

Over the past two weeks we have witnessed the demise of Fannie Mae, Freddie Mac, Lehman Brothers, Merrill Lynch and AIG. The ensuing turmoil has created a broad based decline in equity markets across the globe. Attempting to keep abreast of this unprecedented chain of events has been an all consuming task and has contributed to this report being a few days late. Any commentary on what was a positive, if uneventful, month of August is now largely irrelevant and can be summed up by referring to our month end performance tables on pages 3 and 4 of this report.

Despite having very minimal direct exposure to the financial sector the North Growth US Equity Fund has not been able to avoid the significant declines in the US equity markets during the first half of September.

The small positions we have held in the financial sector have been problematic. In mid-June the financial sector was approximately 16% of the S&P 500 and the US Equity Fund's only pure financial holding was a 3% position in Citigroup. After Lehman Brothers had reported a significant loss for their second quarter and subsequently raised \$6 billion in new capital we decided to move 1% from Citigroup to establish a position in Lehman. Three months later, after a significant decline in Lehman's share price on September 9th, which reduced our holding to 0.36%, Lehman released their third quarter results and strategic plan a week earlier than planned. After spending most of the day reviewing all of the available information we concluded that it was appropriate to move 0.4% from Citigroup to Lehman bringing our holding in Lehman back to approximately 0.8% and reducing our holding in Citigroup to 1.4%. After another weak day on Thursday, September 11th, we made a similar adjustment to keep our Lehman holding at 0.8% and further reduce our Citigroup holding to 1.1%. While the details of all that transpired over the following weekend are not completely clear it resulted in Lehman filing for bankruptcy protection on Monday, September 15th, and shortly after the market opened we sold the entire Lehman position at \$0.25 per share.

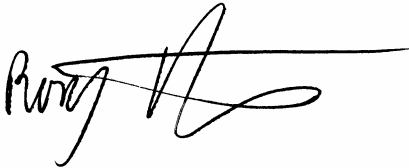
Clearly, with the benefit of hindsight we wish we had not made these trades. However, at the time, having reviewed all the available information and applying our investment discipline, we made what we believed were appropriate trades. Despite the less than 1% impact these last two trades had on the overall portfolio, we are feeling a disproportionate level of frustration for having lost this money in this manner. Currently, our only direct exposure to the financial sector is Citigroup which represents 0.9% of the portfolio.

Overall, the unifying characteristic of the North Growth US Equity Fund is the exceptional balance sheet health of our holdings. Most of our holdings have substantial net cash on their balance sheets, in many cases representing over 10% of their total market capitalization. These companies have very solid businesses, are generating strong earnings and free cash flow, and are trading at amazingly low valuations.

We are currently in a fear driven market. In this type of environment the emotional reaction is to want to sell, which would be exactly the wrong thing to do. When no one wants to buy and people try to sell, the price of whatever they are trying to sell will fall dramatically. That is what is currently happening in the equity markets, with investors selling assets at prices well below their true value. This type of environment creates phenomenal opportunities for long term investors as long as they stay invested, or, better yet, if they are able to buy at these levels.

These are unsettling times and I know that many of our unitholders have questions or concerns, yet I have only heard from a handful of you. I don't want to bother people who don't want to hear from me but as always I am happy to discuss our portfolios and the current market environment with any of our clients. My direct line is (604) 697-5641.

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 August 31, 2008

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	8.12	-0.16	6.02	-5.97
S&P 500 \$CDN	5.21	-1.49	5.11	-5.07
NGM US Equity Fund \$US	4.25	-6.65	-1.73	-12.23
S&P 500 \$US	1.45	-7.89	-2.57	-11.39
S&P 400 MidCap \$US	1.71	-7.20	4.17	-4.07
S&P 600 SmallCap \$US	4.18	-1.70	7.17	-1.21
NASDAQ Composite \$US	1.92	-5.97	4.67	-10.23

NORTH GROWTH US EQUITY FUND

Annualized Rates of Return (%) for Periods Ending August 31, 2008

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	-13.89	-1.90	2.24	10.04	11.84	12.79
S&P 500 \$CDN	-10.65	-0.11	1.38	0.67	7.45	8.44
NGM US Equity Fund \$US	-14.36	1.81	7.83	14.41	13.46	13.92
S&P 500 \$US	-11.14	3.66	6.92	4.68	9.02	9.52
S&P 400 MidCap \$US	-4.22	5.97	10.80	12.55	12.34	13.16
S&P 600 SmallCap \$US	-6.20	4.72	10.78	11.48	10.79	12.11
NASDAQ Composite \$US	-8.07	4.07	6.26	5.22	8.03*	9.30*

Source: Bloomberg "Total Return Analysis" as of September 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: Aug. 31, 2008 \$21.56 CDN
\$20.30 US**

Total Assets in Fund \$238.8 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND
Short Term Rates of Return (%) for Periods Ending August 31, 2008

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	7.23	-7.42	-4.06	-9.31
S&P / TSX \$CDN	1.54	-5.76	2.79	1.32

NORTH GROWTH CANADIAN EQUITY FUND
Annualized Rates of Return (%) for Periods Ending August 31, 2008

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	-20.98	-2.85	0.87	3.49	2.71
S&P / TSX \$CDN	3.51	11.55	15.36	17.32	4.62

**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: Aug. 31, 2008 \$ 10.20 CDN

Total Assets in Fund \$ 19.7 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND
Annualized Rates of Returns (%) for Periods Ending August 31, 2008

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	2.69	3.69	3.74	3.12
30 Day T-Bill	N/A	3.21	3.66	3.15

** 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.