

Lately writing the monthly commentary has become somewhat of a tedious task. Despite a heightened degree of market volatility, our views have remained very stable over the past year or so. With very little new to report on, we are finding it increasingly difficult to write the reports. Essentially, we are getting as tired of repeating the same message from month to month as you probably are of reading it.

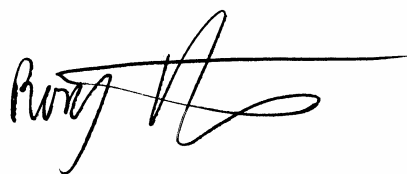
On the economic front, the majority of the incoming data continues to support our views that the US is not currently in a recession. First quarter GDP was revised up slightly less than we had expected, from 0.6% to 0.9%, but the details in the revisions were quite encouraging. The initial 0.6% first quarter GDP estimates included inventory increases contributing positive 0.8% to the quarter. Excluding these inventory builds the US economy would have contracted by 0.2%. In the revised GDP estimates inventory increases were shown to have only contributed positive 0.2% to the quarter. Excluding the impact from inventory builds the revised estimates showed the economy expanding at much stronger 0.7%. Incoming data suggests that the US economy is likely to expand at a modestly faster rate in the second quarter. Clearly the traditional definition of a recession, two consecutive quarters of negative GDP growth, has not yet been met.

The National Bureau of Economic Research, which is the official organization responsible for the official recession call, has changed its definition of a recession to “a significant decline in economic activity spread across the economy, lasting more than a few months”. It is possible that under this new definition the current economic slowdown will be called a recession. However, BusinessWeek columnist James Cooper, in the June 16<sup>th</sup> edition, points out that the current weakness is unlikely to meet the Bureau’s new recession definition because it is sharply skewed towards housing and autos while the remaining 93% of the economy is growing quite nicely.

Oil prices continue to confound us. Over the past few months global demand estimates continue to be revised downwards. The developed world is seeing substantial year-over-year decreases in oil consumption, while the rate of growth in the developing economies is slowing substantially. With the recent surge in the cost of crude we would not be surprised to see overall global demand to roll over to year-over-year declines in the near future. Meanwhile, a huge investment in oil production infrastructure continues to unfold which inevitably will lead to an accelerated rate of production growth. Clearly we agree with Saudi Arabia that the current oil prices do not reflect market fundamentals. We suspect that a substantial, and probably rapid, decline in oil prices is imminent.

Outside of the financial sector, corporate earnings continue to grow nicely, which in combination with the general apathy towards US equities is generating very attractive valuation levels. We are of the opinion that US equity markets bottomed on March 10<sup>th</sup> and believe that our current portfolio, concentrated in the top global technology providers, is well positioned to deliver solid 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 May 31, 2008

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-0.37</b>	<b>6.19</b>	<b>-7.01</b>	<b>-5.82</b>
S&P 500 \$CDN	-0.13	6.69	-5.14	-3.64
<b>NGM US Equity Fund \$US</b>	<b>1.05</b>	<b>5.27</b>	<b>-6.36</b>	<b>-5.98</b>
S&P 500 \$US	1.30	5.77	-4.47	-3.80
S&P 400 MidCap \$US	5.29	12.24	3.17	3.37
S&P 600 SmallCap \$US	4.42	9.03	-0.29	0.50
NASDAQ Composite \$US	4.69	11.32	-4.78	-4.52

## NORTH GROWTH US EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>-14.77</b>	<b>-3.06</b>	<b>4.93</b>	<b>7.93</b>	<b>12.27</b>	<b>13.02</b>
S&P 500 \$CDN	-13.38	-0.51	2.95	0.29	8.09	8.68
<b>NGM US Equity Fund \$US</b>	<b>-8.20</b>	<b>4.81</b>	<b>11.88</b>	<b>12.15</b>	<b>14.13</b>	<b>14.66</b>
S&P 500 \$US	-6.70	7.57	9.77	4.21	9.88	10.26
S&P 400 MidCap \$US	-2.50	10.94	14.55	10.71	13.22	13.92
S&P 600 SmallCap \$US	-9.21	8.01	13.95	8.47	11.40	12.44
NASDAQ Composite \$US	-2.33	7.70	10.34	4.08	8.91*	9.90*

Source: Bloomberg "Total Return Analysis" as of June 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: May 31, 2008 \$21.59 CDN**  
**\$21.75 US**

**Total Assets in Fund \$240.6 Million CDN**

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

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>0.37</b>	<b>3.64</b>	<b>-2.29</b>	<b>-2.04</b>
S&P / TSX \$CDN	5.79	9.07	8.95	7.51

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

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>-17.91</b>	<b>-0.09</b>	<b>4.95</b>	<b>5.25</b>	<b>3.82</b>
S&P / TSX \$CDN	7.40	18.00	18.98	19.63	5.57

*\*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: May 31, 2008 \$ 11.02 CDN**

**Total Assets in Fund \$ 21.5 Million CDN**

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>2.76</b>	<b>4.09</b>	<b>3.70</b>	<b>3.13</b>
30 Day T-Bill	N/A	3.74	3.67	3.19

*\* 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](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 reports prices on [www.globefund.com](http://www.globefund.com).