

US Equities got off to a solid start during the first half of January but stumbled on January 20th as US politics, problems in Greece, and moves by China to unwind unnecessary stimulus seemed to distract the market from mounting evidence of an improving global macro economic picture and remarkably strong corporate earnings. In the US, the technology heavy NASDAQ Composite ended the month down 5.34% and the broader S&P 500 Index declined 3.60%. Given our heavy technology weighting, the decline of 3.59% for the North Growth US Equity Fund was a remarkably good relative performance. The North Growth Canadian Equity Fund delivered a very strong monthly gain of 4.71% versus a decline of 5.35% for the S&P/TSX Composite Index. The Canadian Fund's strength during January is primarily attributable to a 35% gain from the Fund's largest holding, Zarlink Semiconductor.

On January 29th the advanced estimate for fourth quarter US GDP growth was reported at +5.7% and was better than most forecasts. Inventories, which had experienced a record drawdown during 2009, essentially stopped declining and as a result contributed +3.4% to fourth quarter GDP. To-date, there has been no increase in inventories. The positive contribution to GDP is simply from demand being met from new production rather than existing inventories. Inventory levels are far too low to support current demand levels; as a result, inventory replenishment should be a significant contributor to economic growth throughout this year.

Additionally, in reaction to the liquidity crisis induced 2007-2008 recession, companies slashed capital expenditures and employment at a rate that now seems to have been excessive. During the fourth quarter of 2009 real capital expenditure on equipment grew by a very strong 13.3%, indicating that companies have begun to right size their spending to take in to account a much stronger demand environment than had been originally anticipated. Trends in a number of different employment statistics indicate that job growth is imminent. While not all economic data points have been positive, when we look at them in aggregate it seems clear to us that we are at the early stages of a business-spending-led recovery.

The improving economic trends have been developing since spring/summer 2009 and are most clearly evident in the improvement in corporate earnings. During the fourth quarter of 2009, earnings growth accelerated dramatically. Within our portfolio, a remarkable number of companies reported record or near record earnings. Almost across the board management commentary highlighted improving levels of activity throughout the quarter in a broad cross-section of industries and geographies. We believe the current environment is confirming our thesis that the economic turmoil we faced over the past few years would not have a significant impact on the long term prospects of our companies.

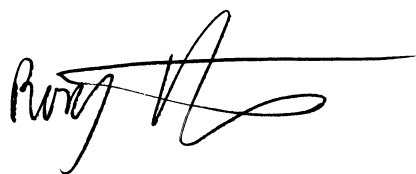
In most cases stock prices are still well below their 2007 peaks. Given that we firmly believed the equities we owned were attractively valued even at the 2007 peak, it should be obvious that we believe our portfolio currently represents an exceptionally compelling “growth at a reasonable price” investment opportunity.

The loss by the Democrats of the of the Massachusetts Senate seat on January 19th, which robbed them of their 60 vote super majority, seemed to distract the market from the exceptionally strong earnings reporting period that was underway. This loss was followed shortly by rampant, but what proved to be misguided, speculation that Ben Bernanke would not be reappointed for a second term as Fed Chairman. An environment of uncertainty quickly developed. It seemed like every bear emerged from hibernation and hit the airwaves at once.

The long simmering issue of a troubled Greek economy now—according to the media (and the bears)—seems to be a huge risk to the global recovery. I am a little sceptical that an economy the size of the Greek economy is really that relevant. Chinese moves to reduce stimulus also are also generating a great deal of consternation. I view these modest tightening moves by China as prudent action to remove some of the liquidity crisis-induced stimulus that is no longer necessary in an effort to prevent the Chinese economy from overheating.

Of all the issues that seem to have captured the market’s attention recently, it is only the Bernanke reappointment issue that could have really shaken my confidence. As it stands now, with that issue resolved, I view this correction as a great opportunity for investors to recommit to US equities for long term growth.

Yours truly,

A handwritten signature in black ink, appearing to read 'Rory North', with a long horizontal line extending to the right.

