fund accounting	42,000	42,000
Other expenses	44,365	32,485
	<u>236,761</u>	<u>167,485</u>
Expenses absorbed by the Manager [note 6]	(118,371)	(109,528)
	<u>118,390</u>	<u>57,957</u>
Net investment income (loss)	<u>19,085</u>	<u>(16,318)</u>
Net realized and unrealized (loss) gain on investments		
Net realized gain (loss) on sale of investments	72,410	(180,602)
Net realized gain (loss) on foreign currency	(877)	1,678
Transaction costs on purchase and sale of investments [notes 2 and 7]	(19,099)	(13,436)
Change in unrealized appreciation (depreciation) of investments	1,255,631	(978,103)
Net realized and unrealized gain (loss) on investments	<u>1,308,065</u>	<u>(1,170,463)</u>
Increase (decrease) in net assets from operations	<u>1,327,150</u>	<u>(1,186,781)</u>
Increase (decrease) in net assets from operations per series		
Series A	362,745	(345,647)
Series F	701,222	(714,893)
Series O	128,584	—
Series P	134,599	(126,241)
Increase (decrease) in net assets from operations per unit		
Series A	6.43	(11.85)
Series F	6.51	(11.81)
Series O	3.22	—
Series P	6.61	(12.99)

See accompanying notes

Northern Rivers Conservative Growth Fund

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	2009				
	Series A	Series F	Series O	Series P	Total
	\$	\$	\$	\$	\$
Increase in net assets from operations	362,745	701,222	128,584	134,599	1,327,150
Distribution paid or payable to Unitholders					
Distributions paid or payable	—	—	(13,200)	—	(13,200)
Capital unit transactions [note 4]					
Proceeds from units issued	954,777	1,367,265	1,000,006	260,869	3,582,917
Amounts paid for units redeemed	(253,302)	(251,838)	—	—	(505,140)
	701,475	1,115,427	1,000,006	260,869	3,077,777
Increase (decrease) in net assets for the year	1,064,220	1,816,649	1,115,390	395,468	4,391,727
Net assets, beginning of year	662,558	1,279,349	—	228,070	2,169,977
Net assets, end of year	1,726,778	3,095,998	1,115,390	623,538	6,561,704

	2008				
	Series A	Series F	Series O	Series P	Total
	\$	\$	\$	\$	\$
Decrease in net assets from operations	(345,647)	(714,893)	—	(126,241)	(1,186,781)
Capital unit transactions [note 4]					
Proceeds from units issued	772,433	279,737	—	104,696	1,156,866
Amounts paid for units redeemed	(93,101)	(40,149)	—	—	(133,250)
	679,332	239,588	—	104,696	1,023,616
Increase (decrease) in net assets for the year	333,685	(475,305)	—	(21,545)	(163,165)
Net assets, beginning of year	328,873	1,754,654	—	249,615	2,333,142
Net assets, end of year	662,558	1,279,349	—	228,070	2,169,977

