

**CANADA'S U.S. EQUITY
SPECIALIST**



2009 ANNUAL REPORT

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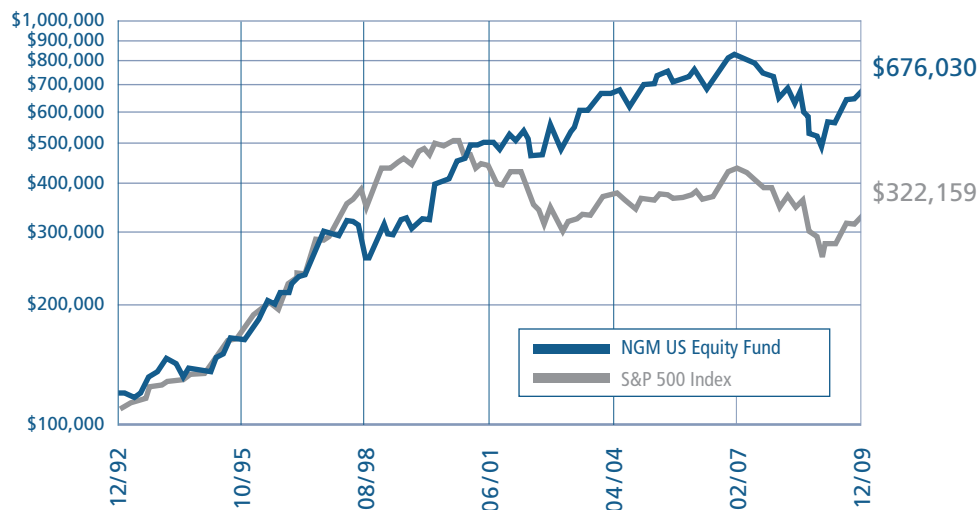
Our Focus is Growth

“The most important factor contributing to our good past record has been our 'growth at a reasonable price' investment philosophy.

The second is simply having a well-trained, motivated team of compatible people that practice the philosophy and continually put in their best effort at analysis and decision making.”

Rudy North

US Equity Fund since inception \$CDN



If you had invested \$100,000 CDN in the US Equity Fund from inception to December 31, 2009, your investment value would be \$676,030—more than double the return of the benchmark S&P 500 over the same time period.

Letter to Unit Holders

Dear Unit Holder,

It's nice to be able to say Happy New Year! That would have seemed too irreverent last year considering the pain and anxiety that investors were feeling. It's hard to know what to say when equities are down record amounts and all the news seems bleak. Just saying, "That is the way it always is nearing the bottom of a bear market" doesn't seem to help investors.

Last year, the best I could think of doing was to compare the 2008/09 bear market with previous bear markets, to give my take on the banking crisis, and to reinforce the appropriateness of our "growth at reasonable price" investment philosophy and our faith in stock analysis that is aimed at really knowing the businesses of the companies in which the Funds are invested. I concluded that the second worst market since the beginning of the 20th century was about to end—and it did.

March 2009 was a typical beginning of a new bull market even though the 2008/09 bear market was anything but typical. The banking crisis of 2008 had the potential to throw the world into a 1930s-type depression. Fortunately, the spreading collapse of the global financial system was stopped midstream by the strong team action of Paulson, Bernanke and Geithner; the Federal Reserve; and central banks and governments worldwide. Despite unbelievable confusion and stiff opposition, they saved the day. Further government stimulus was put in place and we are now seeing the first tentative signs of an economic recovery. We will go into details on our economic outlook and the attractiveness of US stocks later in this report.

2009 turned out to be a good year for both US equities and Canadian equities and both the US Fund and the Canadian Fund achieved performance that greatly exceeded the indices. Because of my personal attachment to the US market the rest of this message will make reference to the US Fund only. Comments on the Canadian Fund can be found on page 7 of this report.

The North Growth US Equity Fund was up 48.5% in US dollars versus the 26.5% gain of the S&P 500. Beating the market by 22% in a single year is a rare achievement for any fund; it is even more unusual for an equity fund as focused on value and quality as it is on above average earnings growth.

More importantly, the annualized rate of return for the decade ending December 31, 2009 was 11% in US dollars versus the -1% annualized rate of return for the S&P 500 over the same time period. These results make the North Growth US Equity Fund the top performing fund in its class in Canada over this time period, and place it within the top two percent of all the diversified US equity funds in North America ranked by Morningstar.com. Put another way, \$100,000 (CDN) invested in the Fund on December 31, 1999 would have grown to \$206,633 by December 31, 2009, whereas the same amount invested in the S&P 500 over that time period would have shrunk to \$66,195. This is impressive performance by any count—performance exceeding anything I've experienced in my 46-year career.

Our "growth at a reasonable price" investment philosophy is the reason we have historically delivered many exceptional years. Investors are obviously attracted to the Fund by good short term results but it should be equally obvious that periods of good short term growth are meaningless unless they add up to good longer term results. It is, however, a widely known fact that investors put too much weight on short term period performance of one or two years, and tend to have very little faith in a record of longer term performance. Unfortunately, this predisposition towards accepting current periods of strong growth and distrusting superior long term records is precisely why so many personal investors and large institutional investors such as pension funds and endowment funds fail to achieve acceptable long term returns from investing in equities.

Of course there is always the risk that a management group with historically good long term results will have one or two years of disappointing results and not recover to their historic pattern. It does happen but not nearly as often as feared. When it does happen there has most likely been a change in management philosophy or a change in key personnel. Serious investors should be able to figure out these types of developments.

There are very few times even a top manager can make these all important points about understanding performance records and be taken seriously by investors. When markets are weak and results are below expectations, any mention of the long term is assumed to be an apology for "disappointing" results and a sign of weakness. When markets are strong and a manager is getting exceptional

results the message will get a better reception but probably will also set up unrealistic expectations that should be downplayed by responsible managers. Ironically, it is the managers of funds with poor long term records who really hype good short term performance that set up investors not only with unrealistic expectations, but most often with poor longer term performance.

I really believe that this is the appropriate time to make these comments. What I am trying to emphasize is that the US Fund's latest 12-month performance is now strong enough that I can stress the exceptional long term performance of the Fund without appearing to duck the short term. The Fund's return to exceptionally strong performance confirms the validity of our investment philosophy and is close enough to a new upturn in equities that I don't have to worry about creating unreasonable expectations.

Since the bull market began 10 months ago, the value and growth potential of the companies held by the US Fund have finally gained recognition in the market. The whole process bears a striking resemblance to the way the market disregarded the good operating results and relative under-valuations of small- and mid-cap stocks while grossly overpriced large-cap technology stocks continued to be the market leadership right up to the peak of the market in early 2000. This time around, it is large-cap technology stocks that have very good company fundamentals and are the most attractively priced. The US Fund's strong relative recovery since the market turned around on March 9th is due to this sector of the market becoming the market leader. It is the type of fundamental change which most often happens at the beginning of a new bull market. We believe this development will dominate the current bull market.