Rory North, CFA
COO & Lead Portfolio Manager

NORTH GROWTH US EQUITY FUND

Short Term Rates of Return (%) for Periods Ending January 31, 2010

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-1.91	5.02	10.32	-1.91
S&P 500 \$CDN	-1.92	2.95	9.03	-1.92
NGM US Equity Fund \$US	-3.59	6.26	11.17	-3.59
S&P 500 \$US	-3.60	4.16	9.87	-3.60
S&P 400 MidCap \$US	-3.21	7.03	12.73	-3.21
S&P 600 SmallCap \$US	-3.38	7.69	9.23	-3.38
NASDAQ Composite \$US	-5.34	5.28	9.05	-5.34

NORTH GROWTH US EQUITY FUND

Annualized Rates of Return (%) for Periods Ending January 31, 2010

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	35.11	-7.34	-0.83	7.65	11.28	11.56
S&P 500 \$CDN	16.07	-10.16	-2.76	-3.75	5.64	6.88
NGM US Equity Fund \$US	54.97	-4.33	2.17	10.94	13.34	12.53
S&P 500 \$US	33.14	-7.24	0.18	-0.80	7.60	7.81
S&P 400 MidCap \$US	43.36	-4.05	3.13	6.32	11.34	11.22
S&P 600 SmallCap \$US	38.97	-6.52	1.12	6.32	9.66	10.01
NASDAQ Composite \$US	46.93	-3.61	1.67	-5.30	7.22*	7.90*

Source: Bloomberg "Total Return Analysis" as of February 1, 2010.

*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: Jan. 31, 2010 \$21.07 CDN
\$19.70 US**

Total Assets in Fund \$206.3 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

Short Term Rates of Return (%) for Periods Ending January 31, 2010

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	4.71	16.01	26.46	4.71
S&P / TSX \$CDN	-5.35	2.44	4.33	-5.35

NORTH GROWTH CANADIAN EQUITY FUND

Annualized Rates of Return (%) for Periods Ending January 31, 2010

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	55.54	-10.48	-3.33	1.33	1.28
S&P / TSX \$CDN	31.73	-2.39	6.57	10.66	2.07

*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: Jan. 31, 2010 \$ 9.29 CDN

Total Assets in Fund \$ 17.0 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND
Annualized Rates of Returns (%) for Periods Ending January 31, 2010

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.07	0.24	2.40	2.72
30 Day T-Bill	N/A	0.31	2.26	2.69

** 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.

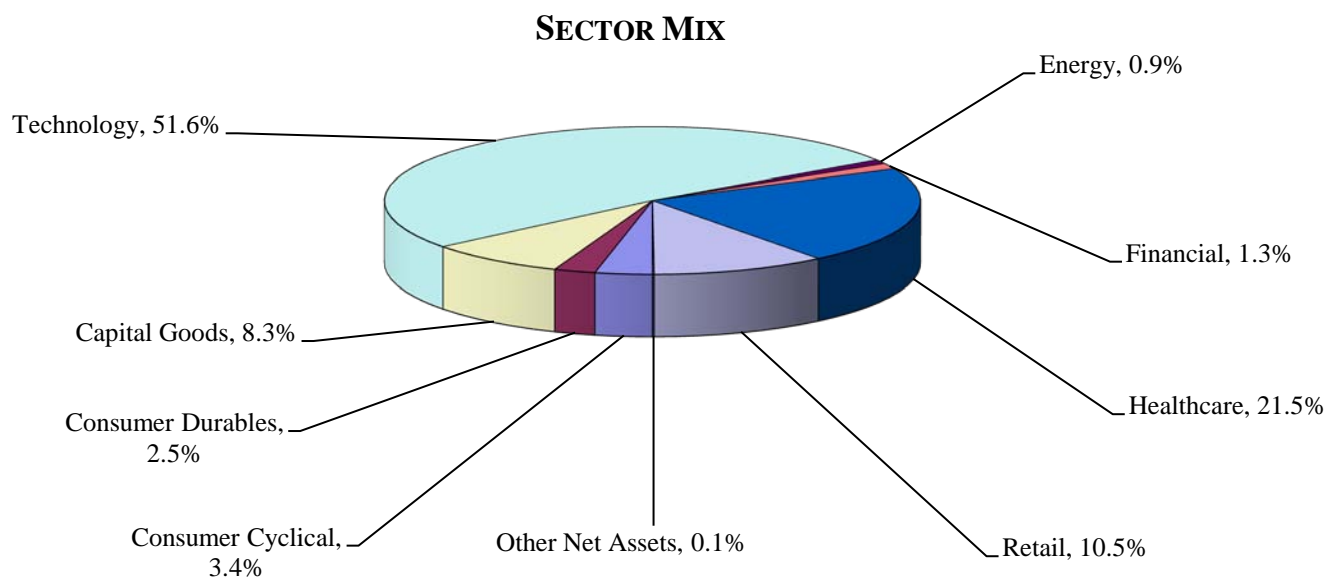
We manage the portfolio to ensure high liquidity and have no intention to extend maturities in order to chase a few basis points and we do not have any room to reduce our management fees because we already take a loss on the product. We still believe our money market fund has superior liquidity characteristics 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).