See accompanying notes

Northern Rivers Conservative Growth Fund

SCHEDULE OF INVESTMENTS

As at December 31, 2009

Number of shares		Average cost \$	Fair value \$
Canadian equities			
2,400	Absolute Software Corp.	9,819	12,600
25,925	Acasti Pharma Inc., Class 'A'*	152	5,185
25,925	Acasti Pharma Inc., Series '2', Warrants, 2010/11/17, \$0.40*	—	—
211,000	AeroMechanical Services Ltd.	112,810	107,610
320,000	AeroMechanical Services Ltd., 2010/03/20 **	160,000	151,736
32,500	AeroMechanical Services Ltd., Warrants, 2010/03/13, \$1.30	—	—
160,000	AeroMechanical Services Ltd., Warrants, 2011/05/20, \$0.75 **	—	3,100
14,200	Alaris Royalty Corp.	102,600	124,250
5,650	Alaris Royalty Corp., Warrants, 2011/10/22, \$7.50	—	13,387
39,000	Algonquin Power & Utilities Corp.	118,006	157,950
16,000	Amorfix Life Sciences Ltd.	16,957	9,120
3,000	Angle Energy Inc.	17,550	20,100
2,000	Barrick Gold Corp.	80,263	82,421
17,500	BCE Inc.	435,095	506,625
16,666	BE Resources Inc.	5,000	5,000
1,600	Brookfield Renewable Power Fund	24,027	30,560
8,500	Canadian Spirit Resources, Warrants, 2010/01/09, \$1.40	—	906
1,300	Capital Power Corp.	29,900	27,781
12,000	Cathay Forest Products Corp.	8,460	7,080
3,800	Centerra Gold Inc.	38,950	40,584
2,400	Cogeco Cable Inc.	74,328	83,808
32,000	Continental Precious Minerals Inc.	19,334	28,480
54,825	Daylight Resources Trust	485,750	557,570
13,000	Descartes Systems Group Inc. (The)	56,785	81,900
10,000	Digifonica International Inc., Warrants, 2010/02/07, \$2.80	—	—
10,100	Fort Chicago Energy Partners L.P.	71,344	100,697
1,500	Franco-Nevada Corp.	39,655	42,120
80,000	Gastem Inc.	39,677	37,600
17,000	Gastem Inc., Warrants, 2010/12/14, \$0.75	—	72
121,000	Horizon North Logistics Inc.	204,454	196,020
94,000	Iberian Minerals Corp.	49,942	45,120
6,000	Indigo Books & Music Inc.	74,546	92,040
2,800	Intact Financial Corp.	89,907	103,264
10,000	Jazz Air Income Fund	36,830	43,900
11,000	Just Energy Income Fund	122,115	158,400
2,726	Keyera Facilities Income Fund	45,034	66,351
1,700	Killam Properties Inc.	9,860	14,790
1,400	Magna International Inc., Class 'A'	73,570	74,452
8,100	Manulife Financial Corp.	153,900	156,330
3,600	MKS Inc.	18,468	35,676
116,000	Neptune Technologies & Bioresources Inc.	234,298	247,080
2,700	Niko Resources Ltd.	195,565	265,221
6,000	Northstar Healthcare Inc.	21,097	5,700
50	Parex Resources Inc.	150	203
1,900	Petrobank Energy & Resources Ltd.	69,084	96,957
3,000	Phoenix Technology Income Fund	22,500	24,600
18,300	ProMetic Life Sciences Inc.	6,792	3,477
240,000	Red Maple Energy Inc.*	62,200	—
2,500	Rocky Mountain Dealership Inc.	15,700	22,550
8,100	Rogers Communications Inc., Class 'B'	240,719	263,736
82,000	Sandstorm Resources Inc.	35,700	45,100
41,000	Sandstorm Resources Inc., Warrants, 2014/04/23, \$0.60	—	9,020
27,500	Shanghai Songrui Forestry Products Inc.*	27,500	27,500
13,750	Shanghai Songrui Forestry Products Inc., Warrants, 2010/06/07, \$1.50*	—	—
60,000	Southern Pacific Resource Corp., 2010/02/24 **	30,000	55,044
20,000	SSP Offshore Inc.	11,695	1,000
4,300	SXC Health Solutions Corp.	113,043	243,810

Northern Rivers Conservative Growth Fund

SCHEDULE OF INVESTMENTS cont'd

As at December 31, 2009

Number of shares		Average cost \$	Fair value \$
6,200	TMX Group Inc.	215,877	205,282
9,300	TransCanada Corp.	294,310	336,195
12,000	Vector Aerospace Corp.	76,200	72,720
222,950	VendTek Systems Inc.	140,432	111,475
298,950	Webtech Wireless Inc.	377,084	245,139
5,200	West Energy Ltd.	13,800	20,176
5,500	Western Wind Energy Corp., Warrants, 2010/06/20, \$3.70	—	—
400	WestJet Airlines Ltd.	7,160	4,936
5,400	Yellow Pages Income Fund	30,045	28,944
43,300	ZCL Composites Inc.	142,375	141,158
Total of Canadian equities - 86.89%		5,208,414	5,701,608
International equities			
1,100	Altria Group Inc.	43,541	22,625
3,100	Coca-Cola Co. (The)	164,952	185,146
8,500	Hecla Mining Co.	29,182	55,070
1,600	Hughes Communications Inc.	43,212	43,544
9,900	Philip Morris International Inc.	463,820	499,525
Total of international equities - 12.28%		744,707	805,910
Total of investments before short-term investments - 99.17%		5,953,121	6,507,518
Short-term investments			
76,867	CIBC Mellon Trust Demand Deposit, variable rate	76,867	76,867
Short-term investments - CDN \$		76,867	76,867
1,481	BNY Mellon Deposit, variable rate	1,569	1,552
Short-term investments - US \$		1,569	1,552
Total of short-term investments - 1.20%		78,436	78,419
Less transaction costs [note 2]		(12,457)	—
Total of investments - 100.37%		6,019,100	6,585,937
Liabilities less other assets (-0.37%)			(24,233)
Total net assets - 100.00%			6,561,704