As has been the case after past severe bear markets, many investors will remain disillusioned with the stock market and generally pessimistic about the outlook going forward. Looking back over results of the past five years only reinforces their concern. We are sympathetic to the feelings of these investors and their natural inclination to assume that the next decade will be a continuation of poor investment returns of the past decade. In reality there is nothing in the historical records that support this view. While the equity returns of the past decade were actually slightly worse than those of the 1930s, our current

economic problems have turned out to be nowhere near as severe as those during the Great Depression.

It is also interesting to note that, while equity returns including reinvested dividends for the decade of the '30s was down -0.1% per year, the S&P 500 Index bottomed out on June 1, 1932; and from that point to December 31, 1939, it achieved a total return of 311.5% despite some stressful short term setbacks. There has never been a second chance to catch a buying opportunity as good as the lows of 1932. In time the same will likely be true of the buying opportunity that 2009 afforded in the 21st century.

Happy New Bull Market!

Yours truly,

A handwritten signature in cursive script that reads "Rudy North". The signature is written in black ink and is positioned above a thin horizontal line.

Rudy North

Senior Portfolio Advisor, President & CEO

Performance Results

Average Annual Compound Rates of Return

It is virtually impossible to correctly judge a long term average rate of performance from looking at a series of annual results. One needs to have some sense of average

annual compound rates of return in order to make financial planning decisions and to compare alternative investments.

North Growth (NGM) Equity Funds and Market Indices

Annualized Rates of Return (%) for Periods Ending December 31, 2009

NGM US Equity Fund	1 yr	3 yrs	5 yrs	10 yrs	15 yrs	Since Inception*
US Equity Fund \$CDN	28.2	-5.8	0.1	7.5	11.2	11.7
S&P 500 \$CDN	9.1	-8.8	-2.2	-4.0	6.0	7.0
US Equity Fund \$US	48.5	-2.5	2.8	11.0	13.4	12.8
S&P 500 \$US	26.5	-5.6	0.4	-1.0	8.0	8.1
S&P 400 MidCap \$US	37.4	-1.8	3.3	6.4	11.7	11.5
S&P 600 SmallCap \$US	25.6	-4.8	1.4	6.4	9.8	10.3
NASDAQ Composite \$US†	45.4	-1.2	1.7	-5.1	7.6	8.3
NGM Canadian Equity Fund	1 yr	3 yrs	5 yrs	10 yrs	15 yrs	Since Inception**
CDN Equity Fund \$CDN	47.9	-11.2	-4.2		–	0.8
S&P/TSX \$CDN	35.1	-0.2	7.7		–	2.7

* NGM US Equity Fund Inception October 13, 1992

** NGM Canadian Equity Fund Inception September 1, 2000

† Return Since Inception and for the 15-year period for the NASDAQ is simple price appreciation only because Total Return data is not available on Bloomberg

Annual Rates of Return

This data gives you insight into the typical annual variations in investment results. Annual results explain how long term results come about and will reveal whether a record is dependent largely on earlier results, more recent results, or more ideally a balance of both. This data also shows that our outstanding long term results were not achieved by having stellar results in every single year. In equity investing, it should be noted that performance results will periodically fall below expected

or desired levels and this is why we emphasize the use of longer term results in the evaluation of performance. Furthermore, a year or more of exceptionally strong performance should not give rise to unreasonably high long term expectations. A superior long term record does not mean every year was (or will be) exceptional but it does mean that despite some years of low returns we have delivered on our mandate to provide superior long term results.

North Growth (NGM) Equity Funds and Market Indices

Annual Rates of Return (%) for Calendar Years

NGM US Equity Fund	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
US Equity Fund \$CDN	28.2	-26.7	-10.9	12.7	6.5	3.5	25.5	-2.0	12.9	43.4
S&P 500 \$CDN	9.1	-22.6	-10.3	16.0	1.5	2.8	5.8	-22.8	-6.4	-5.6
US Equity Fund \$US	48.5	-40.4	4.7	12.5	10.0	11.6	52.7	-1.1	6.2	38.0
S&P 500 \$US	26.5	-37.0	5.5	15.8	4.9	10.9	28.7	-22.1	-11.9	-9.1
S&P 400 MidCap \$US	37.4	-36.2	8.0	10.3	12.6	16.5	35.6	-14.5	-0.6	17.5
S&P 600 SmallCap \$US	25.6	-31.1	-0.3	15.1	7.7	22.7	38.8	-14.6	6.5	11.8
NASDAQ Composite \$US*	45.4	-40.0	10.7	10.4	2.1	9.2	50.8	-31.3	-20.8	-39.2
NGM Canadian Equity Fund	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
CDN Equity Fund \$CDN	47.9	-46.7	-11.1	8.8	5.8	5.4	17.0	-6.9	13.0	-
S&P/TSX \$CDN	35.1	-33.0	9.8	17.3	24.1	14.5	26.7	-12.4	-12.6	-

Source: Bloomberg, "Total Return Analysis"

NAVPS (US FUND): December 31, 2009 \$ 21.48 CDN

\$ 20.43 US

NAVPS (CANADIAN FUND): December 31, 2009 \$ 8.87 CDN

2009 Performance Review

The North Growth Family of Funds

NGM US Equity Fund

Following a tough 2008, 2009 was a good year for US equity markets. Despite a volatile start to the year when all the major indices declined significantly during the first two months, equities rallied strongly from March through December to finish off 2009 with positive returns. The S&P 500 Index gained 26.5%, while the S&P 400 MidCap and the S&P 600 SmallCap indices were up 37.4% and 25.6% respectively. The NASDAQ Composite outperformed the group, advancing 45.4%.

In 2009, the North Growth US Equity Fund appreciated 48.5%, outperforming all the major indices we follow. Due to the strengthening of the Canadian dollar against its US counterpart, the Fund gained only 28.2% in Canadian dollars versus the S&P 500 which was up 9.1%.

NGM Canadian Equity Fund

The Canadian Equity Fund's performance validated our optimism at the end of a dismal 2008 by delivering a gain of 47.9% compared to 35.1% for the S&P/TSX Index during 2009. Although the Fund holds Canadian corporations, it is important to consider currency impact on performance because many of the holdings have significant exposure to the US dollar. In 2008, the performance of those holdings was cushioned by a strong US dollar although it did not feel like it given how poorly the Fund performed. Contrasting to this year, their performance was much better than it appears because the weak US dollar detracted from their underlying return. We feel this strong performance partially reflects a recovery of losses

from previous years when the Fund's holdings were disproportionately punished. Despite this strong performance, many of the Fund's holdings are still meaningfully undervalued which speaks to how extremely cheap they became in 2008 and early 2009. Therefore we believe it is reasonable to expect continued strong performance as these companies deliver solid results and reflect more normal valuations.