**US EQUITY FUND
TOP 10 HOLDINGS
As of January 31, 2010**

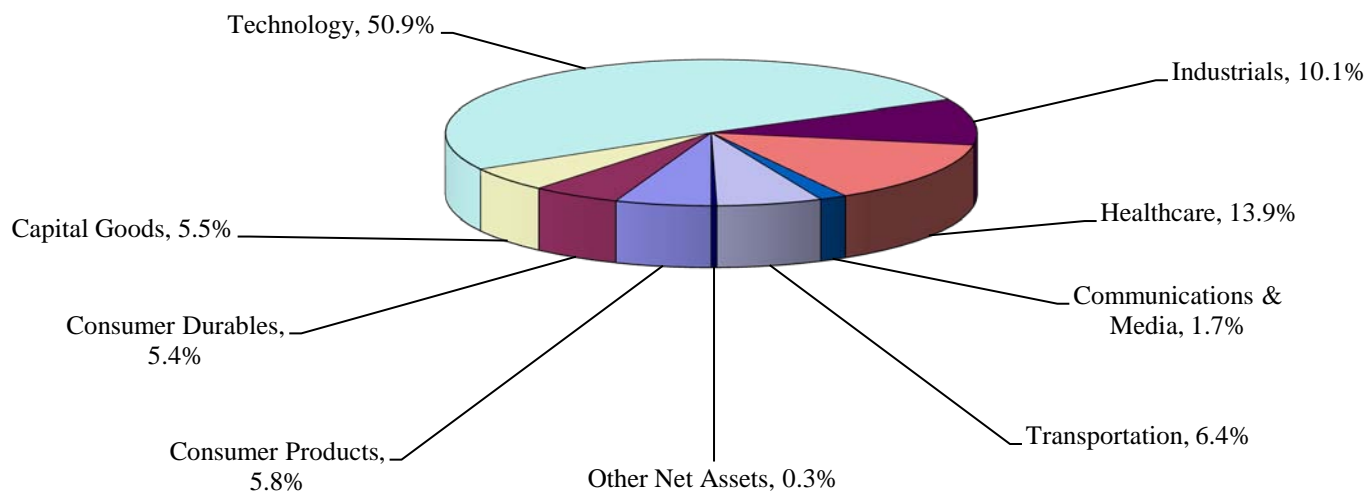
	%
Cisco Systems Inc.	9.57
Apple Inc.	9.37
Bristol-Myers Squibb Company	5.28
Microsoft Corporation	5.03
Intel Corporation	5.02
Pfizer Inc.	4.24
Citrix Systems Inc.	4.08
General Electric Company	4.03
Sybase Inc.	4.01
St. Jude Medical Inc.	<u>3.85</u>
Top 10	54.48
Total Equities	99.98
Cash	<u>0.02</u>
TOTAL ASSETS	100.00%



**CANADIAN EQUITY FUND
TOP 10 HOLDINGS
As of January 31, 2010**

	%
Zarlink Semiconductor Inc.	11.00
Bombardier Inc., Class B	7.25
EXFO Electro-Optical Engineering Inc.	7.08
WestJet Airlines Ltd.	6.41
Sierra Wireless Inc.	5.89
Biovail Corporation	5.50
ATS Automation Tooling Systems Inc.	5.46
Dorel Industries Inc., Class B	5.38
QLT Inc.	4.91
Gennum Corporation	<u>4.86</u>
Top 10	63.74
Total Equities	99.67
Cash	<u>0.33</u>
TOTAL ASSETS	100.00%

SECTOR MIX



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.