

Equity markets across the globe continued to climb in May amidst reports of improving economic conditions. As of May 31<sup>st</sup>, the S&P 500 Index has gained 37% from the March 9<sup>th</sup> lows while the North Growth US Equity Fund is up 43%.

Recent data show the US economic environment stabilizing with some indicators pointing towards improvement. In May, the Conference Board's sentiment index, a gauge of consumer confidence, registered the biggest gain since April 2003 and jumped to the highest level since before the collapse of the credit markets last September. Despite a high unemployment rate, first-time claims for jobless benefits have been slowing, and job losses in May fell the least in seven months. Meanwhile, recent figures from the Commerce Department continue to indicate a narrowing trade deficit, making it likely that trade will provide a meaningful contribution to second quarter GDP.

Aside from economic statistics, the commentary and business outlook provided by various US corporations have also been encouraging. With the first quarter earnings reporting period largely complete, the majority of the S&P 500 companies reported results that were ahead of analysts' very low expectations. While most management teams are not willing to declare that profits have bottomed, they do acknowledge that business conditions are no longer worsening.

Specifically, among the holdings in the US Equity Fund, Intel's CEO, Paul Otellini, stated in the company's quarterly conference call in April that as "order patterns strengthened throughout the quarter", he believed "the worst [was] now behind". More recently, Texas Instruments updated its second quarter business outlook, raising its revenue and profit targets and confirming that factories are responding to higher demand.

Notwithstanding such encouraging anecdotal commentary, the macroeconomic backdrop remains highly uncertain. We do not propose that the environment for equity earnings is particularly favourable in the near term, but it is not as dire as suggested by the pervasive negative market sentiment and the low valuations of stocks based on depressed earnings. Many companies with good long term earnings growth prospects are trading at attractive valuations, presenting compelling investment opportunities.

The ongoing debate as to whether we are currently in a “bear market rally” or a “secular bull market” is simply pointless. It is impossible to successfully time the market over the long term, so regardless of whether we are bouncing along the market bottom or in the beginning stages of a sustained uptrend, the recommended course of action is identical—that is to be invested.

Yours truly,

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

Erica Lau, CFA

## NORTH GROWTH US EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending May 31, 2009

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-4.58</b>	<b>16.11</b>	<b>4.93</b>	<b>4.04</b>
S&P 500 \$CDN	-3.37	7.97	-8.17	-7.72
<b>NGM US Equity Fund \$US</b>	<b>4.28</b>	<b>35.32</b>	<b>18.90</b>	<b>16.08</b>
S&P 500 \$US	5.59	25.83	4.05	2.96
S&P 400 MidCap \$US	2.74	28.69	13.02	7.80
S&P 600 SmallCap \$US	1.61	29.15	5.30	-0.75
NASDAQ Composite \$US	3.47	29.11	16.21	13.06

## NORTH GROWTH US EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending May 31, 2009

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>-19.06</b>	<b>-7.20</b>	<b>-3.87</b>	<b>6.04</b>	<b>9.70</b>	<b>10.78</b>
S&P 500 \$CDN	-25.87	-8.52	-6.17	-4.61	5.07	6.21
<b>NGM US Equity Fund \$US</b>	<b>-26.38</b>	<b>-6.92</b>	<b>0.50</b>	<b>9.27</b>	<b>11.44</b>	<b>11.65</b>
S&P 500 \$US	-32.57	-8.24	-1.90	-1.71	6.74	7.05
S&P 400 MidCap \$US	-33.50	-7.72	0.69	5.10	9.90	10.30
S&P 600 SmallCap \$US	-31.93	-9.99	-0.11	5.17	8.17	9.11
NASDAQ Composite \$US	-28.92	-5.81	-1.44	-2.69	6.05*	6.99*

Source: Bloomberg "Total Return Analysis" as of June 1, 2009.

\*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: May 31, 2009 \$17.45 CDN**  
**\$15.98 US**

**Total Assets in Fund \$184.4 Million CDN**

## NORTH GROWTH CANADIAN EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending May 31, 2009

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>5.81</b>	<b>32.34</b>	<b>24.24</b>	<b>19.02</b>
S&P / TSX \$CDN	11.46	28.87	14.07	17.16

## NORTH GROWTH CANADIAN EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending May 31, 2009

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>-35.23</b>	<b>-16.53</b>	<b>-7.85</b>	<b>-2.82</b>	<b>-1.62</b>
S&P / TSX \$CDN	-26.99	-1.27	6.87	10.30	1.22

\*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: May 31, 2009 \$ 7.14 CDN**

**Total Assets in Fund \$ 13.2 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND**  
**Annualized Rates of Returns (%) for Periods Ending May 31, 2009**

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>0.27</b>	<b>1.75</b>	<b>3.31</b>	<b>2.99</b>
30 Day T-Bill	N/A	1.58	3.17	2.97

*\* 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).