Over the years we have highlighted the risks to commodities and this year is no exception—commodity prices have bounced strongly despite a significant imbalance in supply and demand. As we anticipated last

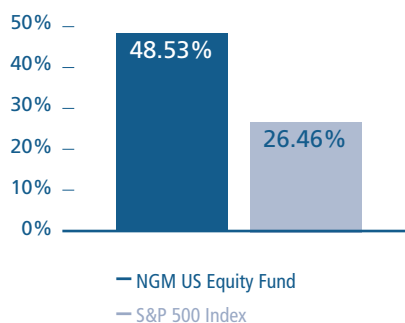
NGM Canadian Money Market Fund

The Money Market Fund's current yield at the end of 2009 was 0.07%, virtually zero and a drastic reduction from the 1.48% yield at the beginning of the year. As a result of the credit crisis in 2008, the Bank of Canada, along with other central banks around the globe, aggressively cut the overnight target rate, implementing an accommodative monetary policy. The Canadian overnight rate began 2009 at 1.50%. In January, the Bank reduced the target for the overnight rate by 50 basis points, or 0.50%, to 1.00%, and again in March, the rate was reduced by another 50 basis points to 0.50%. The Bank of Canada cut the rate further by 25 basis points in April to 0.25%, and left the overnight target

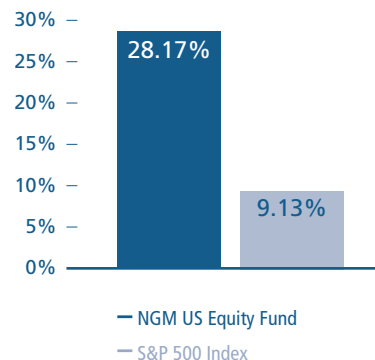
rate unchanged at that low level for the rest of the year.

Due to the short average maturities within the Money Market Fund of 30 days or less, the direction of the Fund's current yield corresponds closely with the direction in Canadian short term interest rates. North Growth Management consistently manages the portfolio to ensure high liquidity and we do not extend maturities in order to improve the yield. Historically, the Fund has generated very competitive yields due to its low management fee of 0.25%. However, as a result of the low rate environment that has emerged from the credit crisis, the Fund's yield is now below industry average as many money market funds in Canada cut their

1-Year Performance Comparison \$US

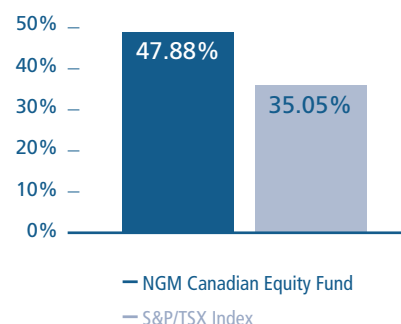


1-Year Performance Comparison \$CDN



year, demand for commodities remains weak and so the price run-up can be explained by investors who do not want to miss the next wave; however, demand growth is likely to be impeded as a result of behavioural changes in response to high prices. We continue to have concerns about the broader Canadian market and view the Canadian Equity Fund as a diversification vehicle compared to the typical Canadian portfolio with a high exposure to commodities which we feel are still overvalued.

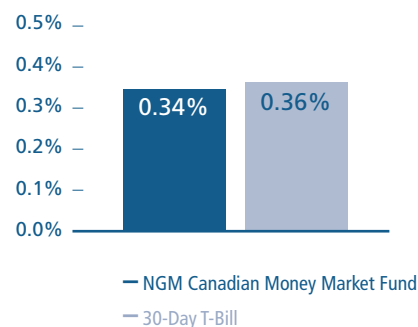
1-Year Performance Comparison



management fees and extended the maturities of their holdings to boost yields.

Certainly, the Money Market Fund's yield will rise in response to any future increase in the Bank of Canada's overnight rate; however, its yield may not become competitive again unless other money market funds begin to increase their management fees back to historic levels. In 2009, the Fund returned 0.34%, 2 basis points below the 0.36% return for 30-day Treasury Bills.

1-Year Performance Comparison



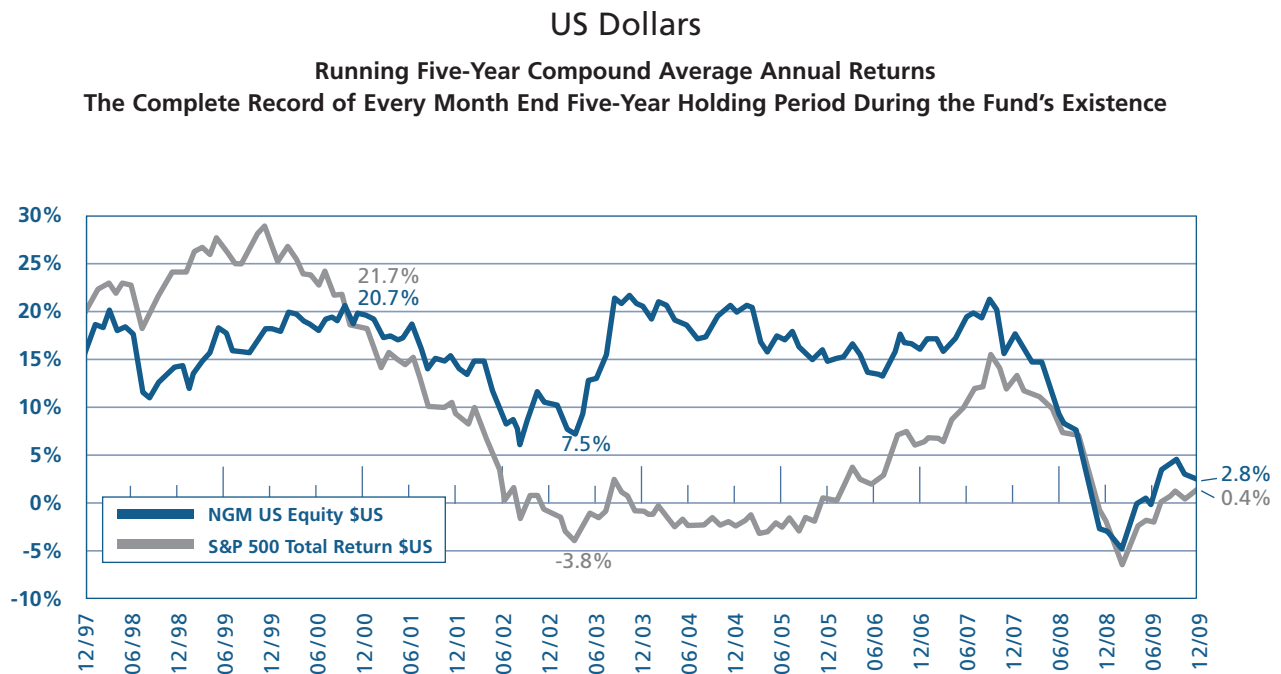
Running Five-Year Results

North Growth US Equity Fund Running Five-Year Results: Expressed in US Dollars

The Best Long Term Perspective of a Fund's Performance

We feel this is a measure that gives a particularly good long term perspective of a Fund's performance. Five years may be a longer period than many investors focus on, but it is the minimum meaningful period for evaluating performance. It presents longer term results in a way which are neither overly influenced by long past periods of good performance, nor by strong short term results (end date sensitivity).

