

During September, large capitalization technology companies continued to lead a strong rally in US equities, providing an ideal market for the current positioning of the North Growth US Equity Fund. For the month, the US Fund again outperformed all the indices we track with a 4.8% gain. Weak commodity prices contributed to a slight decrease in the Canadian dollar, increasing the Fund's monthly return in Canadian dollars to 6.0%. Year-to-date (September 30th), the US Fund is now up 3.5% in Canadian dollars, slightly trailing the 4.3% Canadian dollar return for the S&P 500 Index.

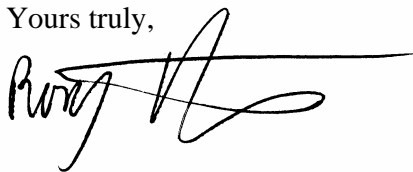
In Canada, falling commodity prices, and in particular energy prices, caused the S&P/TSX Composite Index to decline by 2.3% during September. Due to minimal exposure to commodities and a modest recovery from some of the Canadian Fund's recent underperformers, the North Growth Canadian Equity Fund gained 2.0% during September. While the solid absolute and relative monthly performance of the Canadian Fund was indeed welcome, year-to-date, the Canadian Fund is still down 1.4% versus a gain of 6.2% for the Index.

For most of the year, oil prices have been at levels that have not been supported by the supply and demand dynamics. On a global basis oil inventories have been growing substantially, clearly indicating an oversupplied market. All of the arguments used to justify the record oil prices despite excessive current supply are tied to the view that 2 million barrels per day of surplus OPEC oil production implies a tight oil market. Any near term cut in OPEC production should be viewed as confirmation of an oversupplied market. A cut from OPEC will automatically increase OPEC's surplus capacity. Furthermore, over the next few years, OPEC's surplus capacity is likely to grow substantially as the strong energy markets of the past few years have spurred a tremendous investment in new production capacity by both OPEC and non-OPEC producers alike.

Besides the first signs of what may yet become a significant correction in energy prices, we were most encouraged by a complete lack of buy-in to the most recent rally in US equities. The 'wall of worry' seems firmly intact. Small investors are worried as indicated by continued net redemptions from US focused equity mutual funds (for the fifth month in a row!). Institutional sentiment measures are subdued with increasing short interest and put/call ratios consistent with market lows. There is a lot of potential buying to be done if people start to act on the great investment opportunities available today in large capitalization US equities.

The recent strength in the North Growth US Equity Fund may be indicative that large capitalization equities are taking over market leadership. We have spent the past 2 ½ years positioning the Fund for this eventuality. Based on historical precedent, we anticipate that once a rotation of leadership to large caps takes place it should result in a multi-year period of outperformance for the group. Although being properly positioned during transitional periods is important, as always, it will be our continued focus on individual stock selection using our 'growth at a reasonable price' investment philosophy that will be the most important factor in our efforts to generate superior long term results.

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 SEPTEMBER 30, 2006**

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	5.99%	8.27%	-3.35%	3.54%
S&P 500 \$CDN	3.73%	5.81%	-0.34%	4.30%
NGM US Equity Fund \$US	4.82%	8.12%	1.00%	7.74%
S&P 500 \$US	2.58%	5.67%	4.14%	8.53%
S&P 400 MidCap \$US	0.67%	-1.08%	-4.19%	3.12%
S&P 600 SmallCap \$US	0.91%	-0.88%	-5.40%	6.75%
NASDAQ Composite \$US	3.47%	4.15%	-3.15%	3.02%

**NORTH GROWTH US EQUITY FUND
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING SEPTEMBER 30, 2006**

	1 Year	3 Years	5 Years	10 Years	Since Inception
NGM US Equity Fund \$CDN	5.62%	8.77%	9.49%	13.23%	15.44%
S&P 500 \$CDN	6.50%	5.45%	-0.16%	6.46%	10.07%
NGM US Equity Fund \$US	9.87%	15.83%	17.31%	15.49%	16.32%
S&P 500 \$US	10.79%	12.30%	6.97%	8.59%	10.92%
S&P 400 MidCap \$US	6.56%	15.24%	13.08%	13.37%	14.25%
S&P 600 SmallCap \$US	7.16%	17.40%	15.05%	11.35%	N/A
NASDAQ Composite \$US*	5.83%	8.84%	9.16%	6.76%	10.27%

Source: Bloomberg "Total Return Analysis" as of October 2, 2006.

*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: Sept. 30, 2006 \$ 23.65 CDN
\$ 21.16 US**

Total Assets in Fund \$ 269.5 Million CDN

**NORTH GROWTH CANADIAN EQUITY FUND
SHORT TERM RATES OF RETURN FOR PERIODS ENDING SEPTEMBER 30, 2006**

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	1.95%	-2.63%	-11.58%	-1.44%
S&P / TSX \$CDN	-2.32%	1.92%	-1.65%	6.19%

**NORTH GROWTH CANADIAN EQUITY FUND
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING SEPTEMBER 30, 2006**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	-3.01%	6.18%	6.21%	9.14%	5.57%
S&P / TSX \$CDN	9.23%	18.86%	13.58%	20.81%	2.58%

*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: Sept. 30, 2006 \$ 12.01 CDN

Total Assets in Fund \$ 23.9 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND
ANNUALIZED RATES OF RETURNS FOR PERIODS ENDING SEPTEMBER 30, 2006

	* CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	4.05%	3.50%	2.63%	2.57%
30 Day T-Bill	4.13%	3.61%	2.79%	2.73%

** 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 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.