

US equities performed well during April, with all major indices posting strong monthly returns ranging from +5.85% for the S&P 600 SmallCap Index to +1.58% for the S&P 500 Index. We were pleased with the 2.3% gain for the North Growth US Equity Fund bringing the Fund's year-to-April 30<sup>th</sup> performance to 10.49% and extending its relative outperformance of the S&P 500 to just under 3.5%. These gains were driven by exceptionally strong first quarter earnings results and indications of an improving business environment.

The solid April stock performance is somewhat irrelevant now that the markets have sold off sharply during the first few weeks of May. However, so far in May the positive corporate news has continued to flow in. The combination of strong and improving earnings and the broad based equity selloff is creating truly exceptional valuations.

Over the past year I have spoken with many investors who apparently were looking for an opportunity to put money to work. This recent sell-off is providing a great opportunity, but much to my surprise I have not heard from any of them recently. Once again the great cycle of fear and greed is upon us. Everyone knows that the only time great investment opportunities present themselves is when fear is firmly in charge. Was it Buffett or Biggs or Rudy that said it? It doesn't really matter they have all said it before, just remember "when it is time to buy equities you won't want to."

The media is doing a great job of fanning the fears these days. I have a long list of recent examples of poor and inflammatory reporting but none really tops the stories that filled the popular press last Friday after a Spanish daily newspaper published an article claiming that Sarkozy threatened to pull France out of the Eurozone. An amazing number of highly regarded news publications ran with this unsubstantiated story citing only the Spanish daily as the source and ignoring the fact that high level government officials from Germany and Spain denied the report and the French Finance Minister stated "I will only say these rumours are completely unfounded... and I have no other comments, I think it's almost insulting". Over the years I have come to expect this kind of reporting from the popular media but I was stunned and dismayed to find the highly regarded New York based research firm ISI Group picked up the story and ran with it as a fact in their Monday morning weekly research note. I guess that is what happens when people get panicky.

It is puzzling to me that so many people in this country believe that it is reasonable to have the majority of their equity investments in a market that represents only around 5% of global market capitalization and has a 70% concentration in financials and commodity related companies. People I talk to seem to think I'm joking when I say that I believe that at a minimum exposure to US equities should be 50%. I'm not. The fact that US market represents approximately 50% of global market capitalization is a start, but it understates the importance of US equities. In most sectors the top global companies are US companies. Furthermore many of these global leaders are currently trading at single digit to low teen P/E multiples, have incredibly strong balance sheets and in many cases growing dividends with yields ranging up to 5%. This combination makes me very comfortable with our 80% US equity weighting.

The problems in Europe are significant and they will most likely slow the rate of the current global economic expansion. There is a risk that the problem could snowball and create a major financial crisis. However, the tangible evidence of an improving business environment we are getting from very current corporate communications leads me to conclude that the markets are placing much too high of a probability on a worst case scenario outcome. I believe this market correction is providing a great opportunity for long term investors who have been sitting on the fence to recommit to the great "growth at a reasonable price" opportunities that are available today in the US equity markets.

Yours truly,

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

Rory North, CFA  
COO & Lead Portfolio Manager

## NORTH GROWTH US EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending April 30, 2010

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>2.30</b>	<b>8.86</b>	<b>14.33</b>	<b>6.79</b>
S&P 500 \$CDN	1.58	5.49	8.60	3.47
<b>NGM US Equity Fund \$US</b>	<b>2.30</b>	<b>14.60</b>	<b>21.77</b>	<b>10.49</b>
S&P 500 \$US	1.58	11.04	15.66	7.05
S&P 400 MidCap \$US	4.26	17.52	25.78	13.74
S&P 600 SmallCap \$US	5.85	18.99	28.14	14.96
NASDAQ Composite \$US	2.68	14.88	20.94	8.75

