

Following a month of decent performance in August, US equities continued to climb higher in September. All the major indices posted solid gains: the NASDAQ Composite lead the pack with a monthly return of 4.1% while the S&P 600 SmallCap, which was up 1.5%, appreciated the least. The North Growth US Equity Fund gained 2.0% for the month, outperforming the small-cap index, but lagging behind the S&P 500 Index's return of 3.7% and the performance of the other indices we track. The Canadian dollar strengthened by almost 6% in September, causing the Fund's Canadian dollar value to fall by 3.9% for the month versus the S&P 500's -2.3% return in Canadian dollars. Year-to-date, in US dollars, the Fund is up 9.5%, slightly ahead of the 9.1% return of the S&P 500. However, when expressed in Canadian dollars, both the Fund's and the S&P 500 Index's year-to-date returns are reduced by 16% due to the appreciation of the Canadian currency.

Canadian equities were also strong in September, as reflected by the 3.5% gain in the S&P/TSX Composite Index. The North Growth Canadian Equity Fund did not participate in the strength of the broad market, falling 3.9% for the month. Year-to-date, the Fund is down 1.9% against the Index which is up 11.2%.

The most significant event for the US equity markets in September was the decision by the Federal Open Market Committee to lower the federal funds rate by 50 basis points, or 0.50%, to 4.75% on September 18th. The Committee acknowledged that economic growth has been moderate and core inflation improving, but justified their action as intention to "forestall" any adverse effects on the broad economy from the tightening of credit conditions caused by the subprime mortgage fallout. The Fed's move added momentum to the US equity markets, propelling them to register virtually all their gains for the month following the rate cut.

As we have emphasized in our previous monthly reports, a moderate economic growth, low inflation environment is one that is ideally suited for equity investments. With lower interest rates, the backdrop becomes even more attractive for stocks in the US.

In addition to providing stimulus for the markets, the Fed's action last month also triggered further depreciation of the US dollar. For Canadians, this meant that the loonie continued to soar to new highs against the greenback, resulting in the Canadian dollar reaching parity for the first time in over 30 years during intraday trading on September 20th.

We have long maintained that at over 90 cents to the US dollar, the Canadian dollar is clearly overvalued based on fundamentals. While it is difficult, if not impossible, to forecast the short-term direction of the exchange rate, many of the macroeconomic indicators in Canada versus the US suggest that over the next few years, the Canadian dollar should reverse its upward trend and fall back towards its 30-year historical average exchange rate of 78 cents to the US currency.

In the meantime, a weaker US dollar greatly benefits the US economy by helping the trade balance and enhancing the competitive position of US manufacturers. As we highlighted in the August monthly report, trade actually accounted for a greater portion of the US economy's growth in the second quarter than personal consumption. The depreciating US currency is a boon to US exports. Moreover, many large American corporations that conduct business around the globe stand to gain from a lower US dollar. For example, Nike, a holding in the US Equity Fund, explicitly stated in its latest quarterly conference call that a weaker dollar should benefit overall profitability. The company derives around 65% of its revenue and pretax income from geographies outside of the US.

The strong Canadian currency has undoubtedly been the topic of news headlines here at home recently, with many stories in the media about Canadian shoppers heading south where goods are cheaper on a currency-adjusted basis. Just as Canadians are currently taking advantage of the strong domestic currency to purchase relatively cheaper US goods, so too they should use the strong Canadian dollar to increase exposure to attractively valued US equities.

Yours truly,

A handwritten signature in black ink, appearing to read "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 September 30, 2007

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-3.89	-3.80	-5.61	-6.53
S&P 500 \$CDN	-2.29	-4.73	-6.57	-6.85
NGM US Equity Fund \$US	2.04	3.03	9.56	9.50
S&P 500 \$US	3.74	2.03	8.44	9.13
S&P 400 MidCap \$US	2.65	-0.87	4.92	11.01
S&P 600 SmallCap \$US	1.49	-1.83	3.26	6.57
NASDAQ Composite \$US	4.09	3.98	11.98	12.48

NORTH GROWTH US EQUITY FUND

Annualized Rates of Return (%) for Periods Ending September 30, 2007

	1 Year	3 Years	5 Years	10 Years	Since Inception
NGM US Equity Fund \$CDN	1.75	7.42	10.53	9.57	14.47
S&P 500 \$CDN	3.64	4.52	5.15	3.13	9.63
NGM US Equity Fund \$US	14.33	16.27	21.35	13.22	16.19
S&P 500 \$US	16.44	13.14	15.45	6.57	11.28
S&P 400 MidCap \$US	18.76	15.63	18.17	11.60	14.55
S&P 600 SmallCap \$US	14.93	14.29	18.73	9.41	N/A
NASDAQ Composite \$US*	20.52	13.38	18.95	5.34	10.87

Source: Bloomberg "Total Return Analysis" as of October 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: Sept. 30, 2007 \$ 24.06 CDN
\$ 24.19 US

Total Assets in Fund \$ 266.7 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

Short Term Rates of Return (%) for Periods Ending September 30, 2007

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-3.91	-11.39	-2.41	-1.91
S&P / TSX \$CDN	3.46	1.99	8.40	11.22

NORTH GROWTH CANADIAN EQUITY FUND

Annualized Rates of Return (%) for Periods Ending September 30, 2007

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	8.28	6.41	7.60	8.95	5.95
S&P / TSX \$CDN	22.81	20.16	20.35	21.26	5.22

*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: Sept. 30, 2007 \$ 12.40 CDN

Total Assets in Fund \$ 23.0 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND

Annualized Rates of Returns (%) for Periods Ending September 30, 2007

	* CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	4.72	4.22	3.33	2.96
30 Day T-Bill	N/A	4.28	3.45	3.10

* 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.