

Equities rallied strongly in July—the US indices we follow posted monthly returns ranging from 7.6% for the S&P 500 to 10.3% for the S&P 600 SmallCap. The North Growth US Equity Fund gained 9.9% for the month, outperforming the S&P 500 by over 2%. However, after accounting for the strong Canadian currency, the Fund's monthly gain is reduced to 1.8% in Canadian dollars versus the S&P 500's -0.3% Canadian dollar return in July.

Since the March 9th market low, the S&P 500 Index has climbed nearly 50% fueled largely by the economic data showing a gradual improvement in the US economy. Manufacturing has been contracting at a diminishing rate as the Institute for Supply Management's (ISM's) factory index for July reached the highest level since August 2008. ISM's index of non-manufacturing businesses has also been in an upward trend, reflecting signs of stabilization in housing and consumer spending. And although the unemployment rate in the US remains stubbornly high at 9.4%, layoff announcements have been declining sharply with initial unemployment claims trending lower.

Combined with lean inventory levels, the improving economic news bode well for employment as businesses begin to expand output again. While most economists do expect the US economy to grow tepidly in the current quarter, recent data indicate that third quarter GDP could be as high as 5%—that would likely be a positive surprise for the markets.

In the meantime, with the second quarter earnings reporting period at a close, the majority of the S&P 500 companies again reported results that were well ahead of analysts' low expectations. For the North Growth US Equity Fund, with 90% of the portfolio reported to-date, earnings for the latest quarter declined 10.6% year-over-year against analysts' estimates of a 29.9% drop.

Investors seem to be focused more on the negative year-over-year growth in earnings than the positive sequential quarterly improvement. In general, the commentary and business outlook provided by numerous US corporations continue to be encouraging. Executives appear to be increasingly upbeat after two consecutive quarters of stabilizing business conditions. Against a still uncertain macroeconomic environment, most management teams now believe that profits are bottoming, if not recovering.

Particularly noteworthy are the following remarks made by Cisco's CEO, John Chambers, on the company's most recent earnings conference call: "[The latest quarter] had both the first positive sequential product order growth and was also the first quarter in the entire fiscal year that was anywhere close to having normal sequential order seasonality....During normal economic times year-over-year numbers are very indicative of the health of business. However, during economic transitions, upturns and downturns, sequential order comparisons...are very useful in determining the health of business and possible directional changes."

We are encouraged by the improving tone in business commentary given by the majority of the holdings in the US Fund. Despite the strong rally in equities over the past five months, investor sentiment remains persistently negative with most market participants believing that the bear market is not over. Consequently, many US corporations are still trading at levels that do not reflect their normalized earnings power and long term growth prospects, providing for compelling investment opportunities.

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 July 31, 2009

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	1.79	4.51	22.46	13.96
S&P 500 \$CDN	-0.34	2.79	6.46	-1.83
NGM US Equity Fund \$US	9.86	15.72	39.40	28.82
S&P 500 \$US	7.56	13.81	21.18	10.97
S&P 400 MidCap \$US	8.74	12.41	27.17	17.95
S&P 600 SmallCap \$US	10.32	13.71	27.23	11.07
NASDAQ Composite \$US	7.86	15.47	34.73	26.18

NORTH GROWTH US EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	-4.00	-4.31	-0.87	6.27	10.69	11.27
S&P 500 \$CDN	-15.78	-7.68	-4.25	-4.45	5.43	6.54
NGM US Equity Fund \$US	-8.77	-2.73	3.38	9.89	12.56	12.22
S&P 500 \$US	-19.96	-6.16	-0.14	-1.19	7.22	7.45
S&P 400 MidCap \$US	-20.25	-4.00	3.04	5.72	10.57	10.78
S&P 600 SmallCap \$US	-19.27	-5.46	2.21	5.87	9.17	9.74
NASDAQ Composite \$US	-14.02	-0.98	1.77	-2.26	6.94*	7.62*

Source: Bloomberg "Total Return Analysis" as of August 4, 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: July 31, 2009 \$19.11 CDN
\$17.74 US

Total Assets in Fund \$190.4 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND
Short Term Rates of Return (%) for Periods Ending July 31, 2009

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	3.07	8.85	23.00	22.44
S&P / TSX \$CDN	4.22	16.56	26.26	22.52

NORTH GROWTH CANADIAN EQUITY FUND
Annualized Rates of Return (%) for Periods Ending July 31, 2009

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	-22.81	-13.92	-6.82	-2.31	-1.28
S&P / TSX \$CDN	-17.73	-0.19	7.66	10.81	1.70

**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: July 31, 2009 \$ 7.34 CDN

Total Assets in Fund \$ 13.5 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.12	1.32	3.09	2.93
30 Day T-Bill	N/A	1.21	2.94	2.91

** 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.