The running five-year average return chart shown below effectively achieves this desired balance as it provides a complete record of the range of performance over all five-year holding periods. Moreover, looking at the complete series of consecutive five-year periods also gives a good insight into the range of five-year performance that has been typical over the long term.



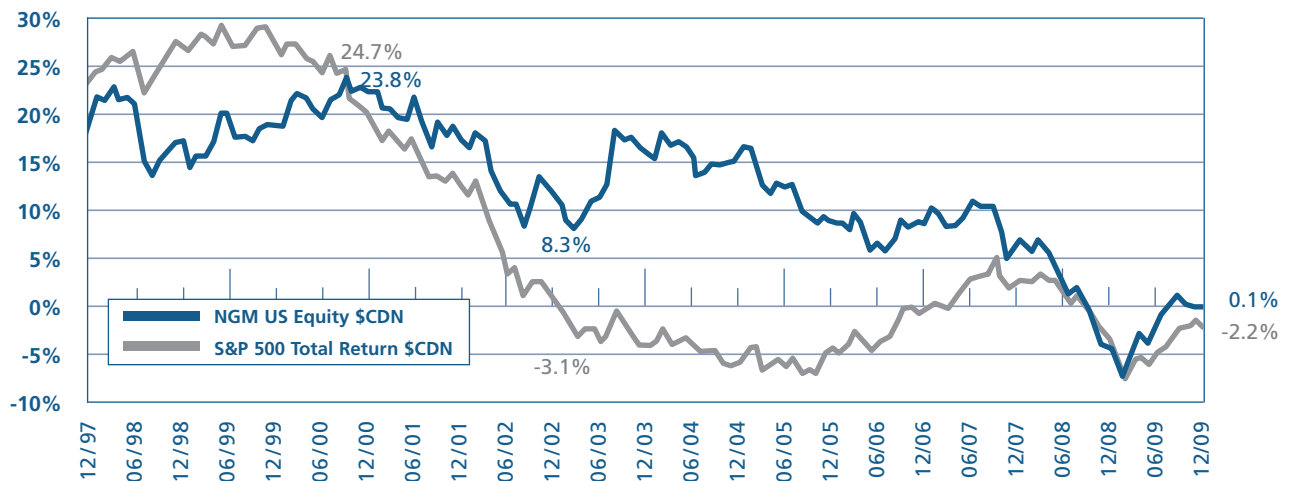
This chart shows the annualized compound returns for the preceding five years from any point in time over the life of the Fund. For example, for the five-year period ending December 31, 2009, the average annual compound return for the US Equity Fund in US dollars is 2.8%.

North Growth US Equity Fund Running Five-Year Results: Expressed in Canadian Dollars

As Canadian investors, it is important to understand the impact that foreign exchange volatility can have on Canadian dollar denominated returns from our foreign investments. Comparing the running five-year compound average annual returns for the North Growth US Equity Fund in both Canadian and US dollars should help investors better understand the currency impact. As of December 31, 2009 the Fund's five-year average

annual return in Canadian dollars was 0.1% versus 2.8% in US dollars. This 2.7% per annum difference is a bit wider than last year's 1.2% difference but is still significantly lower than the 10.4% per annum difference witnessed in 2007 when we stated our expectation for the Canadian dollar to trend down and the rolling five-year returns to begin to converge.

Canadian Dollars
Running Five-Year Compound Average Annual Returns
The Complete Record of Every Month End Five-Year Holding Period During the Fund's Existence



This chart shows the annualized compound returns for the preceding five years from any point in time over the life of the Fund. For example, for the five-year period ending December 31, 2009, the average annual compound return for the US Equity Fund in CDN dollars is 0.1%.

Management Fees

Investments for the Long Term –

North Growth Management offers in-house RRSP and RRIF accounts with no additional fees. The North Growth US Equity Fund, North Growth Canadian Equity Fund, and the North Growth Canadian Money Market Fund are all eligible investments.

Our clients are primarily high net worth individuals who use us to manage the long term growth component of their overall investment program. We emphasize the long term nature of an equity investment with us and suggest that anyone wanting to invest in our Funds should have at least a five-year time horizon in mind.

NGM US Equity Fund

All of North Growth's Funds have "all-inclusive" management fees. This means that each Fund's management fee is essentially equivalent to its MER or Management Expense Ratio (management fee plus other fund expenses). In 2009, the MER for the North Growth US Equity Fund was 1.20%. By comparison, the average MER for the US equity fund category was 2.57%, according to Globefund.com.

1.20%

NGM Canadian Equity Fund

In 2009, the MER for the North Growth Canadian Equity Fund was 1.25%. According to Globefund.com, the average MER for the Canadian equity fund category was 2.46%.

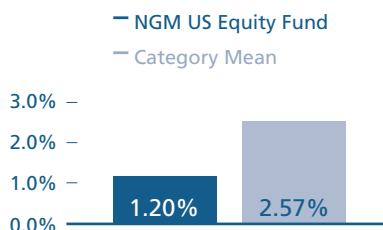
1.25%

NGM Canadian Money Market Fund

The Fund's 0.25% all-inclusive management fee has historically been among the lowest in Canada and compares very favourably to the 1.01% average MER for the Canadian money market fund category in 2009. However, as many money market funds cut their management fees and extended maturities during the year, the Fund underperformed the average of the Globe and Mail's Universe of Canadian money market funds by 0.06% in 2009.

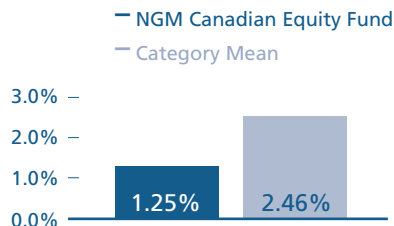
0.25%

NGM: 2009 MER
(Management Expense Ratio)
Comparison



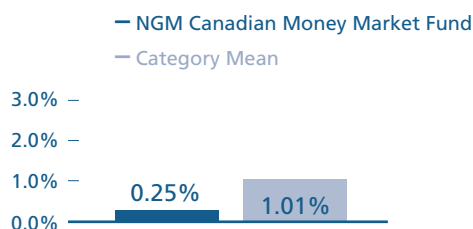
Source: Globefund.com (Dec 2009)

NGM: 2009 MER
(Management Expense Ratio)
Comparison



Source: Globefund.com (Dec 2009)

NGM: 2009 MER
(Management Expense Ratio)
Comparison



Source: Globefund.com (Dec 2009)

FAQs on Fees –

Q: Are there any other fees involved in investing in North Growth Funds?

No. Our Funds are no-load and we do not pay trailer fees.

Q: Are your management fees tax deductible?

Yes. We are often asked about the tax deductibility of our management fees. North Growth Management fees are tax deductible. The tax deduction occurs “at source”, which means that the T3 slip that you receive from us just after year-end already reflects the fee tax deduction.

