# Rival North American Growth Fund LP
# Rival North American RRSP Growth Fund

Rival Capital Management Inc.

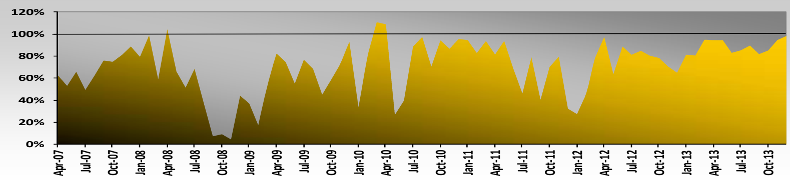
***Monthly Summary for December 2013***

## Monthly Performance (%) Net of All Fees

| Year | Fund | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | Rival North American Growth Fund | -0.66 | -4.01 | 2.57 | -1.89 | 3.42 | -0.32 | 4.33 | -2.90 | 3.03 | 1.53 | 0.18 | 2.07 | **7.21%** |
| 2012 | Rival North American Growth Fund | -0.22 | 0.20 | -2.52 | -0.36 | -5.80 | 0.67 | -0.35 | 0.12 | 3.57 | -0.57 | 0.45 | 2.93 | **-2.17%** |
| 2011 | Rival North American Growth Fund | -5.65 | 1.63 | -3.84 | -6.36 | -1.06 | -3.82 | 3.20 | -7.68 | -5.69 | 0.53 | -5.16 | -4.64 | **-32.87%** |
| 2010 | Rival North American Growth Fund | 0.34 | 1.73 | 0.57 | 0.94 | -4.09 | 1.10 | -2.94 | 0.63 | 9.70 | 2.98 | 5.93 | 7.68 | **26.47%** |
| 2009 | Rival North American Growth Fund | -3.51 | -1.03 | 1.94 | 3.40 | 7.65 | -1.89 | -2.24 | 1.06 | 8.94 | -1.39 | 0.97 | 3.75 | **18.19%** |
| 2008 | Rival North American Growth Fund | -5.56 | 6.15 | -5.99 | 1.83 | 9.10 | -0.17 | -6.67 | -2.03 | -5.39 | -0.27 | 0.68 | -0.71 | **-9.85%** |
| 2007 | Rival North American Growth Fund | | | | 3.83 | -0.17 | -0.46 | 2.52 | -2.16 | 2.99 | 3.40 | -3.55 | 1.76 | **8.18%** |

*Note: inception of the Rival North American RRSP Growth Fund was July 1, 2008; returns match those of the Rival North American Growth Fund since that date.*

## Leverage Statistics




| | |
|---|---|
| **Net Asset Value (Rival North American Growth Fund)** | **$10.26** |
| **Net Asset Value (Rival North American RRSP Growth Fund)** | **$9.08** |
| **Annualized return since inception (April 1, 2007)** | **0.39%** |
| **Performance since inception (April 1, 2007)** | **2.63%** |
| **Highest monthly return** | **9.70%** |
| **Lowest monthly return** | **-7.68%** |

Your fund was up 2.07% in December and 7.21% for 2013.

2013 was a choppy year for Canadian equities, with the S&P/TSX SmallCap Index up 7.60% on a total return basis. Our "Made in Canada" recovery rally did not play out to the extent that we had anticipated when we entered 2013. The S&P 500 beat the S&P/TSX Composite Index for a third consecutive year in 2013 and the outperformance margin was the widest since 1998. That said, there were a lot of positive takeaways in 2013 for your fund. December represented the fourth positive month in a row for the fund and closed out our best quarter of the year. We finished the year with good momentum and are very confident that your fund is well positioned to take advantage of what we believe will be another good year for North American equities.

Entering 2013, the consensus view was that equities would continue to under-perform other asset classes. As it turned out, the majority of investors were wrong. Very few predicted US market returns in excess of 25% particularly coupled with a 2% GDP growth rate. The question for investors in 2014, now becomes, what's next for North American equities? The consensus view as we enter 2014 is calling for mid to high single digit returns for equities. Our view is that, as 2013 was the year for economic surprises, debt ceiling debates, and Fed tapering comments, we believe that 2014 will be the year for positive earnings surprises. North American companies have never been healthier and over the course of 2013 the S&P 500 bottom-up earnings estimates have consistently moved lower (as they did in 2012!). We believe that this could lead to increasing earnings estimates as we progress through 2014, something we have not seen for several years. These increasing earnings expectations, even at current market multiples, could lead to double digit returns in 2014.

