

June 2008 ended as one of the worst Junes on record for US stocks — the worst June performance for the Dow Jones Industrial Average since the Great Depression, and the worst June for the S&P 500 ever. Skyrocketing oil prices to over \$140 a barrel and fears of renewed strains in the credit markets have led the equity indices to retest their March lows. Market momentum currently remains negative and volatility high.

So, are we frustrated by the recent stock market action? Absolutely. Has our constructive outlook for the US equity markets changed? Absolutely not.

It is undeniable that surging energy prices present an ominous trend for not only the US economy, but also the global economy. And with the price of crude at around \$140 a barrel, clearly, the risk of a recession or more significant slowdown has increased. With that in mind, we have continued to monitor the supply and demand situation of oil closely and believe that there is virtually no justification for the current high prices. As with any commodity, high prices dampen demand and boost supply. This is exactly what is happening with oil even though market participants appear to be ignoring the fundamentals. Thus, we continue to anticipate that a substantial weakening in energy prices is due.

Remarkably, even with the rising prices of oil and other commodities, the US economy is on track to have delivered positive growth in the second quarter just ended and to grow positively for the rest of the year. We continue to hold the view that the US economy is not in a recession. Recent economic news that has been better than expected include the June Chicago purchasing managers index (PMI) which, while expected to fall sequentially from May, actually increased, and durable goods orders which have remained at elevated levels.

Outside of the financial services sector, corporate earnings continue to grow at a decent rate despite the near term economic uncertainties. Importantly, US equity valuations remain very attractive. The current valuations of US stocks not only reflect the recession fears in the market but also factor in worsening economic conditions. Investors are focused almost solely on short term results — that is, the next quarter or two — failing to recognize that the long term growth prospects for many US multinationals remain extremely positive. Combined with strong balance sheets and solid long term earnings potential, the current low valuations of many US corporations present compelling investment opportunities.

Regarding the financial services sector, to which the North Growth US Equity Fund has very little exposure, banks and global financial institutions continue to face challenging market conditions. The recent widening spreads of corporate debt securities, along with the additional write-offs announced by banks and financial services firms in their fixed income assets, have been unnerving for the equity markets. As I write this report, the predominant issue in financial news is the solvency of the two government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac — investors are concerned that the companies don't have enough capital to offset losses from the mortgage meltdown.

While the ongoing credit crisis definitely poses a significant headwind for the US economy and stock markets, it is encouraging that there is enormous support for the financial system by the US Federal Reserve, Treasury, and lawmakers. Moreover, this is certainly not the first crisis to be faced by the financial markets which over time have demonstrated to be extraordinarily resilient.

As Rudy reminds us, “bear markets are simply something that successful long term investors have to live with”. An examination of the history of equity returns shows that the superior performance by stocks over the long run takes into account periods of large market declines. We continue to believe strongly that we are near or at the bottom of the current bear market. Now is the time to be buying, not selling equities.

Yours truly,

A handwritten signature in black ink that reads "Erica Lau". The signature is written in a cursive, flowing style.

Erica Lau, CFA

NORTH GROWTH US EQUITY FUND

Short Term Rates of Return (%) for Periods Ending June 30, 2008

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-8.09	-6.62	-13.44	-13.44
S&P 500 \$CDN	-5.97	-3.37	-9.39	-9.39
NGM US Equity Fund \$US	-10.50	-6.00	-15.85	-15.85
S&P 500 \$US	-8.43	-2.73	-11.91	-11.91
S&P 400 MidCap \$US	-7.03	5.43	-3.90	-3.90
S&P 600 SmallCap \$US	-7.55	0.40	-7.09	-7.09
NASDAQ Composite \$US	-9.06	0.82	-13.18	-13.18

NORTH GROWTH US EQUITY FUND

Annualized Rates of Return (%) for Periods Ending June 30, 2008

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	-20.66	-4.63	2.92	6.90	11.60	12.35
S&P 500 \$CDN	-16.85	-1.80	1.75	-0.80	7.57	8.21
NGM US Equity Fund \$US	-17.10	1.40	8.82	10.86	13.31	13.78
S&P 500 \$US	-13.12	4.41	7.58	2.88	9.22	9.58
S&P 400 MidCap \$US	-7.33	7.45	12.61	9.84	12.64	13.32
S&P 600 SmallCap \$US	-14.67	4.10	11.60	7.59	10.78	11.82
NASDAQ Composite \$US	-11.18	4.51	7.90	2.45	8.18*	9.18*

Source: Bloomberg "Total Return Analysis" as of July 2, 2008.

*These returns are a simple price appreciation because total return data is not available on Bloomberg.
The inception of the Fund: October 13, 1992.

NAVPS: June 30, 2008 \$19.85 CDN
\$19.46 US

Total Assets in Fund \$220.7 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

Short Term Rates of Return (%) for Periods Ending June 30, 2008

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-6.69	-0.93	-8.59	-8.59
S&P / TSX \$CDN	-1.41	9.09	5.99	5.99

NORTH GROWTH CANADIAN EQUITY FUND

Annualized Rates of Return (%) for Periods Ending June 30, 2008

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	-26.55	-2.31	2.81	3.76	2.87
S&P / TSX \$CDN	6.75	16.16	18.16	18.96	5.32

*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: June 30, 2008 \$ 10.28 CDN

Total Assets in Fund \$ 20.1 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND
Annualized Rates of Returns (%) for Periods Ending June 30, 2008

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	2.72	3.97	3.71	3.12
30 Day T-Bill	N/A	3.58	3.67	3.18

** The Current Yield for the Money Market Fund is the average of the annualized daily yield for the most recent seven day period. This measure is no longer available for the 30 day T-Bill Index.*

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 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 reports prices on www.globefund.com.