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October 10, 2008

Dear Partners and Friends:

September was an absolutely awful month for all financial markets and for our funds as the U.S. and global banking and finance systems experienced increasing levels of freeze-up and stress. This has resulted in panic selling in capital markets as market participants increasingly focused on the recession now occurring in the economy, increased tightness in the debt markets, and the significant fall in equity prices. In this very difficult environment, the Northern Rivers Global Energy Fund LP (Energy Fund) was down 20.5% during the month, and the Northern Rivers Conservative Growth Fund LP (Growth Fund) was down 14.1%.

Average Annual Returns to September 30, 2008*

	2008 YTD	1 mo.	3 mo.	6 mo.	1 Yr.	2 Yr.	Inception**
Northern Rivers Global Energy Fund LP	-26.77%	-20.52%	-34.62%	-21.58%	-23.41%	2.78%	5.67%
Northern Rivers Conservative Growth Fund LP	-29.46%	-14.07%	-21.77%	-19.37%	-25.73%	-1.20%	8.61%

**Inception date: Nov. 1, 2005

Northern Rivers Global Energy Fund LP

The Energy Fund's negative return in September was primarily due to an acute pullback in both the general equity markets and energy equities. Oil dropped below \$100 for the first time since February and natural gas below \$7.25 for the first time since last December, driving fears of further declines. Evidence of a spreading recession, lower commodity prices, and continuing problems in the credit markets caused a massive amount of panic selling in September and early October. This carried over to the Energy Fund, where despite a cash position of over 10% and a selection of short positions, we too experienced a major pullback. It was a very frustrating month, where even though many of our holdings continued to display excellent underlying fundamentals and very attractive valuations (even after factoring in lower commodity prices), the market continues to indiscriminately punish almost everything as investors panic to raise cash levels.

Oil and gas prices dropped yet again in September on continuing concerns over demand destruction in Western economies. While the drop in oil prices to lower levels (but higher than 12 months ago) has not been that surprising, what has been puzzling is how quickly the equity market has put in place a very pessimistic assumption on much lower prices going forward, despite some contradicting data. Since mid June, the vast majority of energy stocks have fallen by over 50%

and most are trading at 52 week lows. What had started out as a minor correction, turned into a panic in September as some investors and funds have decided to leave the energy sector no matter what the cost.

The panic to get out of energy stocks is quite at odds with the long-term reality of an oil market at 86 million barrels daily consumption and still growing, albeit at a reduced rate compared to prior years. Meanwhile, we continue to have evidence of major producers having problems maintaining high levels of production. Russia, for example, has now experienced nine consecutive months of falling production; while in Mexico, the world's third largest oil field is now declining by over 10% per year. In the short-term, the slight excess of production to consumption is pushing prices lower and we expect oil to drop a bit further yet before it bottoms out and resumes its medium to long-term climb in price. The short-term pricing volatility has been huge and reflects the contrasting short and long-term factors which are affecting the market.

Natural gas also saw a further drop during the month to below \$7 on continued concerns about increasing production from a number of interesting shale gas projects being developed. While we share the concerns over increased production levels coming from shale gas projects, the reality is that many of these projects need high gas prices to be economically viable. With today's depressed gas price, we are starting to see the first intentions of cutting back gas directed drilling from some of North America's gas producers due to the poor economics below \$7. We expect to see gas have a bit more weakness in the short-term, but should the gas price dip below \$6, it is likely to be for only a short period, as too many projects in North America do not give positive economic returns at these levels.

So with the oil and gas commodity markets flat to slightly up from a year ago, why are the stocks down so much? The rapidness of the drop in energy equities is somewhat puzzling as it has been much more significant than the fundamentals dictated by commodity prices. While we expect commodity prices to drop further in the short-term, we believe that many of the better quality energy stocks will start to show positive returns going forward, as they are already factoring in substantially lower commodity prices than today. Should we see any stabilization in commodity prices, we will likely see a substantial rebound in energy shares.

Another significant factor being missed by the equity markets is the scarcity value of strategic oil and gas assets. It was just three short months ago that the world was engulfed in panic anticipating \$150 per barrel oil prices and supply pressures from the emerging middle class in China and India. This is still a reality over the medium to long-term and appreciated by the multinational oil goliaths, such as Exxon and Shell. These are companies with huge amounts of excess free cash flow that have a shortage of good re-investment opportunities due to much of the world's oil basins being in the hands of government owned oil companies. The present falling equity environment is likely causing a fair bit of excitement in the acquisition departments at these companies. We expect increased merger and acquisition activity to occur over the coming year as these large cash-rich buyers are more than happy to acquire unloved public companies with good assets. Just three months ago Royal Dutch Shell acquired Duvernay for \$5.9 billion or over

\$200,000 per flowing barrel per day of production. Today, we can find numerous stocks trading in the market at values more than 80% below this valuation. This illustrates one example of why we think the market has over-reacted on energy equities.

