

December was a mixed month for US equities with the S&P 500 Index gaining 1.4% while the rest of the indices we follow posted modest declines, lead by the NASDAQ Composite's 0.6% decline. The North Growth US Equity Fund posted a modest 0.2% gain for the month. The Canadian dollar fell again increasing the Fund's monthly results in Canadian dollars to 2.3% versus 3.5% for the S&P 500. For the calendar year, in US dollars, the Fund gained 12.5% versus 15.8% for the S&P 500. The second half swoon of the Canadian dollar was sufficient to more than offset its gains in the first half of the year and, as a result, for the first time since 2001, Canadian dollar denominated results for US equities were greater than US dollar results.

The North Growth Canadian Equity Fund finished off a mediocre year with a flourish, gaining 4.7% during December versus 1.5% for the S&P/TSX Composite Index. For the year, the Canadian Fund gained 8.8%, well behind the 17.3% gains posted by the Index. The financial, energy and materials sectors represent 75% of the S&P/TSX Composite Index. We consider this to be an excessive degree of concentration particularly when you consider the homogeneous risk exposure within each sector. The Fund does not have any exposure to these overvalued sectors. During 2006 it was the lack of exposure to materials and financials that resulted in the Fund's underperformance while not having energy exposure actually enhanced returns. Going forward, we believe the absence of the aforementioned sectors in the Canadian Fund will likely be as important to the Fund's relative performance as the returns from the Fund's individual holdings.

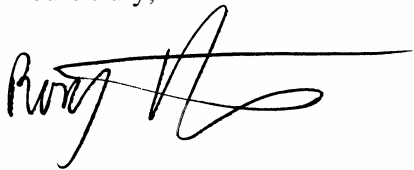
The end of 2006 marked the end of the US Fund's run of consecutive calendar years of outperformance versus the S&P 500. Our record holds at last year's level of 6 years in a row. Although we did not beat the market last year, we did deliver solid absolute performance. When we compare results of the Fund versus the market over the past 7 years we see that the Fund's performance over that period has been exceptional, with a compound average annual return of 17.3% versus only 1.1% for the S&P 500.

Going into 2006, the consensus view was that the Canadian dollar would continue to climb throughout 2006. Since late 2004, we have maintained a dissenting opinion that the Canadian dollar is trading at something close to fair value. We anticipated a high degree of short term volatility in the exchange rate with very little overall changes. Last year this proved to be a very accurate call. With improving US macroeconomic fundamentals and an increased likelihood of a severe correction of commodity prices, we are now inclined to believe that the Canadian dollar will continue to exhibit a great deal of short term volatility which over time will reveal itself as a downward trend. We continue to believe it is not necessary to maintain a currency hedge at this time; however, clients wishing to do so can utilize the North Growth Currency Hedge Limited Partnership.

In last month's report we commented on the market debating whether the US economy was easing into a 'soft landing' or sliding into a recession. We are of the opinion that we are moving through a mid-cycle slowdown similar to that seen midway through the extended economic expansions of the 80's and 90's. All of the economic data points released during the latter half of December and in early January support our view as they indicated stronger economic growth than many economists had been predicting. The preliminary US trade figures for October and November would suggest that we may have already seen the slowdown during the third quarter and will now see GDP growth accelerate during the fourth quarter of 2006 and the first quarter of 2007. A reacceleration of the US economy could reignite inflation fears; however, if, as we anticipate, commodity prices decline and the US dollar appreciates, inflation should remain well contained.

As always, we remain focused on stock selection to identify "growth at a reasonable price" investment opportunities and, at an individual company level, we remain very positive. We believe a number of our core holdings are at early stages of very dynamic product cycles that should translate into earnings growth for some time to come. When we combine solid earnings growth with exceptional balance sheet health and attractive valuations we see a formula for rewarding portfolio returns.

Yours truly,

A handwritten signature in black ink, appearing to read 'Rory North', with a long horizontal flourish extending to the right.

Rory North, CFA

**NORTH GROWTH US EQUITY FUND  
SHORT TERM RATES OF RETURN FOR PERIODS ENDING DECEMBER 31, 2006**

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>2.27%</b>	<b>8.86%</b>	<b>17.86%</b>	<b>12.72%</b>
S&P 500 \$CDN	3.46%	11.25%	17.71%	16.03%
<b>NGM US Equity Fund \$US</b>	<b>0.23%</b>	<b>4.41%</b>	<b>12.89%</b>	<b>12.49%</b>
S&P 500 \$US	1.40%	6.70%	12.74%	15.79%
S&P 400 MidCap \$US	-0.49%	6.98%	5.83%	10.32%
S&P 600 SmallCap \$US	-0.01%	7.84%	6.89%	15.12%
NASDAQ Composite \$US	-0.62%	7.15%	11.59%	10.38%