## NORTH GROWTH US EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending April 30, 2010

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>25.52</b>	<b>-3.36</b>	<b>0.98</b>	<b>6.31</b>	<b>11.25</b>	<b>11.92</b>
S&P 500 \$CDN	18.22	-7.81	-1.67	-3.88	5.61	7.10
<b>NGM US Equity Fund \$US</b>	<b>47.42</b>	<b>-0.45</b>	<b>5.40</b>	<b>10.38</b>	<b>13.41</b>	<b>13.22</b>
S&P 500 \$US	38.84	-5.05	2.63	-0.19	7.66	8.34
S&P 400 MidCap \$US	48.92	-0.44	6.89	6.84	11.88	12.08
S&P 600 SmallCap \$US	47.80	-2.03	5.87	7.43	10.33	10.95
NASDAQ Composite \$US	44.66	0.07	5.98	-3.78	7.98	8.62*

Source: Bloomberg "Total Return Analysis" as of May 3, 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: April. 30, 2010 \$22.93 CDN  
\$22.58 US**

**Total Assets in Fund \$223.0 Million CDN**

## NORTH GROWTH CANADIAN EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending April 30, 2010

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>1.14</b>	<b>14.56</b>	<b>32.90</b>	<b>19.95</b>
S&P / TSX \$CDN	1.67	10.79	13.49	4.86

## NORTH GROWTH CANADIAN EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending April 30, 2010

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>57.69</b>	<b>-6.80</b>	<b>0.29</b>	<b>3.26</b>	<b>2.68</b>
S&P / TSX \$CDN	34.73	-0.16	8.29	11.89	3.10

\*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: April 30, 2010 \$ 10.64 CDN**

**Total Assets in Fund \$ 18.2 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND**  
**Annualized Rates of Returns (%) for Periods Ending April 30, 2010**

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>0.12</b>	<b>0.10</b>	<b>2.07</b>	<b>2.62</b>
30 Day T-Bill	N/A	0.19	1.94	2.58

*\* 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.*

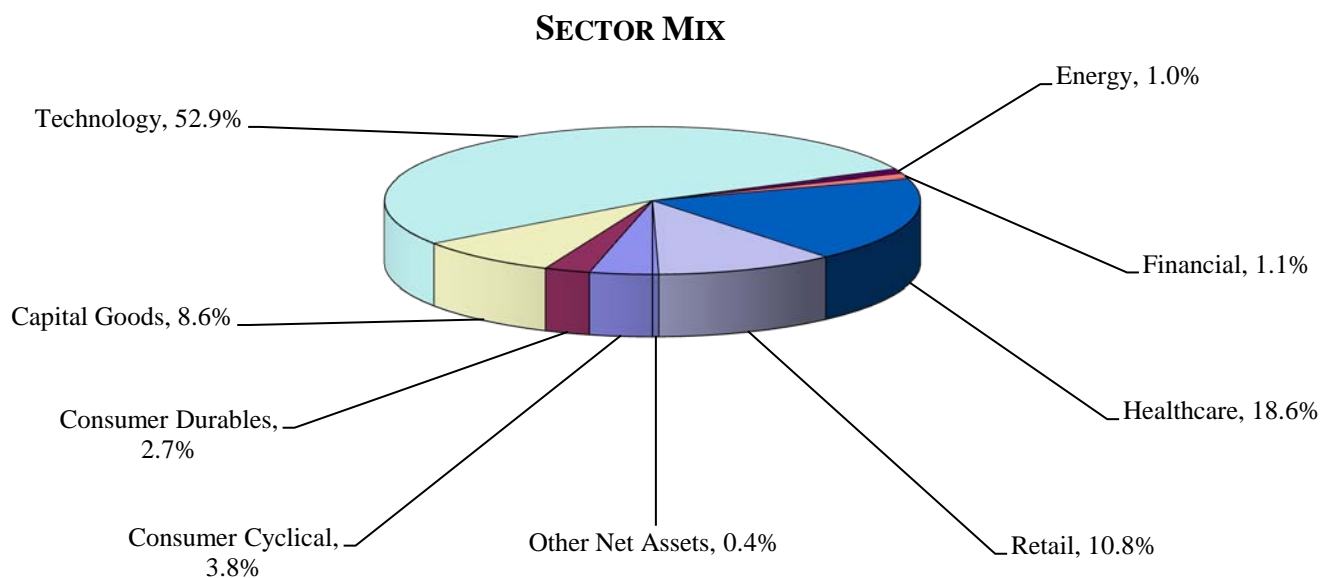
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach 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 0.12% 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.

