

US Equities delivered solid results during August, with large capitalization technology names leading the way. The North Growth US Equity Fund gained 4.6% for the month, outperforming all the indices we track. Further strengthening of the Canadian dollar during August reduced the Fund's monthly return in Canadian dollars to 2.1%. Year-to-date the North Growth US Equity Fund is down 2.3% in Canadian dollars, underperforming the S&P 500's Canadian dollar return of 0.6%.

In Canada, the S&P/TSX Composite Index maintained its momentum with a 2.3% gain for the month lead by financials. The North Growth Canadian Equity Fund continued to struggle during the first week of August but began to recover mid-month. Unfortunately, the mid month rally was insufficient to offset earlier losses resulting in the North Growth Canadian Equity Fund being down 2.4% for the month. Over the past four months the Fund is down 17.9% versus only minus 0.2% for the S&P/TSX Index, as a result the Fund is now down 3.3% year-to-date versus plus 8.7% for the Index. In reaction to this period of exceptionally poor performance I have spent a considerable period of time reconsidering the Fund's positioning from both a top down and bottom up perspective. While it may be difficult for some to accept, I remain comfortable with the Fund's positioning and confident that the Fund will deliver solid absolute and relative long term results.

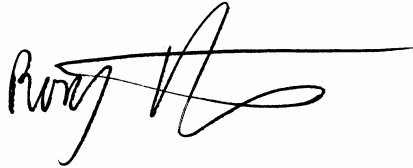
A recurring theme in recent monthly reports has been our conviction that at a macro level large capitalization US growth stocks are becoming increasingly attractive. Our research at the individual company level continues to identify numerous new 'growth at a reasonable price' investment opportunities in the large capitalization sector. Our conviction in this opportunity has intensified over the past 2 years, culminating with the North Growth US Equity Fund now positioned with 70% of its portfolio in large cap names. We believe that throughout the summer the US equity markets have been muddling through a major change in leadership with large capitalization stocks emerging in August as the new market leaders.

During August, the US markets were lead by a strong rally in large capitalization technology names that was ignited by Cisco's fourth quarter earnings report on August 8<sup>th</sup>. Cisco has been our largest position since late 2005 and we added to it on July 21 at \$17.49. We are somewhat puzzled by recent market action in Cisco. Subsequent to its very strong third quarter earnings report in May the shares sold off by over 20% to a August 4 low of \$17.24. Subsequently Cisco shares have rallied over 30% to \$22.70 on September 14<sup>th</sup>. What is puzzling is that there really have been no substantial changes at Cisco during this five month period. Cisco reported a strong third quarter with a positive outlook in May and its fourth quarter results in August were only slightly ahead of the May guidance. For the past three years the company has simply been executing on its

long term strategy, positioning it tremendously well for future growth. At \$23, Cisco shares trade at 21 times trailing twelve month earnings and the company has approximately \$1.90 in cash per share on its balance sheet. What's not to like about it?

The Cisco example gives you a flavor of how we feel about a large number of our holdings in both the US and Canadian Fund. For whatever reason, market participants seem preoccupied to an unusual degree with short term navel gazing and are failing to recognize some of the exceptional long term investment opportunities available in the market today.

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 AUGUST 31, 2006**

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>2.13%</b>	<b>2.03%</b>	<b>-4.20%</b>	<b>-2.31%</b>
S&P 500 \$CDN	0.00%	3.51%	-0.04%	0.55%
<b>NGM US Equity Fund \$US</b>	<b>4.56%</b>	<b>1.68%</b>	<b>-1.49%</b>	<b>2.79%</b>
S&P 500 \$US	2.38%	3.15%	2.79%	5.80%
S&P 400 MidCap \$US	1.14%	-1.72%	-2.45%	2.43%
S&P 600 SmallCap \$US	1.72%	-1.75%	-1.65%	5.79%
NASDAQ Composite \$US	4.51%	0.39%	-3.95%	-0.43%

**NORTH GROWTH US EQUITY FUND**  
**ANNUALIZED RATES OF RETURN FOR PERIODS ENDING AUGUST 31, 2006**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>-2.30%</b>	<b>4.95%</b>	<b>7.22%</b>	<b>13.12%</b>	<b>15.05%</b>
S&P 500 \$CDN	1.38%	2.90%	-2.22%	6.61%	<b>9.84%</b>
<b>NGM US Equity Fund \$US</b>	<b>4.93%</b>	<b>13.17%</b>	<b>14.73%</b>	<b>15.56%</b>	<b>16.03%</b>
S&P 500 \$US	8.88%	10.95%	4.65%	8.91%	10.78%
S&P 400 MidCap \$US	6.66%	14.39%	9.97%	13.78%	14.28%
S&P 600 SmallCap \$US	7.13%	15.89%	11.56%	11.73%	N/A
NASDAQ Composite \$US*	2.33%	7.14%	4.47%	7.17%	10.07%

Source: Bloomberg "Total Return Analysis" as of September 1, 2006.

\*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: Aug. 31, 2006 \$ 22.31 CDN**  
**\$ 20.19 US**

**Total Assets in Fund \$ 255.9 Million CDN**

**NORTH GROWTH CANADIAN EQUITY FUND  
SHORT TERM RATES OF RETURN FOR PERIODS ENDING AUGUST 31, 2006**

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>-2.39%</b>	<b>-8.44%</b>	<b>-9.61%</b>	<b>-3.33%</b>
S&P / TSX \$CDN	2.26%	3.49%	4.61%	8.72%

**NORTH GROWTH CANADIAN EQUITY FUND  
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING AUGUST 31, 2006**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>1.00%</b>	<b>4.78%</b>	<b>3.74%</b>	<b>8.75%</b>	<b>5.31%</b>
S&P / TSX \$CDN	15.65%	19.39%	12.38%	22.24%	3.02%

\*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: Aug. 31, 2006 \$ 11.78 CDN**

**Total Assets in Fund \$ 23.7 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND  
ANNUALIZED RATES OF RETURNS FOR PERIODS ENDING AUGUST 31, 2006**

	* CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>4.03%</b>	<b>3.37%</b>	<b>2.58%</b>	<b>2.57%</b>
30 Day T-Bill	4.14%	3.49%	2.76%	2.73%

*\* 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, as evidenced in the 78 basis point increase in the Fund’s current yield over the past six months versus a 75 basis point increase in the overnight rate over the same period.

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 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.