

May was a very weak month for equities. In the US, the monthly declines were broad-based and ranged from 8.16% for the NASDAQ Composite to 7.20% for the S&P 400 MidCap Index. The North Growth US Equity Fund declined 6.91% for the month. The Canadian dollar weakened which offset some of the declines. In Canadian dollars the Fund was down 3.6% for the month.

Ongoing concerns regarding the well-documented sovereign debt issues in Europe and economic data indicating a slowing of the growth in the US economy seem to be the main reason for the market declines. Clearly, the pace of the US economic expansion has moderated somewhat, however, we believe that, driven by increased corporate spending, the economy will continue to grow. We anticipate that the economy will reaccelerate during the second half of the year as growth in employment becomes more evident.

A critical reason for our outlook is the remarkable and improving balance sheet strength of US corporations. US corporate liquid assets (cash), already at record levels of nearly \$2 trillion, are growing rapidly and provide the means for companies to increase capital expenditures and drive job growth. Across most industries there continues to be a steady flow of positive commentary from management teams. The increased confidence and assertiveness of US corporations is essential in sustaining the current economic expansion.

Given recent history and the trauma investors have been through, it is not terribly surprising that the fear quotient is high. With investors and the media focused on negative news and worst case scenario prognostications, positive data, most notably corporate earnings growth, is getting very little attention. Equities are trading at attractive valuation levels which become truly amazing when you adjust for the balance sheet strength. Apple, our holding with the highest earnings growth potential, trades at a forward P/E (Sept/10) of 20 x, and 17x when adjusted for its \$42 billion cash balance — a reasonable valuation considering the company has grown earnings at 75% per annum in the past 5 years. More moderate growth companies such as Cisco, Microsoft, Intel, Texas Instruments, and Applied Materials each trade at forward calendar year P/Es (Dec/10) of 10-13x, which drop to single digit multiples when adjusted for cash. Furthermore, with the exception of Cisco, all of these companies have growing dividends that currently yield 2 to 3%. Finally, deeper in the value camp, we find the likes of Pfizer which trades at under 7 x earnings and provides a hefty 5% dividend yield. These are just a few examples of the opportunities out there that fit well with our growth at a reasonable price philosophy.

The dreaded HST is now upon us. For many mutual fund investors the HST will increase the Management Expense Ratio of their funds. This is not the case with North Growth Management Funds. Our Fund expenses are fixed and all inclusive. The HST will simply result in lower revenues for North Growth Management Ltd.

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 May 31, 2010

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-3.60	1.91	7.18	2.95
S&P 500 \$CDN	-4.71	-0.94	0.06	-1.40
NGM US Equity Fund \$US	-6.91	1.95	7.55	2.85
S&P 500 \$US	-7.99	-0.89	0.40	-1.50
S&P 400 MidCap \$US	-7.20	3.66	12.18	5.56
S&P 600 SmallCap \$US	-7.22	5.85	15.87	6.66
NASDAQ Composite \$US	-8.16	1.08	5.73	-0.13

NORTH GROWTH US EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	26.82	-4.36	-1.34	5.68	10.68	11.63
S&P 500 \$CDN	16.59	-9.20	-3.17	-4.25	4.92	6.78
NGM US Equity Fund \$US	31.60	-3.83	2.21	9.47	12.65	12.70
S&P 500 \$US	20.99	-8.69	0.31	-0.82	6.78	7.79
S&P 400 MidCap \$US	34.52	-4.45	4.08	6.18	11.15	11.55
S&P 600 SmallCap \$US	34.95	-5.87	2.96	6.94	9.66	10.43
NASDAQ Composite \$US	28.40	-3.76	2.66	-3.39	7.20	8.05*

Source: Bloomberg "Total Return Analysis" as of June 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: May 31, 2010 \$22.11 CDN
\$21.02 US

Total Assets in Fund \$214.6 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-2.59	4.94	22.41	16.84
S&P / TSX \$CDN	-3.48	1.87	4.17	1.21

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	45.17	-8.27	-1.27	2.84	2.38
S&P / TSX \$CDN	16.67	-2.92	6.95	11.18	2.70

*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: May 31, 2010 \$ 10.36 CDN

Total Assets in Fund \$ 17.7 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.16	0.09	1.96	2.58
30 Day T-Bill	N/A	0.17	1.82	2.54