Minimum Initial Purchase Amount –

The minimum initial investment for the North Growth US Equity Fund and the North Growth Canadian Equity Fund is \$150,000 CDN, corresponding with the minimum amount investment exemption from prospectus requirements contained in the National Instrument 45-106 (NI45-106).

Economic Commentary and Outlook for 2010

2009 began on a tumultuous note, with broad-based market declines in January and February as global economic activity contracted sharply following the bankruptcy of Lehman Brothers and subsequent seizure in the credit markets during the fall of 2008. By the second week of March, however, economic indicators in the US began to stabilize and consequently, the fear and panic that permeated the equity markets since the beginning of the year began to subside, setting the stage for a very strong rally. From the market lows on March 9th to December 31st, the S&P 500 climbed 67.9% resulting in a gain of 26.5% for the year.

During 2009, the US economy recovered steadily—GDP contracted 6.4% in the first quarter, improved meaningfully to decline only 0.7% in the second quarter, and expanded 2.2% in the third quarter. Most economists estimate that the US economy grew around 4.0% in the final quarter. The pace of manufacturing expansion picked up in the last five months of the year. Non-manufacturing activity also trended upwards for the better part of the year, reflecting higher than expected consumer spending and stabilization in the housing market.

Economic consensus is now for a slow growth environment in 2010, with concerns around the high 10% unemployment rate in the US. Although the unemployment rate has yet to decline meaningfully, several indicators point to improving employment. Corporate layoff announcements have declined sharply and initial unemployment claims have also fallen during the second half of 2009.

The US economy has entered into a business-led expansion. In reaction to the financial crisis in 2008, many companies cut capital spending, inventories, and employment too far. As the global economic recovery began to take hold, corporate earnings came in much better than expected due to companies' effective cost reduction efforts and higher worker productivity. With business conditions vastly improved from a year ago, capital spending is poised to rise as is hiring. Many companies have been indicating that demand is strengthening and consequently corporate sales and profits will continue to accelerate.

Moreover, monetary and fiscal policies in the US and around the world have been highly accommodative; clearly, in hindsight, the stimulative measures enacted by central banks and governments at the end of 2008 and

in 2009 prevented a global 1930s-style depression. The US Federal Reserve has maintained a target range for the federal funds rate at 0 to 0.25% for over a year. In addition, the Fed has employed other tools to support the credit markets and broad economy including numerous emergency lending programs and direct purchases of commercial paper and longer term securities.

Heading into 2010, the global credit crisis and associated recession are now of the past. Investor sentiment shifted from fear and panic early in 2009 to pessimism and skepticism around mid-year as the economic data began to improve. With mounting evidence of a global macro economic recovery underway, market consensus has now settled on slow economic growth in the coming year. The mood among investors appears to be neutral with some negative bias—there remains doubt as to whether or not the recovery is sustainable and mention of a double-dip recession has not ceased entirely.

By contrast, we are less cautious than the market consensus. New economic data indicates a more robust expansion than what is expected by the average investor, and given the improved competitive positioning of most US corporations following excessive cost cutting initiatives last year, corporate earnings will likely continue to surprise on the upside. We believe that stronger than expected company profits will be the primary driver of further gains for US equities in 2010.

Revisiting our outlook from last year, we espoused that a gradual economic recovery would begin in the latter half of 2009 and that the year would be the start of a new bull market. Rudy's vision was spot-on. For 2010, we look forward to continued appreciation in US equities as the global economic upturn accelerates, confidence returns to the markets, and most importantly, company earnings come in better than expected.

Chief Operating Officer's Message

In this report my colleagues cover the year that was, and provide our economic and market outlook. It should be evident to any regular reader of our reports that we attribute our investment success to our investment discipline and our focus on the long term. A key criterion we use to identify superior companies is the management team's ability and willingness to stay focused and to invest their company's financial resources to drive long term growth. Over the past few years at North Growth Management we have been investing heavily in a new build of our core back office systems to create a foundation to improve both our investment research process and ultimately client service. Although the bear market significantly reduced our revenue, we substantially increased our information technology spending during 2009 to complete the first phase of the project. Having completed the core functionality of the system, we are excited to have now commenced the build of a set of investment manager tools that should greatly enhance our investment research process. Later this year we anticipate moving on to work towards providing enhanced client reporting services.

Long term clients will notice a change in our annual report. The 2009 annual report was produced in-house in order get our information out to you in a more timely fashion. In past years we have been at the mercy of the auditor's and printer's timelines, and have not been able to relay our annual wrap-up to you until the end of February or beginning of March. Apart from being published in-house, the only material change to the report is that it does not include our audited fund financials—we will forward those as soon as the audit is complete, which Deloitte & Touche assures us will be mid-February.

Another major milestone for North Growth Management during 2009 was the launch of our first prospectus qualified fund. We believe that our industry leading investment results over the past decade have established North Growth Management as Canada's US Equity Specialist. To make our core competency available to more Canadians we launched the North Growth US Equity Advisor Fund on October 23, 2009. This prospectus qualified fund is now widely available through mutual fund dealers in most provinces with a low \$5,000 (CDN) minimum

investment. While this is a new fund, with no long term track record, astute investors should recognize that it is managed by the same management team and with the same investment mandate as our core non-prospectus North Growth US Equity Fund.

The North Growth US Equity Advisor Fund is a dual class Fund with the only difference between the classes being their fee structures. The F class units are primarily targeted to full service, fee-for-service broker accounts and have our traditional 1.20% all-in management fee. The D class units have a higher 1.70% all-in fee which includes a 0.50% trailer commission. The 0.50% trailer commission is half of the industry standard 1.0%, which appears to cause some push back from many full service brokers, but is ideally suited for discount brokerage accounts.

The new fund is suitable for investors who are unable to meet the \$150,000 (CDN) minimum investment for the North Growth US Equity Fund, who prefer to deal through their broker or advisor, or who wish to hold the fund in account types that we currently do not offer such as a TFSA or a locked-in pension plan. It is also suitable for investors who seek exposure to the large US equity universe, have an investment horizon of at least five years and have a moderate tolerance for risk. For a copy of the prospectus and annual information form, please contact your dealer or visit our website at www.northgrowth.com or SEDAR's website at www.sedar.com.

Yours truly,



Rory North, CFA
Lead Portfolio Manager, CFO & COO

North Growth US Equity Fund Portfolio

AS OF DECEMBER 31, 2009

Adobe Systems, Inc... is a leading provider of software for digital imaging, design, and document technology platforms for consumers, creative professionals, and enterprises. Adobe offers several key products including *Photoshop*, *Dreamweaver*, *LiveCycle*, *Acrobat*, *Flash* and *Creative Suite*.

