

The freeze up in the credit markets appears to have culminated with the remarkable demise of Bear Stearns in mid-March. While this event was unnerving, the quick and innovative action of the Fed to prevent Bear Stearns from filing for bankruptcy by facilitating its acquisition by JPMorgan Chase prevented a collapse of confidence that could have threatened the viability of the global financial system. Subsequently, the ability of numerous major financial institutions to raise billions of dollars of new equity is further evidence that confidence is returning to the credit markets and that this crisis is moving through its final stages.

Since the credit crisis began in July of last year, pundits have been saying that the US economy is in recession. If the US economy does slide into a recession, we can take some solace in the fact that this will have turned out to be one of the best telegraphed recessions in history. Recession fears are currently built into the valuations of US equities, substantially reducing the downside risk associated with further economic weakness. From the current valuation levels, any increased confidence in the outlook for the US and the global economy would likely cause market valuation levels to expand.

Although the consensus opinion is that the US economy is in a recession, the evidence to-date does not clearly support this conclusion. High energy prices, the weak housing market and the ongoing convulsions in the credit markets have definitely contributed to a substantial slowdown in the US economy, but positive contributions from personal consumption expenditures and improving trade trends have to-date kept the economy growing.

The US economy grew 4.9% in the third quarter of 2007 before slowing to 0.6% in the fourth quarter. Inventories, which grew in the third quarter and shrank in the fourth quarter, were the single biggest reason for this dramatic change. Excluding inventories from the GDP figures, the economy would have grown by 4% in the third quarter and 2.4% in the fourth, indicating a slower and much less alarming rate of deceleration.

The data available so far for the US economy during the first quarter of 2008 is pointing to growth at or slightly below 1%. Given the decelerating trend it seems likely that the economy may have contracted slightly in March. Going forward, we expect that the substantial actions taken since last September to stimulate the economy — including 300 basis points in rate cuts and approximately \$150 billion in tax rebates and other fiscal measures — will begin to take hold later in the second quarter, leading to stronger growth in the second half of the year.

Outside of the financial services sector, corporate earnings are growing nicely. Large capitalization US equities are benefiting from strong global demand and the related positive contribution from the low US dollar. The North Growth US Equity Fund has a concentration in the top global technology companies, providing it with great exposure to global growth. In general, the portfolio's holdings can be characterized as having exceptional balance sheets, strong cash flow and earnings and great long term growth prospects. While near term

earnings results may be tempered somewhat by any further macro economic weakness we believe current valuation levels more than adequately reflect this risk.

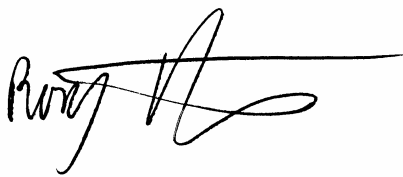
Our investment process focuses almost entirely on fundamental analysis to identify companies with solid long term growth prospects that are trading at reasonable valuation levels. We pay very little attention to technical analysis with one exception. During weak market conditions we closely monitor market sentiment which has historically provided good indication of a market bottom. Currently, all of the sentiment indicators are showing extreme bearish readings, implying that this bear market is likely over. In our last monthly report, Rudy called out March 10<sup>th</sup> as an important bottom. Although calling a bottom is notoriously difficult we continue to believe the market is well positioned to rally substantially from current levels.

Investor psychology is of paramount importance during periods of market volatility. It is frustrating to see investors change their investment horizons right at the time when sticking to their long term objectives is the most important. To emphasize this point I have pulled two key paragraphs from last month's report written by Rudy:

*"In and out 'timing' of equity holdings simply doesn't work. Successful long term investors hold their stock regardless of the short term mood of the market and if they have funds available, buy on market weakness. Over time they end up with far greater assets than they ever dared dream.*

*So, why do so many investors get so worried every time equities slip into a bear market? The short answer is that it is just human nature. The fight or flight response that served us so well in prehistoric times is simply not adequate to deal with the confusion of a bear market. Maybe another 50,000 years of evolution will solve this inappropriate behavior but a little bit of intellectual discipline right now would be a much better solution."*

Yours truly,



Rory North, CFA

Over the past month we have received a number of enquiries from clients regarding the whereabouts of their T3 forms. Neither of our equity funds paid a distribution in 2007, meaning there was no taxable income distributed to unitholders and we did not issue any T3s. While we did refer to this fact in our November monthly (published in mid-December), we now recognize that it isn't until a few months into the new year that clients are paying attention to tax issues. We apologize for any confusion this may have caused and will endeavor to improve communications on this type of issue in the future.

## NORTH GROWTH US EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>4.52</b>	<b>-7.30</b>	<b>-11.67</b>	<b>-7.30</b>
S&P 500 \$CDN	3.83	-6.23	-9.67	-6.23
<b>NGM US Equity Fund \$US</b>	<b>0.23</b>	<b>-10.48</b>	<b>-14.40</b>	<b>-10.48</b>
S&P 500 \$US	-0.43	-9.44	-12.46	-9.44
S&P 400 MidCap \$US	-1.02	-8.85	-11.33	-8.85
S&P 600 SmallCap \$US	0.39	-7.46	-13.43	-7.46
NASDAQ Composite \$US	0.41	-13.88	-15.27	-13.88

## NORTH GROWTH US EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>-16.63</b>	<b>-1.56</b>	<b>7.09</b>	<b>7.68</b>	<b>12.17</b>	<b>13.06</b>
S&P 500 \$CDN	-15.61	0.22	3.64	0.20	7.98	8.59
<b>NGM US Equity Fund \$US</b>	<b>-6.22</b>	<b>3.98</b>	<b>15.03</b>	<b>11.23</b>	<b>13.71</b>	<b>14.47</b>
S&P 500 \$US	-5.08	5.85	11.32	3.50	9.45	9.94
S&P 400 MidCap \$US	-6.97	7.06	15.10	9.02	12.41	13.16
S&P 600 SmallCap \$US	-10.60	5.31	15.63	7.06	10.89	11.99
NASDAQ Composite \$US	-5.12	5.28	11.93	2.70	8.28*	9.29*

Source: Bloomberg "Total Return Analysis" as of April 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: Mar 31, 2008 \$21.26 CDN**  
**\$20.71 US**

**Total Assets in Fund \$227.2 Million CDN**

## NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>-2.38</b>	<b>-7.73</b>	<b>-16.33</b>	<b>-7.73</b>
S&P / TSX \$CDN	-1.43	-2.84	-4.05	-2.84

## NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>-18.34</b>	<b>-1.79</b>	<b>4.85</b>	<b>4.16</b>	<b>3.09</b>
S&P / TSX \$CDN	4.01	14.17	18.49	17.91	4.30

\*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: Mar 31, 2008 \$ 10.38 CDN**

**Total Assets in Fund \$ 17.6 Million CDN**

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>3.18</b>	<b>4.26</b>	<b>3.66</b>	<b>3.13</b>
30 Day T-Bill	N/A	4.12	3.69	3.22

*\* 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).