* Private

** Restricted

The Fund's investment portfolio is concentrated in the following categories as at December 31:

	2009	2008
Cash and equivalents	1.20%	34.73%
Canadian equities	86.89%	57.99%
International equities	12.28%	10.37%
Liabilities less other assets	-0.37%	-3.09%
	100.00%	100.00%

See accompanying notes

Northern Rivers Conservative Growth Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. THE FUND

Northern Rivers Conservative Growth Fund [the "Fund"] was established as an open-ended unit trust under the laws of Ontario and is governed by a Declaration of Trust dated August 27, 2007.

Northern Rivers Capital Management Inc. [the "Manager"] is the manager, Trustee and promoter of the Fund.

On December 16, 2009, the Manager announced it had entered into a binding agreement, subject to regulatory approval, to be acquired by BluMont Capital Corporation ["BluMont Capital"], a wholly owned subsidiary of Integrated Asset Management Corporation. The transaction closed on February 23, 2010.

The Fund is authorized to issue an unlimited number of units and in an unlimited number of series. Series A units are offered to investors through registered brokers and dealers, with either a front-end or back-end load option. Series F units are offered to investors either directly through the Manager, or through fee-based brokers or financial planners and others who pay an annual fee to their dealer or financial advisor instead of transactional sales charges. Series O units are offered to investors either directly through the Manager, or through fee-based brokers or financial planners and others who pay an annual fee to their dealer or financial advisor instead of transactional sales charges. 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. Series P units are offered to investors through "discount brokers".

On April 30, 2009, Northern Rivers Evolution Fund (listed under "Terminating Fund" in the following table) merged into the Northern Rivers Conservative Growth Fund (listed under "Continuing Fund" in the following table). Unitholders of the Terminating Fund became unitholders of the Continuing Fund through the transfer of Net Assets of the Terminating Fund at fair value to the Continuing Fund in exchange for units of the Continuing Fund which were then distributed to unitholders of the Terminating Fund.

The Continuing Fund will continue as an open ended unit trust governed by the laws of Ontario.

The Net Asset Value acquired by the Continuing Fund and units issued are as follows:

Terminating Fund	Continuing Fund	Number of Units issued	Net Asset Value Acquired (\$)
Northern Rivers Evolution Fund	Northern Rivers Conservative Growth Fund	94,015	1,867,132
Series A	Series A	29,653	588,906
Series F	Series F	51,259	1,018,001
Series P	Series P	13,103	260,225

The financial statements for the Fund are prepared as at December 31, 2009 and December 31, 2008 and for the years ended December 31, 2009 and December 31, 2008 except for Series O which is for the period from the commencement of operations of the series on September 2, 2009 to December 31, 2009. The comparative financial information is the financial position, results of operation and changes in net assets of Northern Rivers Conservative Growth Fund.

Northern Rivers Conservative Growth Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements, prepared in accordance with Canadian generally accepted accounting principles ["GAAP"], include estimates and assumptions by management that affect the reported amounts of assets (including the fair valuation of private companies), liabilities, income, expenses and realized and unrealized gains and losses during the reporting period. Actual results may differ from these estimates.

The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3855, Financial Instruments – Recognition and Measurement ["Section 3855"], requires the fair value of financial instruments traded in active markets to be measured based on a securities bid price. The Canadian Securities Administrators allows investment funds to calculate the daily net asset value for the purpose of processing unitholder transactions ["Net Asset Value"] using fair value measures as defined in National Instrument 81-106 ["NI 81-106"]. The net asset value calculated in accordance with Section 3855 is referred to as "Net Assets" from hereon forward. The following is a summary of significant accounting policies followed by the Fund.

Investment valuation

Investments are categorized as held for trading in accordance with Section 3855. Investments traded on a public stock exchange are valued at their last bid prices on the valuation date. Securities with no available bid prices are valued at the last traded price. The value of any investment that is listed or traded on more than one stock exchange or that is actively traded on the over-the-counter market while being listed or traded on any stock exchange may be the market quotation which most accurately reflects the fair market value of the investment in question, as determined by the Manager. The value of investments which are traded on a public stock exchange, for which restrictions on marketability exist, will be valued at the Manager's estimate of fair market value which will not exceed the quoted market value. Investments which are not publicly traded or other assets for which no public market exists will be valued using valuation techniques as determined by the Manager. Short-term investments that consist only of overnight demand deposits are deemed to be held for trading and carried at fair value.

