

By Rudy North

I have not felt compelled to write a monthly report recently since I have been completely in agreement with the reports written by Rory and Erica. Readers might have noticed that our monthly reports have quite a different tone than much of the commentary that has appeared in the media. In a sense, this is sad because it is no way to make friends and influence people. However, the conviction of our views on the economy and the market are an important factor in the successful execution of our “growth at a reasonable price” investment philosophy.

I started by saying that I have been in complete agreement with the monthly reports written by Rory and Erica this year. It struck me that some investors might think, “so what?”, because they may be more in agreement with the mainstream commentary which we felt was quite misleading. I have been so outspoken about the poor quality of so much of the media commentary over the past year that I decided that I should check our past commentary to see how well it stands up in hindsight. It was spot on. If you are interested in reviewing a short and precise overview of how 2009 has developed, I suggest you review our last nine reports as I did.

When we have experienced a period of underperforming the market and, in addition, the market has suffered a severe decline, nobody is interested in understanding our investment philosophy or how good our record of 10-year periods of performance has been. Most people become so obsessed with the short term that it is futile to get many investors to tolerate any positive talk.

The Fund’s strong short term performance both relative to the S&P 500 and in absolute terms since the new bull market began on March 9, 2009, hopefully has created an atmosphere where there will be more interest in the factors that we feel are the key to our continued success.

Our approach has delivered industry-leading results over every running 10-year period since the U.S. Fund turned 10 at the end of October 2002. Short term periods when our investment results have not been as we would have liked cannot be avoided if we are to stick to our “growth at a reasonable price” approach when the market leaders are too expensive.

Investors who hold the Fund today have successfully handled the worst bear market since the 1930s and also the worst 10-year period for the S&P 500 since 1925, which is as far back as I have a complete record. The future is going to be much easier, but even handling the first year of a bull market can be difficult.

The main reason for this is that many people will have lost much of their long term faith in equities. That is a personal matter that we probably can't influence in many cases. Another reason is a little bit of market lore that seems very sound but can completely derail a successful investment program in the early stages of a bull market. It has been popular at the beginning of all the 10 bull markets I have experienced: *Too Far –Too Fast*.

Too Far –Too Fast really seems to resonate with many investors during the early stages of a new bull market. The problem is that the first year or so of every bull market is both the strongest and most risk-free year of the entire market cycle.

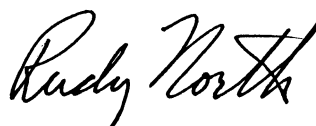
Once a new bull market emerges from the confusion that accompanies the bottom of the bear market it begins to rise at a rate that would be unsustainable if it were not coming off the bottom of the bear market which always reflects extreme over-pessimism that it is just as irrational as the extreme optimism that occurs at the top of most bull markets.

Looking back over the long term record of equity prices spanning numerous market cycles, it is obvious that selling during early stages of a bull market or not investing cash earmarked for equities because the short term seems to be going *Too Far –Too Fast* will greatly reduce the returns of the long term investment program.

Too Far –Too Fast is a valuable concept, but not now. Much later in the cycle when markets are euphoric and the market favourites are experiencing an incredibly strong rally is the time to heed the warning of *Too Far –Too Fast*.

We are not there yet. Currently, almost every macroeconomic indicator is pointing towards a reasonably strong and amazingly synchronized global economic recovery. Corporate earnings for the latest quarter came in well above expectations and in general management commentary indicates that activity levels are improving further as we move into the fourth quarter. Despite these positives, there remains a deep skepticism towards equities. Now is the time for investors to ensure that they are well-positioned to benefit from an improving economy.

Yours truly,



Rudy North
President

NORTH GROWTH US EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-2.45	5.05	9.79	19.71
S&P 500 \$CDN	-0.83	5.91	8.86	3.97
NGM US Equity Fund \$US	-3.46	4.62	21.07	34.77
S&P 500 \$US	-1.86	5.48	20.04	17.05
S&P 400 MidCap \$US	-4.54	5.33	18.40	24.23
S&P 600 SmallCap \$US	-5.69	1.43	15.34	12.66
NASDAQ Composite \$US	-3.61	3.58	19.61	30.70

NORTH GROWTH US EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	9.51	-5.77	0.34	7.49	10.77	11.41
S&P 500 \$CDN	-1.37	-8.17	-2.02	-3.95	5.74	6.80
NGM US Equity Fund \$US	21.92	-4.59	2.75	10.85	12.44	12.33
S&P 500 \$US	9.81	-7.02	0.33	-0.95	7.33	7.67
S&P 400 MidCap \$US	18.18	-4.22	3.24	6.45	10.64	10.95
S&P 600 SmallCap \$US	5.56	-7.34	1.26	6.48	8.90	9.69
NASDAQ Composite \$US	20.09	-3.90	1.54	-3.07	6.66*	7.71*

Source: Bloomberg "Total Return Analysis" as of November 2, 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: Oct. 31, 2009 \$20.08 CDN
\$18.56 US

Total Assets in Fund \$199.2 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-3.09	9.00	18.65	33.47
S&P / TSX \$CDN	-4.04	1.85	18.72	24.78

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	22.16	-12.17	-5.41	-0.91	-0.31
S&P / TSX \$CDN	15.74	-1.19	6.94	10.68	1.86

*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: Oct. 31, 2009 \$ 8.00 CDN

Total Assets in Fund \$ 14.7 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.07	0.66	2.75	2.84
30 Day T-Bill	N/A	0.64	2.60	2.81

** 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.*

We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach because the management fee is, and always has been, 0.25%. In today's low rate environment most other money market funds in Canada have cut their management fees and extended their maturities in order to improve yields, as a result the North Growth Canadian Money Market Fund's yields are now below the industry average.

We manage the portfolio to ensure high liquidity and have no intention to extend maturities in order to chase a few basis points and we do not have any room to reduce our management fees because we already take a loss on the product. We still believe our money market fund has superior liquidity characteristics due to its very low average maturity but our current yield is 0.06% as compared to 0.20% to 0.40% for many other mainstream money market funds and even short term GICs at top tier Canadian banks.

The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

*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. We are Canada's U.S. Equity Specialist. 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.