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Dear Partners and Friends:

January saw falling equity markets, but a month in which our funds outperformed the broader indices. The Northern Rivers Global Energy Fund LP (Energy Fund) was up 1.51% in January and the Northern Rivers Conservative Growth Fund LP (Growth Fund) was down 2.34% for the month.

**Average Annual Returns to January 31, 2010\***

	2010 YTD	1 mo.	3 mo.	6 mo.	1 Yr.	3 Yr.	Inception**
<b>Northern Rivers Global Energy Fund LP</b>	1.51%	1.51%	13.27%	30.67%	39.15%	-7.17%	1.00%
<b>Northern Rivers Conservative Growth Fund LP</b>	-2.34%	-2.34%	6.24%	15.94%	25.56%	-9.94%	4.71%

\*\*Inception date: Nov. 1, 2005

**What happened in January?**

January was a poor start to 2010 for equity markets. Investors were spooked by a resurgence of concerns about the Chinese government tightening lending from government controlled banks, and the sustainability of many governments & consumers balance sheets. The equity markets turned down on these concerns after the strong rise of markets in the latter half of 2009.

Economic conditions globally continue to prove out that we are emerging from the deepest recession in the post war period. Initial signs appear to show that central banks and governments can now get back to managing on a medium to long term basis as opposed to the crisis management over the last year. The US Fed is giving initial signals that while they will continue to ensure the economic recovery continues, the easing of monetary policy is behind us.

**Outlook for the balance of 2010?**

Our outlook is unchanged from last month. The global economy should continue to recover along with corporate profits and the markets. 2010 should see markets generally rise, but security selection will be much more important than last year.

**Northern Rivers Global Energy Fund LP**

The Energy Fund had a good month, rising 1.51% in a difficult month for the markets. The positive performance in January was due to excellent stock selection with the majority of the Fund's stocks up in a down month. The best performance in the month came from top 10 holding, Xtreme Coil Drilling Corp, a new addition to the fund last year. Xtreme rose over 30% during the month. Xtreme Coil Drilling is a well managed, technology leader in the drilling industry. It is one of the few companies that focus on the revolutionary Coiled Tubing Drilling market. The company operates the

only rigs in the world that drill to very deep depths with coil tubing. Xtreme's technological advantage, combined with its experienced management and superior marketing team have allowed the company's drill rig fleet to operate at very high utilization levels during a time of drilling rig oversupply. This is a true testament to the superiority of Xtreme's business. The company has recently secured its first customer in the massive Saudi Arabian drilling market. This new business is potentially a first leg of new growth for the company going forward. Look for more good news to come from Xtreme in the coming year to drive the stock closer to its intrinsic value.

The oil markets pulled back modestly in January into the low \$70's, prompting the pullback in most energy equities. We continue to expect oil to trade in a \$65-85 range for the year.

The natural gas market continues to show signs of improving. January's cold weather saw some large storage draws from inventory, reducing the gas surplus plaguing the market over the last couple of years. However, the reality of excess storage and large increases in global LNG supply this year are likely to keep the gas price in a trading range as North America remains a global dumping spot during times of excess LNG supply.

We remain fully invested with the focus on identifying overlooked situations like Xtreme Drilling. The near term market is tricky as unknowledgeable investors are now chasing some overvalued stocks higher on speculation, but many undervalued situations remain. We are positioned very differently from the energy index, with relatively low natural gas exposure as most natural gas companies are overvalued today. Long positions are focused in oil, power and energy infrastructure areas and special situations. Short positions are focused primarily in the debt-levered high cost gas producers. We look forward to good returns to come as the market recognizes the value in the portfolio.

### **Northern Rivers Conservative Growth Fund LP**

The growth fund was down 2.34% during the month. Fund performance, while better than the broader markets, did reflect the general downdraft. Pretty well any stock without stock specific catalysts during the month fell on general profit taking. Encouragingly, roughly 30% of the portfolio was up during this down month in the markets. The highlight of the month came from our holding in ZCL Composites, which rose double digits during the month on the back of an accretive acquisition they recently made.

We are using the pullback we saw in some of our core positions in January to add to our holdings. The first pullback in the markets in months is providing a good opportunity to add to many of our undervalued holdings.

The fund maintains its balanced approach. No one sector represents more than 23% of the portfolio with the top sector weightings being energy at 23%, followed by technology at 18% and healthcare at 10%. We remain fully invested, with many undervalued situations that we believe have substantial appreciation potential.

### **February 26th Next LP Closing**

The next closing for the Northern Rivers Global Energy Fund LP, the Northern Rivers Conservative Growth Fund LP, the Northern Rivers Innovation Fund LP and the Northern Rivers Innovation RSP

Fund is February 26th, 2010. The Northern Rivers Conservative Growth Fund (mutual fund) offers daily valuations and is both RRSP and TFSA eligible.

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

Warmest regards,



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

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

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