In accordance with NI 81-106, the Net Asset Value per unit compared to the Net Assets per unit, are required in the notes to the financial statements and presented in the following table:

Comparison of Net Assets per unit and Net Asset Value per unit

	As at December 31, 2009		As at December 31, 2008	
	Net Assets Per Unit (\$)	Net Asset Value Per Unit (\$)	Net Assets Per Unit (\$)	Net Asset Value Per Unit (\$)
Series A	25.09	25.25	19.73	20.00
Series F	25.28	25.44	19.69	19.96
Series O	27.88	28.06	—	—
Series P	25.30	25.45	19.75	20.02

Northern Rivers Conservative Growth Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

The investments in the Fund valued based on valuation techniques as at December 31, 2009 and December 31, 2008 as a percentage of the total investments of the Fund, are shown in the table below:

Investments valued based on valuation techniques as a percentage of total investments as at	
December 31, 2009	December 31, 2008
2.60%	2.90%

The difference between market value of investments and the total average cost or amortized cost of the investments represents the unrealized appreciation/(depreciation) in the value of investments. The period change in unrealized appreciation (depreciation) is included in the statement of operations.

Investment transactions, income and expenses

Investment transactions are accounted for as of the trade date. Interest income and expenses are accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated with reference to the average cost of the related investments, which exclude brokerage commissions and other trading expenses. Expenses are accrued on a daily basis, and are accrued separately to each series, while income, gains and losses are allocated to each series based on the respective Net Asset Values.

Transaction costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are included in "Transaction costs on the purchase and sale of investments" in the statement of operations for the current period.

Foreign currency translation

The market value of investments and other assets and liabilities denominated in a foreign currency is translated into Canadian dollars at the rate of exchange prevailing on each valuation date. Foreign exchange gains and losses on the sale of foreign currencies are included in "Net realized gain (loss) on foreign currency translation". Unrealized foreign exchange gains and losses on investments held are included in "Increase (decrease) in unrealized appreciation of investments".

The Fund's investment portfolios may consist of securities that are traded in foreign markets. The proceeds on the sale of such securities will be realized in the respective currency. Unhedged foreign currency positions are subject to gains and losses due to fluctuations in the respective exchange rates.

Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated into the reporting currency at the rate of exchange prevailing on the respective date of the transaction.

Other assets and liabilities

Other financial assets and financial liabilities recorded at cost are short-term in nature and therefore their carrying value approximates fair value.

Northern Rivers Conservative Growth Fund

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Increase (decrease) in net assets from investment operations per unit

The increase (decrease) in net assets from operations per unit reported in the statement of operations is calculated as the increase (decrease) in net assets from operations divided by the weighted average number of units outstanding during the period.

Adoption of New Accounting Policies

The Fund adopted the amendments to CICA Handbook Section 3862, "Financial Instruments – Disclosures" 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 did not impact the calculation of Net Asset Value, nor for the calculation of Net Assets. Refer to note 10 for a breakdown of the fair value hierarchy of the Fund.

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.

3. MANAGEMENT OF FINANCIAL RISKS

The Fund may be exposed to a variety of financial risks (market risk, credit risk and liquidity risk). The Fund's exposure to financial risks is concentrated in its investment holdings, including derivative instruments. The Schedule of Investments group securities by asset type, geographic region and/or market segment.

The Fund's risk management practices include the monitoring of compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing a professional and experienced portfolio advisor who regularly monitors the Fund's positions and market events, diversifies investment portfolios within the constraints of the investment guidelines and periodically may use derivatives to hedge certain risk exposures.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to honour its financial obligations that it has entered into with the Fund.

The fair value of debt securities and derivatives includes consideration of the creditworthiness of the issuer. The carrying amount of debt securities and derivatives, if any, as presented in the Fund's Schedule of Investments, represents the Fund's maximum credit risk exposure as at December 31, 2009. As at December 31, 2009 and 2008, the Fund had no significant investments in debt instruments (other than overnight demand deposits).

Northern Rivers Conservative Growth Fund

NOTES TO FINANCIAL STATEMENTS

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Liquidity risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price.

The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The units of the Fund are issued and redeemed on demand at the then current Net Asset Value per unit at the option of the unitholder. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed. In accordance with securities regulations, the Fund must maintain at least 90% of assets in liquid investments (i.e. investments that are traded in an active market and can be readily disposed). In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

The Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. Such investments are identified as private and restricted securities in the Schedule of Investments.