**US EQUITY FUND  
TOP 10 HOLDINGS  
As of April 30, 2010**

	%
Apple Inc.	10.72
Cisco Systems Inc.	9.96
Intel Corporation	5.14
Microsoft Corporation	4.79
Bristol-Myers Squibb Company	4.70
General Electric Company	4.16
Precision Castparts Corp.	3.99
Applied Materials Inc.	3.94
Pier 1 Imports Inc.	3.94
Sybase Inc.	<u>3.76</u>
<b>Top 10</b>	55.10
<b>Total Equities</b>	99.63
Cash	<u>0.37</u>
<b>TOTAL ASSETS</b>	<b>100.00%</b>

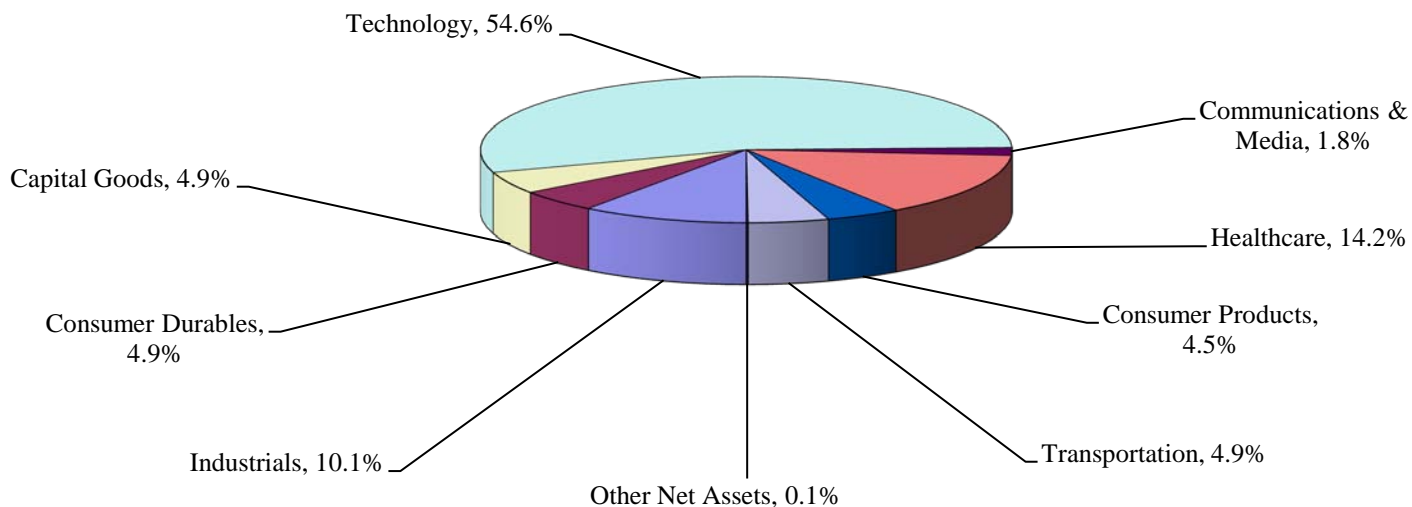


**CANADIAN EQUITY FUND  
TOP 10 HOLDINGS  
As of April 30, 2010**

	%
Zarlink Semiconductor Inc.	9.37
Bombardier Inc., Class B	7.14
EXFO Inc.	6.84
Sierra Wireless Inc.	5.97
Biovail Corporation	5.68
Dorel Industries Inc., Class B	4.94
ATS Automation Tooling Systems Inc.	4.92
WestJet Airlines Ltd.	4.89
QLT Inc.	4.86
Gennum Corporation	<u>4.43</u>
<b>Top 10</b>	59.04
<b>Total Equities</b>	<u>99.85</u>
Cash	0.15

**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](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).