

US stocks encountered a number of positive developments in July 2008. Encouraging data which continues to dispel the notion that the US economy is in a recession, better than expected earnings reports for the second quarter, and weakening commodity prices helped to stabilize the US equity markets. Meanwhile, as global financial institutions continue to work through the ongoing credit crisis, market volatility remains elevated.

On July 31st, the Commerce Department reported that US GDP increased at a 1.9% annualized rate in the second quarter of 2008. Although the media was quick to point out that this figure fell short of the 2.3% consensus projection, and focused on the lowered revisions to growth in the preceding two quarters, the GDP report nonetheless underscores the fact that the US economy is growing at a moderate pace and is not in a recession.

A closer examination of the various components that contributed to US economic growth in the second quarter offers a more encouraging scenario. As expected, residential construction, which obviously is hurt by the housing slump, detracted from growth and consumer spending showed only modest growth. However, the dramatically improved trade deficit added 2.4% to second quarter GDP, the most since 1980. Inventory destocking continued and actually subtracted 1.9% from growth. In other words, excluding the decline in inventories, the US economy would have expanded at almost 4% in the latest quarter. The acceleration in GDP growth despite a large inventory drawdown and in the face of substantially strained financial markets illustrates the remarkable resiliency of the US economy.

The second quarter earnings reporting season is mostly complete and on the whole, corporate earnings have come in much better than expected. According to Bloomberg, approximately two-thirds of the companies in the S&P 500 that have reported results so far have exceeded analysts' forecasts. For the North Growth US Equity Fund, with around 70% of the portfolio reported, second quarter earnings on average grew by 14% over last year, well above the expected 8.7% based on analysts' estimates.

Outside of the financial sector, US companies continue to experience decent growth in earnings, and for the most part, corporate executives are constructive in the long term outlook for their businesses even though they are cognizant of the near term macro economic challenges. Commentary from a number of the bellwether technology companies including Intel, Microsoft, and most recently Cisco, reflect a healthy global demand environment. Specifically in relation to the technology sector, there is increasing confirmation of an emerging spending cycle that will drive continued earnings growth over the next few years. As Cisco's CEO, John Chambers, stated on the company's latest quarterly earnings conference call, he is "seeing network-enabled collaborative business process changes and productivity increases begin to gain traction on a global basis."

In contrast to technology where demand is solid, indicators point to demand weakening for commodities. This is certainly the case with energy and the reality finally seems to be acknowledged by the market via falling oil prices over the past month. Still, at around \$120 a barrel, down about 15% from its high, we believe that there remains considerable downside risk to the price of oil. Other commodities such as corn and platinum have declined more significantly amid signs of softening demand.

The trend of weakening commodity prices eases inflation concerns and is positive for US equities. With a moderately expanding economy, decent corporate earnings growth and attractive valuations, and with investor sentiment at the lowest levels in over a decade, the US stock markets are poised to appreciate going forward. We continue to believe that we are bouncing off the bottom of the current bear market, and reiterate our call that now is the time to be buying, rather than selling equities.

Yours truly,

A handwritten signature in cursive script that reads "Erica Lau".

Erica Lau, CFA

NORTH GROWTH US EQUITY FUND

Short Term Rates of Return (%) for Periods Ending July 31, 2008

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	0.48	-8.00	-8.12	-13.03
S&P 500 \$CDN	-0.42	-6.49	-5.21	-9.77
NGM US Equity Fund \$US	0.05	-9.51	-9.93	-15.81
S&P 500 \$US	-0.84	-8.02	-7.08	-12.65
S&P 400 MidCap \$US	-1.85	-3.93	0.51	-5.68
S&P 600 SmallCap \$US	2.06	-1.48	-0.30	-5.17
NASDAQ Composite \$US	1.45	-3.41	-2.28	-11.91

NORTH GROWTH US EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	-19.15	-5.83	1.50	7.32	11.71	12.31
S&P 500 \$CDN	-14.66	-3.09	0.47	-1.03	7.54	8.13
NGM US Equity Fund \$US	-15.77	-0.05	8.13	11.59	13.42	13.70
S&P 500 \$US	-11.09	2.85	7.03	2.91	9.18	9.47
S&P 400 MidCap \$US	-4.96	4.98	11.41	10.07	12.51	13.11
S&P 600 SmallCap \$US	-8.28	2.79	10.92	8.67	10.86	11.90
NASDAQ Composite \$US	-7.91	2.91	6.77	2.72	8.28*	9.23*

Source: Bloomberg "Total Return Analysis" as of August 1, 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: July 31, 2008 \$19.94 CDN
\$19.47 US

Total Assets in Fund \$221.2 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

Short Term Rates of Return (%) for Periods Ending July 31, 2008

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-7.48	-13.35	-10.13	-15.42
S&P / TSX \$CDN	-5.86	-1.82	4.72	-0.22

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	-30.50	-5.35	0.31	2.18	1.84
S&P / TSX \$CDN	0.62	11.90	15.83	17.27	4.47

*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: July 31, 2008 \$ 9.51 CDN

Total Assets in Fund \$ 18.3 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	2.68	3.84	3.73	3.12
30 Day T-Bill	N/A	3.40	3.67	3.16

** 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
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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.