The Fund may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

Interest rate risk

Interest rate risk refers to the effect on the market value of the Fund's assets and liabilities due to fluctuations in interest rates. The Fund is exposed to the risk that the value of interest-bearing financial instruments (such as bonds and money market instruments) will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents, invested at short-term market interest rates. As at December 31, 2009 and 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing or invested at short-term market rates, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market conditions (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. All securities outlined in the Fund's Schedule of Investments present a risk of loss of capital.

The portfolio manager of the Fund moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments. The Fund's overall market positions are monitored on a daily basis by the portfolio manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The impact on Net Assets of the Fund due to a 5 percent change in benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at December 31, 2009, and December 31, 2008, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation.

Impact on Net Assets				
Benchmark	December 31, 2009		December 31, 2008	
S&P/TSX Total Return Index	\$ 193,684	3%	\$ 64,727	3%

Northern Rivers Conservative Growth Fund

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The historical correlation may not be representative of the future correlation, and accordingly the impact on Net Assets could be materially different.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. The Fund may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

The table below indicates the currencies to which the Fund had significant direct exposure as at December 31, 2009 and 2008, on its monetary and non-monetary assets and liabilities as well as the underlying principal amount of forward currency contracts, if any:

		Financial instruments* (\$)	Foreign exchange contracts (\$)	Total (\$)	Percent of total Net Assets (%)
2009	U.S. Dollar	889,883	—	889,883	13.6
2008	U.S. Dollar	283,100	—	283,100	13.1

*Amounts include monetary and non-monetary items.

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash and cash equivalents) as well as the underlying principal amounts of forward exchange contracts, if any. Other financial assets (including dividends and interest receivables and receivables for investments sold) and financial liabilities (including payables for investments purchased) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2009, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets could possibly have decreased or increased, respectively, by approximately \$44,000 [2008 - \$14,000] (approximately 0.7% [2008 - 0.6%] of total net assets). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

4. UNITHOLDERS' EQUITY

Units issued and outstanding represent the capital of the Fund. They are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The Statements of Changes in Net Assets identify changes in the Fund's capital during the period. In accordance with its investment objectives and strategies, and the risk management practices outlined in note 3, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

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Years ended December 31	Units Outstanding at Beginning of Period		Units Issued, including Reinvested Distributions		Units Redeemed		Units Outstanding at End of Period	
	2009	2008	2009	2008	2009	2008	2009	2008
Series A	33,576	10,364	46,861	27,235	(11,619)	(4,023)	68,818	33,576
Series F	64,979	56,009	68,554	10,570	(11,066)	(1,600)	122,467	64,979
Series O	—	—	40,000	—	—	—	40,000	—
Series P	11,547	7,922	13,103	3,625	—	—	24,650	11,547

5. MANAGEMENT OF THE FUND

The Fund pays annual management fees for general management and administrative services at a rate of 2.5% per annum to the Manager in respect of the Series A units, 1.5% per annum in respect of the Series F units, 0% in respect to Series O units and 1.75% per annum in respect to Series P units. The fee is calculated and accrued daily and payable monthly.

The Fund pays an incentive fee to the Manager equal to a percentage of the average net asset value of the applicable series of the Fund. Such percentage will be equal to 20% of the difference by which the return in the Net Asset Value per unit of the applicable series of the Fund from January 1 to December 31 exceeds the greater of 0% or the percentage return of the S&P/TSX Composite Total Return Index for the same period. If the performance of a series of the Fund in any year is less than the performance of the applicable index described above (the "Deficiency"), then no incentive fee will be payable in any subsequent year until the performance of the applicable series of the Fund, on

a cumulative basis calculated from the first of such subsequent years has exceeded the amount of the Deficiency. No incentive fees are paid in respect to Series O units.