We lowered our overall gas weighting in the portfolio in view of our concern about weakness in the natural gas markets in North America, but we are maintaining exposure to select emerging tight gas opportunities that we believe will make big gains for the portfolio over the coming year, even in a lower gas price environment. We have trimmed our oil weighted holdings slightly until we see some stabilization in the oil markets. We are focusing our investments into specific names that will rebound strongly once oil prices stabilize. We continue to look for opportunities in the alternative plays in companies whose businesses benefit from the upshift in energy pricing that has occurred over the last five years. Finally, we continue to search for short opportunities in overvalued and over levered energy stocks.

The highlight of the month was the gains made in a few short positions we took against over-leveraged gas weighted companies. These gains were more than offset unfortunately, by almost universal pullbacks among all our long stock positions, as nothing in the energy sector escaped this month's selloff.

To summarize, the very bullish long-term drivers for the energy sector continue to be in place. Short-term, we have been hit by panic selling in the general markets but believe we are now setting up for a rally in the energy sector as most companies are trading at extremely depressed valuations. We think the outlook for the fund is compelling and look forward to good results to come in our energy squeezed world.

Northern Rivers Conservative Growth Fund LP

The Growth Fund was down 14.1% in September, as the overall panic selling overtook even our fundamentally strong portfolio of companies. Declines were nearly universal across portfolio positions as the market panic affected almost all companies, big or small. The one exception to the decline was a positive return from Teranet Income Fund, which was the subject of a hostile bid from a large pension fund. This is the second takeover offer that one of our positions has received in the last several months, and illustrates our stance that our portfolio positions are fundamentally undervalued but in the present market panic, are being overlooked.

Given the panic many investors are in to sell many of their portfolio holdings, we think it is worth repeating our discussion from last month regarding corporate acquisitions during times of market weakness. The offer to acquire Teranet at a large premium to the value the stock market was ascribing to it at the end of July is a good example of why we think the Growth Fund continues to be a compelling fund for investors to put their money into and why we continue to invest money in some stocks that have fallen in value in the past year. At the end of the day, any business has an intrinsic value that is dictated by its long-term free cash flow generation ability. We bought shares in Teranet for exactly this reason. The stock was trading at a substantial discount to its

intrinsic value, and we have added to our position over the past year. Our only frustration was that we were in the process of considering a further addition to the position in early August, before the stock started to rally.

The Teranet offer also illustrates another very important point. In the short-term, public markets can make huge mistakes in valuing companies as a result of many investors investing on the basis of emotion, rather than analysis. In the long-term, if the public markets do not recognize these undervalued opportunities, there is usually another company or private equity firm that will take a disciplined value approach and capitalize on it. It is for this very reason that we believe the Growth Fund and Energy Fund are more compelling investments today than at any other point in the past year; the portfolio holdings at the end of September appear to be as attractively valued as I have ever seen them.

While recessionary conditions over the coming year are likely to dampen growth for some of our portfolio holdings, we have chosen our investments for their superior businesses and strategies, which should be able to take advantage of the pressures put on their inferior competitors during a recession. Predicting exactly the stock price and earnings is very difficult in short-term periods, but with in-depth understanding of the businesses we are investing in, we are confident that we will be rewarded on our investments at some point in the medium term. Teranet, this month, and Saxon, last month, are two examples of companies in which we were invested for an extended period, but only recently realized some of the returns on our investment.

Economic and financial news in the papers and on the airwaves sounds very grim. Looking to history helps us to see that both the economy and markets will eventually come back. It is obvious that the financial system is in the midst of one of its bigger crises in history. September witnessed the disappearance of several more major U.S. brokerages and banks (Lehman, Washington Mutual, and Wachovia) and the world's largest insurance company, AIG, succumbed to substantial asset losses and has become largely owned by the U.S. Government.

The problems in the U.S. financial system have turned out to be deeper and more problematic than previously thought. Financial institutions have become increasingly wary of making any loans, which is a drag on GDP in the short term. The stock market has digested this information and reacted over the last month with one its biggest selloffs ever, resulting in most markets around the world now being down over 25% year to date. While we do expect more financial problems to occur and the economy to be in recession for the next year, we feel the vast majority of the downside has now been factored into the stock market. Importantly, the stock market tends to be a forward looking instrument and a year from now it is likely we will be looking at the first signs of recovery in the economy. The stock market should start to reflect this well before we get to next fall. So while we expect the economy to struggle over the coming year, we believe we will make good returns with our portfolio investments. Our portfolios are full of companies that we believe are substantially undervalued, based on the results we expect to see over the coming 12 to 24 months.

October 31 Next LP Closing

The next closing for the Northern Rivers Global Energy Fund LP and the Northern Rivers Conservative Growth Fund LP is October 31, 2008. As we mentioned last month we are also pleased to announce the re-opening of the Northern Rivers Innovation Fund LP, and its RSP eligible version remains open as well.

New Mutual Fund Services

Please also ask us about our recently launched Northern Rivers RRSP/RRIF and pre-authorized chequing plan for the Northern Rivers mutual funds. A pre-authorized chequing plan is a fantastic way of investing in the mutual funds, using dollar cost averaging to take advantage of market volatility. I personally enrolled in this service during September in order to help build my retirement nest egg. Please call our marketing and sales team for more information.

As always, my colleagues and I will make ourselves available for meetings with 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 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 month, 3 month, 6 month) or the historical annual compounded total returns (1 yr, 2 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.