

US equity markets, and in conjunction the North Growth US Equity Fund, got off to a great start for 2007. All the indices we track posted positive returns in January, with the S&P 500 Index being up the least at a 1.5% gain and the S&P 400 MidCap up the most at 3.6%. The North Growth US Equity Fund advanced 2.1%, beating all the indices except for the S&P 400. The Canadian dollar continued to weaken during the month, bringing the Fund's monthly return in Canadian dollars to 3.1%, ahead of the S&P 500 Index's Canadian dollar return of 2.5% by 0.6%.

The North Growth Canadian Equity Fund also started off the year with strong performance, gaining 2.4% in January and outpacing the S&P/TSX Composite Index by 1.2%. While the S&P/TSX monthly return was a solid 1.2%, the Index took a quick ride down 3% in early January only to recover as the month progressed. This was due to a certain amount of capitulation in the energy and materials sectors, and demonstrates the vulnerability of the Index to these sectors that we have maintained are significantly overpriced. Given the high concentration of financials, energy and materials in the S&P/TSX Composite, we believe that the broad Canadian market is still at risk. The Canadian Equity Fund, with its lack of exposure to these overvalued stocks, is positioned to outperform going forward as the companies in the portfolio continue to execute well operationally.

Over the past few months, the equity markets have been focused primarily on economic data released in the US. The economic commentary during this period has, for the most part, been unhelpful. While some indicators have signaled a slowdown in the economy, leading investors to fear an impending recession, others have suggested reaccelerating economic growth, sparking concerns of inflation and further tightening by the US Federal Reserve. Despite the fluctuating market sentiment, the recent releases of stronger than expected economic news support our view that the US economy is in a mid-cycle slowdown similar to the one experienced a decade ago during the '90s economic expansion. Furthermore, the empirical evidence offers no validation that inflation is picking up.

On January 31st, the Commerce Department's preliminary estimate indicated that US economic growth accelerated to a 3.5% annual rate in the fourth quarter of 2006. In all likelihood, this estimate will be revised down but remain above the 2% real GDP increase of the prior quarter. Lower gasoline prices and fairly robust job growth have helped consumer spending, which accounts for about 70% of the economy, rebound. The expansion appears to be continuing in the first quarter of 2007 as suggested by recent indicators of firmer economic growth. Growth at US service industries, measured by the Institute for Supply Management's index of non-manufacturing businesses, accelerated in January, and new home sales rose a more-than-expected 4.8% in December.

Inflation remains low and even shows signs of slowing. The employment cost index (ECI) increased less than expected in the fourth quarter of 2006, slowing to 0.8% quarter-over-quarter, while the core consumption price deflator (CPD) rose just 0.1% in January from December. As inflation stays well-contained with the economy likely to expand at a moderate pace over coming quarters, the Federal Reserve can be expected to hold interest rates steady. This is a good environment for equity investments.

Against a favourable macroeconomic backdrop, US corporate earnings continue to advance at a healthy pace. With over two-thirds of the S&P 500 companies having already reported financial results for the 2006 fourth quarter, 68% of the reports have been positive surprises. On average, profits are up around 11%. We have generally been pleased with the solid fourth quarter performance from the vast majority of our companies, and in certain cases, were confounded by the muted or even negative reactions in the stock prices. It appears that market sentiment in the US is far from being overly optimistic as investors tend to hold a “glass is half empty” mindset.

Taking into consideration the low expectations for growth and exceptional strength of corporate balance sheets in a moderately expanding economy with low inflation, US equity valuations remain attractive. The current investment climate is well suited for stock selection based on our “growth at a reasonable price” investment style. In particular, we are finding the best opportunities in large cap growth stocks including some of the world’s leading technology companies. We look forward to 2007 being another good year for the North Growth US Equity Fund.

Yours truly,



Erica Lau, CFA

NORTH GROWTH US EQUITY FUND
SHORT TERM RATES OF RETURN FOR PERIODS ENDING JANUARY 31, 2007

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	3.12%	10.47%	21.52%	3.12%
S&P 500 \$CDN	2.52%	9.93%	18.31%	2.52%
NGM US Equity Fund \$US	2.10%	5.41%	16.83%	2.10%
S&P 500 \$US	1.51%	4.89%	13.75%	1.51%
S&P 400 MidCap \$US	3.63%	6.45%	12.89%	3.63%
S&P 600 SmallCap \$US	2.06%	4.87%	12.98%	2.06%
NASDAQ Composite \$US	2.04%	4.31%	18.23%	2.04%

NORTH GROWTH US EQUITY FUND
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING JANUARY 31, 2007

	1 Year	3 Years	5 Years	10 Years	Since Inception
NGM US Equity Fund \$CDN	14.25%	7.83%	10.18%	13.78%	15.98%
S&P 500 \$CDN	18.33%	6.06%	0.62%	6.48%	10.84%
NGM US Equity Fund \$US	10.56%	12.17%	16.98%	15.42%	16.43%
S&P 500 \$US	14.51%	10.32%	6.82%	7.93%	11.26%
S&P 400 MidCap \$US	7.97%	13.63%	11.80%	13.46%	14.72%
S&P 600 SmallCap \$US	8.41%	14.68%	12.76%	11.62%	N/A
NASDAQ Composite \$US*	7.60%	6.75%	5.58%	6.45%	10.69%

Source: Bloomberg "Total Return Analysis" as of February 1, 2007.

*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: Jan. 31, 2007 \$ 26.55 CDN
\$ 22.56 US

Total Assets in Fund \$ 297.6 Million CDN

**NORTH GROWTH CANADIAN EQUITY FUND
SHORT TERM RATES OF RETURN FOR PERIODS ENDING JANUARY 31, 2007**

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	2.35%	9.56%	12.44%	2.35%
S&P / TSX \$CDN	1.15%	6.28%	11.58%	1.15%

**NORTH GROWTH CANADIAN EQUITY FUND
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING JANUARY 31, 2007**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	6.85%	6.04%	5.85%	11.88%	7.29%
S&P / TSX \$CDN	11.84%	17.56%	13.44%	22.35%	4.23%

**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: Jan. 31, 2007 \$ 12.94 CDN

Total Assets in Fund \$ 26.3 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND
ANNUALIZED RATES OF RETURNS FOR PERIODS ENDING JANUARY 31, 2007

	* CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	4.06%	3.93%	2.81%	2.69%
30 Day T-Bill	4.16%	4.03%	2.96%	2.84%

** 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.