As many of our readers know, we have often referred to past behavior in the markets to anticipate what may lie ahead for equity investors. Last month we talked about the Santa Claus rally and its effect on the market and how it can be a good leading indicator for the year ahead. Despite US markets being very strong heading into this seasonal effect, it still played out as anticipated, indicating that 2014 could be another strong year for equity investors. The question now becomes, after such a strong large cap rally in the US, can we expect to see another good year for North American equities? If history is any indicator, then the answer is yes. Looking back at the last 11 times the S&P was up greater than 20%, the following year; the median return was 14%. Couple that statistic with the following positive fundamentals:

- increasing global GDP growth and global macro headwinds decreasing;
- monetary policies remaining supportive for equities;
- better than expected earnings from corporate America; and,
- continuing fund flows from under-performing bonds into equities.

We believe that this all points to what could be another year of positive returns for equity investors.

So what is our current positioning in order to benefit from this? With the Canadian dollar continuing to weaken we have tempered our enthusiasm towards Canadian equities and increased our US exposure in the last month. We are not totally abandoning Canada, however a significant four year level for the Canadian dollar was recently breached that leads us to believe that further downside to .90 cents (first stop) is now a concern. This will only put undue pressure on foreign investors in Canada. Pair this with continued pressure on the resource sectors and Canada becomes a slightly less attractive investment option. As we enter 2014 we continue to like the same sectors we emphasized in the fourth quarter of 2013. Small cap technology, both in Canada and the US continues to be our favorite place to put money. As well, with US 10 year Treasury rates around 3%, and most likely moving up to the 3.5% area as the year progresses, the outlook for US financials continues to be very positive due to increasing net interest margins. This area in particular, we believe will show the most significant earnings surprises in 2014. Industrial stocks also continue to be emphasized in the portfolio due to their leverage to an ever improving economy which we feel will continue in 2014. In Canada, we anticipate a stock pickers market once again.

The US recovery is currently broad based (both manufacturing and services) and well underway. US unemployment has consistently moved lower over the course of 2013 which is another major positive for the markets. Even though recent performance of the US markets may feel extended, by historical measures it is tracking past post war secular bull markets. We do not for a minute think North American markets are simply moving straight up, moreover increased volatility and a minor (5% to 10%) correction in the first quarter would not surprise us. The longer a bull market runs, the harder it is for the broader market to outperform. This benefits active management and strong stock selection which plays right into our process and discipline.

We are excited about 2014 and have a strong sense of optimism. We wish all of our clients and friends a very happy, healthy and prosperous New Year.

As always, we thank you for your continued support.

*Tony and Jim*

| Performance | 1 month | 3 month | 6 month | 1 year | YTD | 3 YR CAGR | 5 YR CAGR | Inception |
|---|---|---|---|---|---|---|---|---|
| **Rival North American Growth Fund** | 2.07% | 3.82% | 8.37% | 7.21% | 7.21% | -11.04% | 1.03% | 2.63% |
| **S&P/TSX SmallCap (Total Return)** | 2.71% | 6.89% | 15.40% | 7.60% | 7.60% | -4.20% | 14.04% | 0.62% |
| **S&P/TSX Composite (Total Return)** | 1.99% | 7.29% | 14.00% | 12.99% | 12.99% | 3.40% | 11.92% | 25.94% |
| **Rival North American RRSP Growth Fund** | 2.07% | 3.82% | 8.37% | 7.21% | 7.21% | -11.04% | 1.03% | -9.23% |
| **S&P/TSX SmallCap (Total Return)** | 2.71% | 6.89% | 15.40% | 7.60% | 7.60% | -4.20% | 14.04% | 5.55% |
| **S&P/TSX Composite (Total Return)** | 1.99% | 7.29% | 14.00% | 12.99% | 12.99% | 3.40% | 11.92% | 11.00% |

**Please Note**: Comparisons to benchmark returns are for informational purposes only. Fund results may vary significantly. All fund returns are net of fees.




Rival Capital Management Inc.
160 -99 Scurfield Boulevard, Winnipeg, MB R3Y 1Y1 Phone: 204-992-6210 Fax: 204-992-6215 Email: info@rivalcapital.ca Web: www.rivalcapital.ca
301—1205 West Hastings Street, Vancouver, BC, V6E 4T7 Phone: 778-373-9695 Email: jmcgovern@rivalcapital.ca