

October was a brutal market for US equities and markets all around the world. We have witnessed the type of short term volatility and emotional turmoil that is characteristic of the bottom of a bear market. We also realize that the current credit crisis is unique to anything we have ever experienced. It is serious and will have a profound effect on the US economy as well as economies worldwide.

In last month's report we commented on the seriousness of the current credit crisis, the self-correcting nature of the capitalist system, and the welcome purging of irresponsible use of leverage. It may seem strange that the most significant financial crisis of our lifetime can be put into perspective with so few words but the oceans of ink that will be spilled obsessing over the situation and/or expounding on doomsday scenarios will not add anything of value. We will continue to comment on how events are likely to unfold in an attempt to counteract the misleading way many commentators will interpret events.

To reiterate, fourth quarter economic results and company earnings will show a sharp drop that could further raise the level of anxiety. This should not come as a surprise and is also completely typical of what tends to be going on at and around the bottom of a bear market or even at the beginning of a new bull market. To be a successful investor one has to accept that equity markets are essentially unpredictable over the very short term.

The paralysis that developed at the height of the credit crisis during September has been relieved through massive direct government intervention. Further infusions of capital and universal efforts to lower interest rates and increase liquidity are ongoing. This is the critical economic event at this time. Increasing liquidity has been proven to be the most effective way to get stalled economies growing again for all post World War II recessions. Its belated implementation even worked during the depression of 1930. Indeed, had the universal and aggressive approach that is being taken today been introduced in 1930 it is possible that the Great Depression could have been avoided.

Beyond staying committed to equities, it is stock selection that has created the US Fund's top ranking record. The success of our stock selection has been the result of our ability to stay focused on our mantra of "growth at a reasonable price" regardless of the mood of the market.

Severe market corrections such as the current bear market create the best opportunities in the entire market cycle to employ this philosophy and position the Fund for strong ongoing growth. While a bear market provides a great buying opportunity, it is rare, even in a bear market, to be able to build a portfolio that ranks so well on the factors we want to see when picking investments with real money-making potential. The Fund's current portfolio would make a good textbook example of stocks that possess the characteristics that best represent our investment philosophy.

Yours truly,

A handwritten signature in black ink that reads "Rudy North". The signature is written in a cursive, flowing style.

Rudy North  
President

## NORTH GROWTH US EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-4.33</b>	<b>-7.92</b>	<b>-15.28</b>	<b>-19.91</b>
S&P 500 \$CDN	-5.83	-9.56	-15.43	-18.40
<b>NGM US Equity Fund \$US</b>	<b>-15.47</b>	<b>-21.71</b>	<b>-29.16</b>	<b>-34.09</b>
S&P 500 \$US	-16.79	-23.11	-29.28	-32.84
S&P 400 MidCap \$US	-21.74	-28.92	-31.72	-32.96
S&P 600 SmallCap \$US	-20.15	-22.43	-23.58	-26.44
NASDAQ Composite \$US	-17.69	-25.84	-28.37	-34.68

## NORTH GROWTH US EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>-21.94</b>	<b>-6.29</b>	<b>-1.42</b>	<b>7.76</b>	<b>10.37</b>	<b>11.53</b>
S&P 500 \$CDN	-18.52	-4.59	-1.54	-2.06	6.28	7.33
<b>NGM US Equity Fund \$US</b>	<b>-38.77</b>	<b>-6.90</b>	<b>0.38</b>	<b>10.46</b>	<b>11.05</b>	<b>11.75</b>
S&P 500 \$US	-36.10	-5.21	0.26	0.40	6.93	7.54
S&P 400 MidCap \$US	-36.46	-5.52	1.96	6.71	9.58	10.52
S&P 600 SmallCap \$US	-32.44	-4.36	3.33	7.11	8.24	9.95
NASDAQ Composite \$US	-39.31	-5.97	-1.59	0.24	5.42*	7.05*

Source: Bloomberg "Total Return Analysis" as of November 3, 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: Oct. 31, 2008 \$18.36 CDN**  
**\$15.25 US**

**Total Assets in Fund \$199.6 Million CDN**

## NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>-16.65</b>	<b>-31.12</b>	<b>-40.32</b>	<b>-41.75</b>
S&P / TSX \$CDN	-16.67	-27.61	-28.92	-27.77

## NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>-46.59</b>	<b>-16.39</b>	<b>-7.63</b>	<b>-4.61</b>	<b>-2.76</b>
S&P / TSX \$CDN	-31.35	0.47	7.01	9.79	0.28

\*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: Oct. 31, 2008 \$ 6.55 CDN**

**Total Assets in Fund \$ 12.6 Million CDN**

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>2.51</b>	<b>3.34</b>	<b>3.75</b>	<b>3.12</b>
30 Day T-Bill	N/A	2.93	3.65	3.14

*\* 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).