Management fees and incentive fees paid by the Fund during the years ended December 31, 2009 and 2008 and payable by the Fund as at December 31, 2009 and 2008 are shown in the table below:

	Management fees incurred during the years ended: (\$)		Incentive fees incurred during the years ended: (\$)		Management fees payable as at: (\$)		Incentive fees payable as at: (\$)	
	Dec 31 2009	Dec 31 2008	Dec 31 2009	Dec 31 2008	Dec 31 2009	Dec 31 2008	Dec 31 2009	Dec 31 2008
Series A	32,537	19,986	—	—	3,776	1,387	—	—
Series F	37,225	24,893	—	—	4,059	1,642	—	—
Series P	8,254	4,606	—	—	946	343	—	—

Northern Rivers Conservative Growth Fund

NOTES TO FINANCIAL STATEMENTS

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6. EXPENSES

Operating expenses incurred by the Fund may include, but are not limited to, brokerage commissions and fees; taxes, including GST, income and foreign withholding taxes; regulatory fees (including the portion of the regulatory fees paid by the Manager that is attributable to the Fund); the fees paid to members of an independent review committee; registrar and transfer agency fees; bookkeeping, accounting, audit, valuation and legal fees and expenses; interest, operating and administrative costs; safekeeping and custodial fees; investor servicing costs and costs of Unitholder reports, financial statements, prospectuses and other reports; and any new fee that may be introduced by a securities regulator or other governmental authority in the future that is calculated based on the assets or other criteria of the Fund.

The Manager, at its discretion, may waive or absorb a portion of operating expenses otherwise payable by the Fund. These waivers or absorptions may be terminated at any time by the Manager, and at the Manager's discretion, may be continued indefinitely.

Operating costs payable by the Fund to the Manager as at December 31, 2009 were \$28,535 [2008 - \$7,316], and total expenses absorbed by the Manager on behalf of the Fund during the year ended December 31, 2009 were \$118,371 [2008 - \$109,528].

7. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

Brokerage commissions paid by the Fund during the year ended December 31, 2009 were \$19,099 [2008 - \$13,436].

The Manager may receive goods and services other than order execution from brokers in exchange for the commissions paid by the Fund to execute securities transactions ["soft dollars"]. There were no third-party services that were paid for by brokers during the years ended December 31, 2009 and 2008. The value of certain proprietary services provided by brokers is not considered to be reasonably estimable.

8. INCOME TAX STATUS

The Fund qualifies as a unit trust under the Income Tax Act (Canada). All or substantially all of the net income for tax purposes and sufficient capital gains realized in any year are distributed to unitholders such that no income tax is payable by the Fund.

As at the Fund's most recent tax year ended December 31, 2009, the available tax losses were as noted:

Capital losses (\$)	Non-capital losses (\$)	Non-capital losses that expire in:		
		2010 (\$)	2011 (\$)	2012 and thereafter (\$)
124,276	95,510	—	—	95,510

Northern Rivers Conservative Growth Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

9. RELATED PARTY TRANSACTIONS

Likrilyn Capital Corporation, the majority shareholder of the Manager, has invested capital in the Fund as at December 31, 2009 of \$665,907 [2008 - \$271,306].

10. FAIR VALUE HIERARCHY

The following is a summary of inputs used as of December 31, 2009 in valuing the Fund's investments carried at fair values:

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
Financial Assets	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Short-term investments	78,419	—	—	78,419
Equities	6,130,093	233,265	144,160	6,507,518

The following table shows the reconciliation of investments measured at fair value using unobservable inputs (Level 3) for the year ended December 31, 2009:

	Investments, at fair value (\$)
Balance as at December 31, 2008	64,820
Purchases	7,339
Sales	(12,600)
Net transfers	111,475
Gains (losses)	
Realized	2,100
Change in unrealized	(28,974)
Balance as at December 31, 2009	144,160

11. FUTURE ACCOUNTING CHANGES

The CICA Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises, including investment funds. The Fund will adopt IFRS on January 1, 2011. The Manager has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Fund's current

accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact. Management has presently determined that the impact of IFRS would be limited to additional note disclosures and modifications to the financial statement presentation. It is anticipated that there would be no significant impact to the Fund's Net Asset Value per unit as a result of the changeover to IFRS. However, this present determination is subject to changes resulting from the issuance of new standards or new interpretations of existing standards.

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12. SUBSEQUENT EVENTS

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 BluMont purchased all of the issued and outstanding shares of the Manager. BluMont amalgamated with the Manager on March 23, 2010.

Effective March 23rd, 2010, the trustee and manager of the Fund changed from the Manager to the amalgamated corporation, BluMont Capital Corporation.

Northern Rivers Capital Management Inc.

70 University Avenue, Suite 1200, PO Box 16, Toronto, ON M5J 2M4

Tel: 416-597-1226 [Canada Toll Free: 1-866-902-7060](tel:1-866-902-7060) Fax: 416-597-8926

www.NorthernRiversFunds.com