American Eagle Outfitters, Inc... is a leading lifestyle retailer that designs, markets, and sells its own brand of casual clothing targeted at 15 to 25 year olds. Its collection includes modern basics like jeans, cargo pants, and graphic t-shirts as well as accessories, outerwear, and footwear. The company's newer store concepts include: *MARTIN + OSA*, which targets 28 to 40 year old women and men, and *erie*, which offers dormwear and intimates collections for the AE girl. Its latest online initiative, *77kids*, offers clothing and accessories for kids ages 2 to 10.

Apple, Inc... is a leading designer, manufacturer, and marketer of personal computers and related products, portable digital music and video players, and mobile communication devices. Some of its popular products include the *iMac*, *MacBook*, *Mac mini*, *iPod*, *AppleTV*, and *iPhone*. Its *iTunes* application is also very popular for downloading, playing and organizing digital audio and video files. The company's products are sold through its online stores, its retail stores, its direct sales force and third party wholesalers, resellers and value added resellers.

Applied Materials, Inc... is the world's largest supplier of products and services to the global semiconductor industry. The company develops, manufactures, markets, and services the processing and manufacturing equipment that helps semiconductor manufacturers produce the world's most advanced chips. The company also provides equipment to produce thin film transistor liquid crystal displays (LCDs) and supplies solutions to produce solar cells, flexible electronics, and energy efficient glass.

Boston Scientific Corporation... is a global medical device company that provides minimally-invasive products and services across several medical specialties including interventional cardiology, cardiac rhythm management, peripheral interventions, electrophysiology, neurovascular intervention, endoscopy, urology, gynaecology, and neuromodulation.

Bristol-Myers Squibb Company... is a global biopharmaceutical company. Its prescription drugs, which cover key areas in cardiovascular, virology, oncology,

immunoscience and psychiatric disorders, include: *Plavix* (for heart attacks and strokes), *Baraclude* (for hepatitis B), *Reyataz* (for HIV), *Sustiva* (for HIV), *Orencia* (for rheumatoid arthritis), *Sprycel* (for cancer), *Ixempra* (for breast cancer), *Avapro* (for hypertension), *Abilify* (for schizophrenia and bipolar disorders), *Onglyza* (for diabetes), and *Erbix* (for colorectal cancer). The company recently spun-off its remaining stake in Mead Johnson Nutrition.

Cerner Corporation... designs, develops, markets, installs, and supports information technology and content solutions for healthcare organizations and consumers. These solutions, which can be implemented as stand-alone, combined or enterprise-wide systems, are designed to supply the appropriate health information and knowledge to providers on a real-time basis. Cerner is among the largest healthcare information technology companies in the United States.

Cheesecake Factory, Inc... is a full-service dining concept that offers an extensive evolving menu of more than 200 menu items in an upscale, high-energy casual setting. Its second concept, *Grand Lux Café*, is an upscale, casual dining restaurant that offers unique American and international cuisine selections in an elegant but relaxed atmosphere. The company also operates *RockSugar Pan Asian Kitchen* and two bakery production facilities that produce over 40 varieties of cheesecakes and other baked products for its restaurants and other foodservice operators, retailers, and warehouse clubs.

Cisco Systems, Inc... is a leading provider of networking equipment and services. Its broad portfolio of products consists of routers and switches as well as solutions in advanced technologies which range from home networking and video systems to security and unified communications.

Citigroup, Inc... is a diversified financial services company with operations across the globe. The company provides a wide range of financial products and services and is organized into two major segments – Citicorp and Citi Holdings. Citicorp includes its regional consumer banking operations as well as its Transaction Services and Securities and Banking unit. The Citi Holdings segment consists of businesses and assets that are not core to the company's long term strategy and will be managed to optimize their value over time.

Citrix Systems, Inc... is a leading supplier of software and services that enable organizations to securely deploy and manage enterprise applications without regard to location, network connection, or type of client hardware platform.

DSP Group, Inc... is a fabless semiconductor company that provides a broad portfolio of chipset solutions that integrate DECT, Wi-Fi, PTSN and VoIP/CoIP technologies with application processors. These products enable converged voice, audio, video and data connectivity across diverse consumer products such as cordless and VoIP phones, home gateways and infotainment centers.

First Solar, Inc... designs and manufactures solar modules to convert sunlight into electricity using a proprietary thin film semiconductor technology. The company's use of the semiconductor material cadmium telluride differs from its silicon-based peers and has allowed it to achieve industry leading manufacturing cost advantages. The company has manufacturing sites in North America, Europe and Asia.

Flow International Corporation... develops and manufactures waterjet cutting and cleaning tools. Its products, which include ultrahigh-pressure water pumps that generate pressures from 40,000 to over 87,000 pounds per square inch (PSI), are sold in over 45 countries and are used by various industries including aerospace, automotive, stone and tile, job shop and industrial cleaning.

General Electric Company... is one of the largest and most diversified technology, media, and financial services companies in the world. The company's products and services range from aircraft engines, power generation, water processing and security technology to medical imaging, business and consumer financing, media content, and industrial products.

Goldman Sachs Group, Inc... is a leading global investment banking, securities, and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments, and high net worth individuals. Founded in 1869, it is one of the oldest and largest investment banking firms although it converted itself to a bank holding company in 2008. The firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong, and other major financial centers around the world.

Herman Miller, Inc... designs, manufactures, and distributes interior furnishings and provides related services primarily for workplace environments. Its products are mainly used in corporate offices, healthcare facilities, educational institutions, and residential settings. The company markets its products primarily through a dealer base of independent businesses in the U.S. and various countries around the world.

Intel Corporation... is the world's largest semiconductor chip maker whose major products include: microprocessors and chipsets for desktop PCs, notebooks, netbooks and servers; flash memory and embedded processors for wireless handsets; and other components for wireline communications applications.

Mesa Air Group, Inc... operates 130 aircraft with over 700 daily system departures to 127 cities in 39 states and Mexico. It operates as *Delta Connection*, *US Airways Express*, and *United Express* under contractual agreements with Delta Air Lines, US Airways, and United Airlines, respectively. Mesa also operates independently as *Mesa Airlines* and *go!*. In early January 2010, the company commenced a financial restructuring through the voluntary filing of petitions to reorganize under Chapter 11 of the US Bankruptcy Code.

Microsoft Corporation... is the largest software company in the world; it develops, manufactures, licenses, and sells a broad range of software, hardware and services. The company has a dominant franchise in desktop software through its *Windows* operating system and *Office* productivity suite. Its line of software products has expanded into related areas such as servers, the Internet, home entertainment, and embedded and mobile devices. Microsoft also makes the highly successful *Xbox* game console.

Nike, Inc... is the world's lead designer, marketer, and distributor of authentic athletic footwear, apparel, equipment, and accessories. Wholly-owned subsidiaries include *Converse* (athletic footwear, apparel and accessories), *Cole Haan* (luxury shoes, handbags, accessories and coats), *Hurley International LLC* (action sports, youth lifestyle footwear and apparel) and *Umbro* (athletic and casual footwear, apparel and equipment primarily for the sport of soccer). The company sells its products through various retail accounts, company-owned retail stores, and independent distributors and licensees.