**NORTH GROWTH US EQUITY FUND  
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING DECEMBER 31, 2006**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>12.72%</b>	<b>7.48%</b>	<b>8.83%</b>	<b>13.78%</b>	<b>15.83%</b>
S&P 500 \$CDN	16.03%	6.58%	-0.24%	6.68%	10.71%
<b>NGM US Equity Fund \$US</b>	<b>12.49%</b>	<b>11.37%</b>	<b>15.85%</b>	<b>15.64%</b>	<b>16.36%</b>
S&P 500 \$US	15.79%	10.44%	6.19%	8.42%	11.22%
S&P 400 MidCap \$US	10.32%	13.09%	10.89%	13.47%	14.52%
S&P 600 SmallCap \$US	15.12%	14.99%	12.49%	11.57%	N/A
NASDAQ Composite \$US*	10.38%	7.16%	4.99%	6.95%	10.60%

Source: Bloomberg "Total Return Analysis" as of January 2, 2007.

\*The return since inception for this index is a Simple Price Appreciation because total return data is not available on Bloomberg.

The inception of the Fund: October 13, 1992.

**NAVPS: Dec. 31, 2006 \$ 25.75 CDN  
\$ 22.09 US**

**Total Assets in Fund \$ 294.1 Million CDN**

**NORTH GROWTH CANADIAN EQUITY FUND  
SHORT TERM RATES OF RETURN FOR PERIODS ENDING DECEMBER 31, 2006**

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>4.74%</b>	<b>10.39%</b>	<b>7.49%</b>	<b>8.80%</b>
S&P / TSX \$CDN	1.50%	10.42%	12.54%	17.26%

**NORTH GROWTH CANADIAN EQUITY FUND  
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING DECEMBER 31, 2006**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>8.80%</b>	<b>6.63%</b>	<b>5.73%</b>	<b>11.46%</b>	<b>7.00%</b>
S&P / TSX \$CDN	17.26%	18.55%	13.08%	22.53%	4.09%

\*North Growth Management Ltd. took over the Canadian Equity Fund's management contract on May 1, 2003.

\*\*The inception of the Canadian Equity Fund: September 1, 2000.

**NAVPS: Dec. 31, 2006 \$ 12.65 CDN**

**Total Assets in Fund \$ 25.8 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND**  
**ANNUALIZED RATES OF RETURNS FOR PERIODS ENDING DECEMBER 31, 2006**

	* CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>4.06%</b>	<b>3.84%</b>	<b>2.76%</b>	<b>2.65%</b>
30 Day T-Bill	4.11%	3.93%	2.91%	2.79%

*\* The Current Yield for the Money Market Fund is the average of the annualized daily yield for the most recent seven day period.*

The North Growth Canadian Money Market Fund is consistently one of the highest yielding money market funds in Canada – not because we waste any time searching for basis points along the yield curve but because at **0.25%** the Fund’s management fee is one of the **lowest in Canada**. We manage the Fund simply by creating a well-diversified portfolio of very short term, top credit quality notes and believe the product is a good proxy for the risk free rate\*. We maintain the average maturity of the Fund at near 15 days, meaning that we essentially roll over the entire portfolio every 30 days. As a result, the Fund’s current yield will rapidly follow any changes (up or down) in the Bank of Canada’s overnight rate.

The accountant’s fees for the annual audit are greater than the annual management fees, so North Growth Management takes a small loss on the product. We don’t mind because we offer the product as a service to our clients. We also believe an inflation protected liquidity product, such as our money market fund is an underutilized asset class that could improve the overall financial planning of many of our clients. This may seem strange coming from a firm notorious for its opinion that bonds are essentially an inferior asset class that offer inadequate returns for their inherent risk, but we can lay out a strong theoretical argument that you can create a superior portfolio using equities and money market than you can using equities and mid to long term bonds.

For retirees living off their financial assets, we believe that using a client’s own personal cash requirements and risk tolerance to determine their appropriate mix of money market and equities, can, in most instances, create a superior portfolio to the all too pervasive industry staple 60/40 equity/bond split. For clients seeking a truly personalized retirement plan we encourage you to make an appointment to come in and get a fresh look at your plan from the North Growth Management investment professionals.

\*The risk free rate is the theoretical rate of return of an investment with zero risk. The North Growth Canadian Money Market is not a risk free investment and is not covered by the CDIC (Canadian Deposit Insurance Corporation).

**INVESTING WITH NORTH GROWTH MANAGEMENT:**

North Growth Management is a focused firm. Our objective is consistent, superior, long term returns on our equity funds based on our “growth at a reasonable price” investment philosophy.

**CONDUCTING TRANSACTIONS:**

The cut-off time for same-day transactions is 4 p.m. Eastern time or 1 p.m. 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

**WHERE TO FIND NGM FUND PRICES**

Please visit [www.northgrowth.com](http://www.northgrowth.com) to view the Fund's daily prices or to be added to our e-mail list to receive daily notification of the Fund's prices. Alternatively, the Globe & Mail lists the Funds under the following headings: **Mutual Fund** - NGM US Equity Fund; **Pooled Fund** - NGM Cdn. Equity Fund; **Money Market Fund** - NGM Cdn. Money Market Fund.