

Investor anxiety lingered in December to finish off 2007 on a frustrating note. Overall, the markets were dominated by volatility and ended the month with negative returns. The S&P 500 Index fell 0.7% in December, slightly ahead of the -0.8% return of the SmallCap S&P 600, but lagging behind the MidCap S&P 400 and NASDAQ Composite Indices which were down 0.2% and 0.3% respectively. The North Growth US Equity Fund declined 0.4% for the month, outperforming the broad market and small caps while trailing the mid caps and NASDAQ. In Canadian dollars, the Fund was down 1.3% in December versus the S&P 500's Canadian dollar monthly return of -1.6%.

For the calendar year, despite a difficult November and December, the majority of the US equity indices generated positive returns ranging from 5.5% for the S&P 500 to 10.7% for the NASDAQ Composite. Of the indices we follow, the exception was the S&P 600 SmallCap which declined 0.3% for the year. The North Growth US Equity Fund was up 4.7% in 2007, trailing the S&P 500 by 0.8%. Unfortunately, when expressed in Canadian dollars, the yearly returns of US investments are reduced by approximately 16% due to the strong appreciation of the Canadian currency during 2007.

On the strength of general commodity prices, the S&P/TSX Composite gained 1.3% for the month of December. The North Growth Canadian Equity Fund, on the other hand, declined 0.3%. 2007 was a challenging year for the Fund as it declined 11.1% against the S&P/TSX Index which was up 9.8%. The inflated commodities cycle has yet to burst, and along with it a substantial weakening in the Canadian market is due. While the Canadian Fund's lack of exposure to the overvalued commodities sectors has made for a trying period of performance, we continue to be encouraged with the long term fundamentals of the Fund's core holdings which have yet to be appropriately reflected in their share prices.

The end of 2007 turned out to be a uniformly difficult time for the US equity markets. The ongoing concerns over a weak US housing market and rising subprime mortgage defaults and their repercussions on the financial markets and global economies continue to create a great deal of angst for investors. The deterioration in the credit markets near the end of the year merely added to the uncertainty surrounding the US economy, leading to increased chatter of a likely recession.

While much of the recent economic news has been indicative of a slowdown in the growth of the US economy, investors have largely ignored the positive developments that are in place to avert a recession. Since September, the US Federal Reserve has lowered the federal funds rate by 100 basis points, or 1.00%, to 4.25%. The significant easing in short term interest rates, combined with the concerted actions of central banks across the world to increase liquidity, should not only help to restore the normal functioning of the credit markets in the near term but also provide broad stimulus to the overall US economy. Further contributions to the growth in the economy include an improving trade balance as well as an increase in business spending and inventories.

The current market sentiment is decidedly negative. Investors have not been reacting to overall solid earnings announcements. For the most part, good earnings reports are met with indifference while earnings shortfalls often result in sell-offs in the effected stocks and the equity markets in general.

Although this type of market action is frustrating at present, the market's singular focus on the near term uncertainties does create opportunities for longer-term oriented equity investors. By and large, the companies in the US Equity Fund are producing very decent earnings growth and selling at reasonable multiples. Even outside of the portfolio, we are identifying numerous high-quality growth companies that are trading at compelling valuations. It is encouraging that there are many stocks available that are attractively priced in relation to their current earnings and future growth prospects. As always, we believe that stock selection, rather than market timing, is the key to achieving superior investment results in the long run.

Yours truly,

A handwritten signature in black ink that reads "Erica Lau". The signature is fluid and cursive, with a period at the end.

Erica Lau, CFA

NORTH GROWTH US EQUITY FUND

Short Term Rates of Return (%) for Periods Ending December 31, 2007

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-1.27	-4.72	-8.34	-10.94
S&P 500 \$CDN	-1.56	-3.67	-8.23	-10.27
NGM US Equity Fund \$US	-0.40	-4.38	-1.49	4.70
S&P 500 \$US	-0.69	-3.33	-1.37	5.49
S&P 400 MidCap \$US	-0.19	-2.73	-3.57	7.98
S&P 600 SmallCap \$US	-0.79	-6.45	-8.15	-0.30
NASDAQ Composite \$US	-0.27	-1.62	2.29	10.65

NORTH GROWTH US EQUITY FUND

Annualized Rates of Return (%) for Periods Ending December 31, 2007

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	-10.94	2.24	6.77	9.63	12.76	13.85
S&P 500 \$CDN	-10.27	1.86	2.82	2.10	8.53	9.19
NGM US Equity Fund \$US	4.70	9.03	17.17	13.73	14.65	15.56
S&P 500 \$US	5.49	8.62	12.83	5.91	10.49	10.83
S&P 400 MidCap \$US	7.98	10.27	16.20	11.20	13.35	14.08
S&P 600 SmallCap \$US	-0.30	7.32	16.04	9.03	11.70	12.77
NASDAQ Composite \$US	10.65	7.65	15.46	5.90	9.53*	10.55*

Source: Bloomberg "Total Return Analysis" as of January 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: Dec. 31, 2007 \$22.93 CDN
\$23.13 US

Total Assets in Fund \$254.6 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

Short Term Rates of Return (%) for Periods Ending December 31, 2007

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-0.26	-9.32	-19.65	-11.06
S&P / TSX \$CDN	1.34	-1.25	0.72	9.83

NORTH GROWTH CANADIAN EQUITY FUND

Annualized Rates of Return (%) for Periods Ending December 31, 2007

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	-11.06	0.77	4.76	6.20	4.34
S&P / TSX \$CDN	9.83	16.93	18.32	19.69	4.86

*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: Dec. 31, 2007 \$ 11.25 CDN

Total Assets in Fund \$ 19.5 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND

Annualized Rates of Returns (%) for Periods Ending December 31, 2007

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	4.28	4.34	3.53	3.07
30 Day T-Bill	N/A	4.28	3.59	3.17

** 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.