

On the heels of a late month sell-off in February, US equity markets managed to recover some lost ground during March. The S&P 500 Index gained 1.1% while the S&P 400 MidCap and the S&P 600 SmallCap indices gained 1.4% and 1.7%, respectively. The tech-heavy NASDAQ Composite lagged the other equity indices and was up 0.3% for the month. The North Growth US Equity Fund performed similarly to the NASDAQ Composite Index but underperformed the S&P 500, gaining only 0.3% during March. The Canadian dollar strengthened during the month, bringing the Fund's monthly return in Canadian dollars to -1.0% compared to the S&P 500 Index's Canadian dollar return of -0.2%. Year-to-date, in Canadian dollar terms, the North Growth US Equity Fund is -1.0% compared to the S&P 500 Index return of -0.3%.

The North Growth Canadian Equity Fund gained 0.3% during March versus 1.2% for the S&P /TSX Composite Index. Year-to-date, the Fund is +0.5% versus +2.6% for the Index.

The best description of the US equity market in the first quarter of 2007 is tedious. This affects investors differently but for most it creates a negative mood. Good results by individual companies tended to be ignored while anything that can possibly be given the perception of being negative got made into a news story. Investors hate periods like this and often fear the market is signaling an economic recession. This is a misplaced concern. Equity markets are only truly dangerous when there is a prevailing state of euphoria about holding equities. That is clearly not the case with US equity investors at the present time!

The economic outlook is essentially what we have been expecting since the Federal Reserve Board started raising interest rates back on June 30, 2004. The object was to cool down the economic expansion and keep inflation at low levels. What followed was 17 successive rate hikes taking the Fed from 1% to 5.25% in June 2006. Nine months later, if the economy is slowing down, it is doing what it is supposed to be doing at this stage of the economic cycle. Note that it isn't clear that the economy is actually slowing down that much.

We still don't know how long the Fed will keep interest rates at the current level. What we do know is that the reaction to mid-cycle slowdowns is ultimately to cut short term rates. My experience is that the cuts begin just as even the most patient long term investors start having trouble seeing positive signs.

I have compared the current economic and market conditions to the pattern that developed after the Fed's initial period of raising short term rates during the last two decades. In both decades a mid-cycle period of uncertainty about equity markets and the economy developed. In both cases a period of mid-cycle economic softness eventually developed. The equity markets then resumed vigorous uptrends when the economic softness began. That was also the point at which the Fed cut short term rates.

This short review of market history won't play out in exactly the same way in the current cycle. While it is nice to feel one has an idea of where the market is positioned in the current cycle, making investment decisions based on macro analysis of the equity market and the economic cycles does not work. Our investment policy will be firmly grounded in our "growth at a reasonable price" investment philosophy supported by our fundamental analysis of individual companies. We will stay focused on the important stuff.

I also reviewed the monthly reports I wrote in the 1990's. That exercise caused me to recall all the useless macro analysis that some widely followed commentators spewed out at that time. My own commentary was mostly descriptive of what was happening month to month.

On the positive side those reports did keep pointing out that moderate economic growth can be good for equities investors and not a reason for the concern that was often being expressed. The reports also document how the US Fund regularly bought during periods of market weakness.

The most important observation that came out clearly from reading those old reports is that stock selection was what drove the performance of the US Fund. Not too surprisingly, our mantra of "growth at a reasonable price" was repeated over and over.

The Fund's portfolio is a great reflection of our "growth at a reasonable price" philosophy. At this time it is large cap growth stocks that we believe have the strongest growth prospects at a reasonable price. These companies have favorable growth potential with some at early stages of very dynamic product cycles. Balance sheets of the Fund's holdings are strong. Results from operations are currently good and expected to continue. These are all the ingredients that we want to see in an investment. We are confident that this will soon translate into strong market performance.

Yours truly,

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

Rudy North, President

**NORTH GROWTH US EQUITY FUND**  
**SHORT TERM RATES OF RETURN FOR PERIODS ENDING MARCH 31, 2007**

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-1.00%</b>	<b>-0.98%</b>	<b>7.80%</b>	<b>-0.98%</b>
S&P 500 \$CDN	-0.20%	-0.29%	10.93%	-0.29%
<b>NGM US Equity Fund \$US</b>	<b>0.30%</b>	<b>-0.05%</b>	<b>4.35%</b>	<b>-0.05%</b>
S&P 500 \$US	1.12%	0.64%	7.38%	0.64%
S&P 400 MidCap \$US	1.35%	5.80%	13.19%	5.80%
S&P 600 SmallCap \$US	1.68%	3.21%	11.30%	3.21%
NASDAQ Composite \$US	0.29%	0.44%	7.62%	0.44%

**NORTH GROWTH US EQUITY FUND**  
**ANNUALIZED RATES OF RETURN FOR PERIODS ENDING MARCH 31, 2007**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>4.19%</b>	<b>6.70%</b>	<b>8.40%</b>	<b>13.25%</b>	<b>15.46%</b>
S&P 500 \$CDN	10.55%	5.49%	-0.37%	6.26%	10.50%
<b>NGM US Equity Fund \$US</b>	<b>5.40%</b>	<b>11.33%</b>	<b>15.63%</b>	<b>15.32%</b>	<b>16.06%</b>
S&P 500 \$US	11.83%	10.06%	6.27%	8.20%	11.07%
S&P 400 MidCap \$US	8.44%	13.35%	10.70%	14.29%	14.70%
S&P 600 SmallCap \$US	5.29%	13.89%	11.69%	12.57%	N/A
NASDAQ Composite \$US*	4.23%	7.45%	6.22%	7.58%	10.43%

Source: Bloomberg "Total Return Analysis" as of April 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: March 31, 2007 \$ 25.49 CDN**  
**\$ 22.08 US**

**Total Assets in Fund \$ 284.3 Million CDN**

**NORTH GROWTH CANADIAN EQUITY FUND  
SHORT TERM RATES OF RETURN FOR PERIODS ENDING MARCH 31, 2007**

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>0.32%</b>	<b>0.51%</b>	<b>10.95%</b>	<b>0.51%</b>
S&P / TSX \$CDN	1.17%	2.60%	13.30%	2.60%

**NORTH GROWTH CANADIAN EQUITY FUND  
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING MARCH 31, 2007**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>-1.89%</b>	<b>5.84%</b>	<b>5.00%</b>	<b>10.83%</b>	<b>6.81%</b>
S&P / TSX \$CDN	11.42%	17.70%	13.10%	21.75%	4.34%

*\*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: March 31, 2007 \$ 12.71 CDN**

**Total Assets in Fund \$ 25.5 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND  
ANNUALIZED RATES OF RETURNS FOR PERIODS ENDING MARCH 31, 2007**

	* CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>4.06%</b>	<b>4.05%</b>	<b>2.91%</b>	<b>2.76%</b>
30 Day T-Bill	4.14%	4.14%	3.06%	2.91%

\* 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.