** 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.*

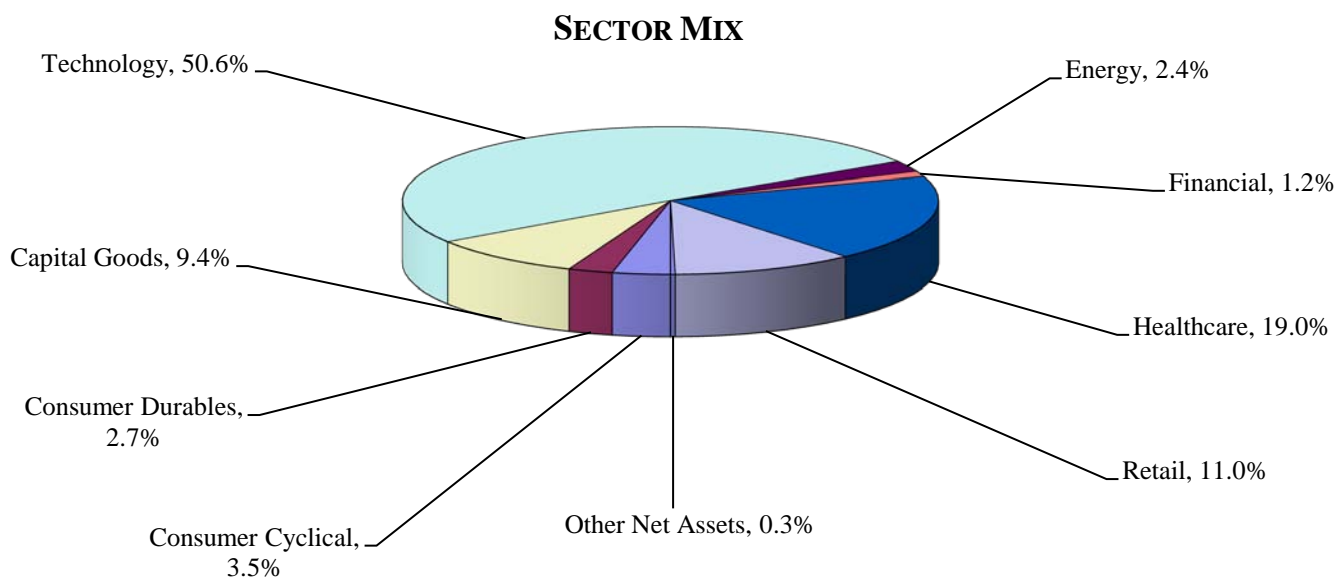
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach 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 0.16% which is lower than 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 May 31, 2010**

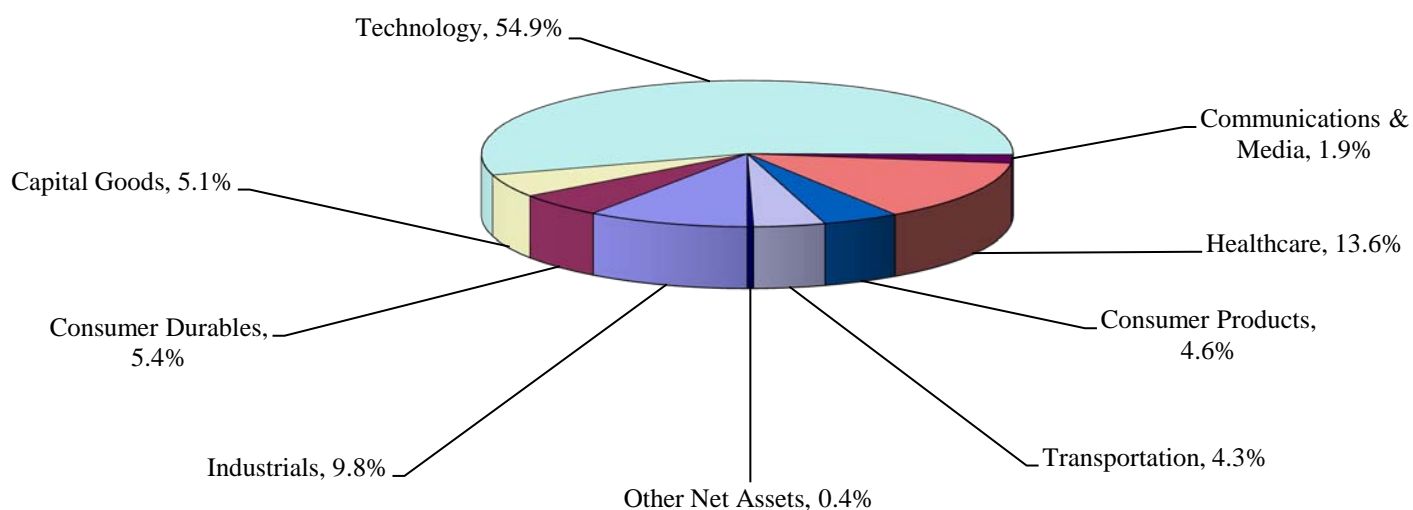
	%
Apple Inc.	11.35
Cisco Systems Inc.	9.91
Intel Corporation	5.19
Bristol-Myers Squibb Company	4.64
Microsoft Corporation	4.36
Pier 1 Imports Inc.	4.07
Applied Materials Inc.	3.98
Pfizer Inc.	3.97
Precision Castparts Corp.	3.91
General Electric Company	<u>3.88</u>
Top 10	55.23
Total Equities	99.74
Cash	<u>0.26</u>
TOTAL ASSETS	100.00%



CANADIAN EQUITY FUND
TOP 10 HOLDINGS
As of May 31, 2010

	%
Zarlink Semiconductor Inc.	11.42
Bombardier Inc. Class B	6.71
Sierra Wireless Inc.	6.22
EXFO Inc.	6.12
Dorel Industries Inc., Class B	5.37
Biovail Corporation	5.29
ATS Automation Tooling Systems Inc.	5.11
QLT Inc.	4.82
Westjet Airlines Ltd.	4.35
Gennum Corporation	<u>4.30</u>
Top 10	59.71
Total Equities	<u>99.47</u>
Cash	0.53
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.