Pier 1 Imports, Inc... is a specialty retailer of imported decorative home furnishings, dining and kitchen goods, bath and bedding accessories, and gifts. The company currently operates more than 1,000 stores in North America.

Pfizer, Inc... is one of the world's largest research-based pharmaceutical companies with key franchises in cardiology, central nervous system, anti-infectives, arthritis, urology, oncology, and ophthalmology. Its Animal Health division, one of the largest in the world, develops and sells products for the prevention and treatment of diseases in livestock and companion animals. The company recently acquired Wyeth which specializes in vaccines, biologics, inflammation, neuroscience, oncology and infection disease. Wyeth also has businesses in animal health, consumer healthcare and nutritional products.

Precision Castparts Corporation... is a manufacturer of complex metal components and products and provides high quality investment castings, forgings, fasteners and fastener systems for a wide variety of industrial, power generation and aerospace applications.

Safeway, Inc... is one of the largest North American food and drug retailers with over 1,700 stores throughout the U.S. and Canada. Stores operate under the *Safeway*, *Dominick's*, *Vons*, *Randall's*, *Tom Thumb*, *Carrs*, and *Genuardi* names.

St. Jude Medical, Inc... develops, manufactures and distributes medical devices with an emphasis on cardiovascular products and services. St. Jude Medical has four major focus areas that include cardiac rhythm management, atrial fibrillation, cardiovascular, and neuromodulation. The company's products are sold in more than 100 countries and include implantable cardioverter defibrillators (ICDs), cardiac resynchronization therapy (CRT) devices, pacemakers, electrophysiology catheters, mapping and visualization systems, vascular closure devices, heart valve replacement and repair products, and neurostimulation devices.

Sybase, Inc... is a global enterprise software company that offers data management and mobility solutions. Its products and services allow for the distribution, analysis, and management of enterprise information to the end user regardless of platform, device or network. The company serves the public sector as well as industries including financial services, telecommunications, and health care.

Texas Instruments, Inc... is a global semiconductor company and the world's leading designer and supplier of DSP (digital signal processing) and analog solutions – the engines driving the digitization of electronics. The company continues to invest in the latest production technologies and is positioned to benefit from growth in its end markets as digital devices become more sophisticated and abundant. Texas Instruments is also a leading supplier of handheld graphing and scientific calculators.

"We believe that key market transitions across collaboration, virtualization and video will drive productivity and growth in network loads for the next decade, and are evolving even faster than expected."

Cisco Systems Inc.

Nov 04, 2009 Chief Executive Officer John Chambers

Varian Medical Systems, Inc... is the world's leading manufacturer of medical devices and software for treating cancer and other medical conditions with radiotherapy, radiosurgery, proton therapy and brachytherapy. The company supplies informatics software for managing comprehensive cancer clinics, radiotherapy centers and medical oncology practices. Varian is a premier supplier of tubes and digital detectors for X-ray imaging in medical, scientific and industrial applications and also supplies X-ray imaging products for cargo screening and industrial inspection.

Wal-Mart, Inc... is the largest retailer in the world and offers a broad assortment of merchandise and services that range from consumables, apparel, electronics, housewares, hardware, small appliances stationary, shoes, toys, and jewellery to pharmaceuticals and photo processing services at every day low prices. The company operates various retail formats around the world which include discount stores and supercenters (*Wal-Mart*), warehouse clubs (*Sam's Club*), and supermarkets (*Neighborhood Markets*).

Wellpoint, Inc... provides health care benefits to approximately 35 million medical members through its licensed *Blue Cross* or *Blue Cross Blue Shield* operations in 14 states and through *Unicare*, for its non-Blue branded operations, in other states. The company offers a broad portfolio of integrated health care plans and services, along with a wide range of specialty products such as life and disability insurance benefits, dental, vision, behavioral health benefit services, and long-term care insurance and flexible spending accounts. The company is active in the commercial market as well as the government Medicare, Medicaid, and Federal Employee programs.

Zimmer Holdings, Inc... designs, manufactures and markets orthopaedic reconstructive, spinal and trauma devices, dental implants and related surgical products. Its products are sold in more than 100 countries and are sold directly to health care institutions, distributors, and dental facilities.

Top 10 Holdings (%)

1. Apple Inc.	10.15
2. Cisco Systems Inc.	9.76
3. Bristol-Myer Squibb Co.	5.23
4. Microsoft Corporation	5.21
5. Intel Corporation	5.05
6. Citrix Systems Inc.	4.30
7. Sybase Inc.	4.09
8. Pfizer Inc.	3.95
9. Texas Instruments Inc.	3.88
10. Applied Materials Inc.	3.81

Sector Mix (%)

Technology	53.0
Healthcare	20.4
Retail	10.3
Capital Goods	7.9
Consumer Cyclical	3.5
Consumer Durables	2.3
Financial	1.3
Energy	1.1
Other Net Assets	0.3

North Growth Canadian Equity Fund Portfolio

AS OF DECEMBER 31, 2009

Angiotech Pharmaceuticals, Inc... is a specialty pharmaceutical and medical device company that discovers, develops, and markets innovative technologies and medical products primarily for local diseases or for complications associated with medical device implants, surgical interventions, and acute injury. The company continues to expand its products portfolio and has a number of new products in its pipeline.

ATS Automation Tooling Systems, Inc... is a world-leading industrial automation company dedicated to designing and manufacturing advanced factory automation systems, custom or standard automation equipment, turn-key assembly machinery, as well as high-volume precision components, sub-assemblies, solar cells, and solar modules. ATS provides services to companies in industries such as energy, medical, consumer, automotive, computer, and electrical.

Azure Dynamics Corporation... is a world leader in the development and production of hybrid electric and electric components and powertrain systems for commercial vehicles. Azure is strategically targeting the commercial delivery vehicle and shuttle bus markets and is currently working internationally with various partners and customers including Ford, Johnson Controls-Saft, Purolator, Federal Express, and the US Postal Service.

Ballard Power Systems, Inc... is recognized as the world leader in the design, development, and manufacture of zero-emission proton exchange membrane (PEM) fuel cells for automobiles, materials handling vehicles such as forklifts, and stationary power generation.

Biovail Corporation... is a specialty pharmaceutical company engaged in the development, manufacture, and commercialization of pharmaceutical products. The company continues to build out its focus on medicines that address unmet medical needs in the central nervous system niche.

Bombardier, Inc... is a world-leading manufacturer of innovative transportation solutions such as regional jets, business jets, and rail transportation equipment.

CAE, Inc... is a world leader in providing simulation and modelling technologies and integrated training solutions for the civil aviation industry and defense forces around the globe.

Celestica, Inc... is a global electronics manufacturing services company whose solutions span the entire product lifecycle – from design to supply chain management and aftermarket support. The company has a diverse customer base from industries such as enterprise, communications, consumer, aerospace and defense, industrial, alternative energy, and healthcare.

COM DEV International, Ltd... is a leading global designer and manufacturer of space hardware subsystems. With facilities in Canada, the United Kingdom and the United States, the company manufactures advanced products and subsystems that are sold to major satellite prime contractors for use in communications, space science, remote sensing and military satellites. Through its subsidiary, *exactEarth*, the company is developing a global space-based Automatic Identification System for marine traffic for government and commercial purposes.

Day4 Energy, Inc... is a Vancouver-based manufacturer of solar modules whose patented Day4® Electrode technology improves the performance and life of the modules without increasing cost.

Dorel Industries, Inc... is a global manufacturer of consumer products. The company operates in three business segments: Juvenile, Home Furnishings, and Recreational/Leisure. Some of Dorel's brand names are *Cosco*, *Safety 1st*, *Maxi-Cosy*, *Ameriwood*, *Ridgewood*, *Cannondale*, *Sugoi*, *Schwinn*, *GT Bicycle*, and *Mongoose*.

EXFO Electro-Optical Engineering, Inc... is a recognized test and measurement expert in the global telecommunications industry. The company offers a full suite of test solutions and monitoring systems to network service providers, cable TV operators, telecom system vendors, and component manufacturers in approximately 70 countries.

Gennum Corporation... is a designer of innovative semiconductor solutions and intellectual property (IP) cores for the world's most advanced consumer connectivity, enterprise, video broadcast, and data communications products.

GSI Group, Inc... supplies precision motion products, lasers, and laser systems that are used to boost efficiency and productivity for manufacturers in the global medical, semiconductor, electronics, and industrial markets. The company filed for Chapter 11 bankruptcy to restructure its debt despite not having missed payments; management has a plan in place, however, that enables shareholders to maintain some ownership of the company.

Jean Coutu Group (PJC), Inc... operates a network of 362 franchised drugstores in Canada located in Quebec, New Brunswick and Ontario and employs more than 17,000 people. The company holds a significant interest in Rite Aid Corporation, a leading US drugstore chain with approximately 4,800 drugstores in 31 states and the District of Columbia.

MacDonald, Dettwiler & Associates, Ltd... designed and built the *Canadarm* and is a world leader in information and technology. Its Information Systems group provides mission critical information systems for robotics, defense, and satellites. Its Information Products group delivers land-related products and services concerning legal, asset, and geographic information.

Miranda Technologies, Inc... develops, manufactures and markets high-performance hardware and software for the television broadcast industry. Its solutions are purchased by content creators, broadcasters, specialty channels, and television service providers to enable and enhance the transition to a complex multi-channel digital and HD broadcast environment.

QLT, Inc... is a pharmaceutical company dedicated to the development and commercialization of innovative therapies for the eye. The company is focused on its commercial product *Visudyne* for the treatment of wet AMD (age-related macular degeneration), and the development of drugs to be delivered in its proprietary punctal plug devices.

Research in Motion, Ltd... is the designer and manufacturer of the iconic *BlackBerry* smartphone which is in use by over 36 million people around the world.

"Today marked a major achievement for the CSeries aircraft program as Bombardier Aerospace celebrated the groundbreaking of the first CSeries aircraft building in Quebec.... Flight control systems, avionics, electrical and environmental controls will be tested one year ahead of the actual flight test program."

Bombardier, Inc.

Sep 15, 2009 Press Release

Sandvine Corporation... is focused on protecting and improving the quality of experience on the Internet. The company's award-winning network solutions help network operators better understand network traffic, increase customer satisfaction, mitigate the proliferation of malicious traffic, manage network congestion, and prioritize the delivery of multimedia services while maintaining a high quality of service.

Saputo, Inc... is Canada's largest dairy processor and snack cake manufacturer as well as Argentina's third largest dairy processor. Saputo also has a growing presence as a cheese producer in the United States. The company's products include brand names such as *Saputo*, *Armstrong*, and *Dairyland*.

Sierra Wireless, Inc... is a leader in developing innovative broadband wireless data technology for access through cellular networks. The company offers a broad product line including the *AirCard* line of wireless modems, embedded modules that are built into laptops and other devices such as point of sale devices, and rugged modems for vehicle-mounted connectivity solutions. The company has made considerable progress in integrating Wavecom, a European-based provider of wireless technology for machine to machine communication.

TELUS Corporation... is a leading Canadian telecommunications company that provides wireline, wireless, internet, entertainment and video services.

WestJet Airlines, Ltd... is Canada's leading low-cost airline offering scheduled service throughout its growing North American and Caribbean network. The company strives to be the number one choice for travelers by operating a modern fleet of Boeing Next-Generation 737 aircraft with increased legroom and leather seats as well as live seatback television provided by *Bell TV*.

Zarlink Semiconductor, Inc... delivers semiconductor solutions that drive the capabilities of voice, enterprise, broadband, and wireless communications. The company's success is built on its technology strengths in voice and data networks, optoelectronics, and ultra low-power communications for medical devices.

Top 10 Holdings (%)

1. Zarlink Semiconductor Inc.	8.53
2. Bombardier Inc., Class B	7.23
3. WestJet Airlines Ltd.	6.40
4. Dorel Industries Inc., Class B	6.00
5. ATS Automation Tooling Systems Inc.	5.87
6. Sierra Wireless Inc.	5.84
7. EXFO Electro-Optical Engineering Inc.	5.51
8. QLT Inc.	5.48
9. Biovail Corporation	5.42
10. Gennum Corporation	4.98

Sector Mix (%)

Technology	48.0
Healthcare	14.9
Industrials	10.3
Transportation	6.4
Consumer Products	6.3
Consumer Durables	6.0
Capital Goods	5.9
Communications & Media	1.8
Other Net Assets	0.4

Investing with North Growth Management

Investment Management Services

Our primary products are our equity funds; the North Growth US Equity Fund and the North Growth Canadian Equity Fund. We provide a high quality money market fund for the liquidity needs of our clients. In-house RRSP/RRIFs are also available. We would be happy to discuss the role our Funds could play in your investment portfolio.

Distributions

The North Growth US Equity Fund and the North Growth Canadian Equity Fund make distributions of capital gains and/or income if there is any to distribute on December 15th of the year. The amount is announced in the November monthly report and, if there is a distribution, the T3 is sent out early in the new year. Please note that if there is a distribution it will be reflected in the unit price on the first business day after December 15th.

On December 15, 2009 the North Growth US Equity Fund distributed 2 cents of income per unit. There was no distribution from the North Growth Canadian Equity Fund.

Conducting Transactions

The cut-off time for same-day transactions is 4pm Eastern time / 1pm Pacific time. Orders received after that time will be processed on the next business day. Cheques must be made payable to **RBC Dexia Investor Services Trust**. For security reasons, instructions can only be accepted by mail or by fax to:

North Growth Management Ltd.
Suite 830, One Bentall Centre
505 Burrard Street, Box 56
Vancouver, BC V7X 1M4

Fax: 604 688 5402

www.northgrowth.com

Please visit our website to view Fund performance and current Fund reports.



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2009 ANNUAL REPORT

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