

August was a weak month for equities as the market's erratic behavior continued. Following a strong July, the North Growth U.S. Equity Fund fell 5.9%, trailing the S&P500 Index which fell 4.5%. The S&P 400 Index also outperformed the Fund by falling 4.9%. The S&P600 Index and Nasdaq Composite both underperformed the Fund falling 7.5% and 6.1% respectively. The U.S. dollar appreciated during the month which softened the blow; in Canadian dollars the U.S. Equity Fund fell 2.4%. The Canadian Equity Fund fell 3.7% compared to a 1.7% gain for the S&P/TSX Composite Index.

Observing the market on a daily basis can be frustrating as investor sentiment oscillates between pessimism and optimism in reaction to headline news. We find that today's financial press coverage is written to have a "shock and awe" effect and is often misleading. Economic data, too, can be erratic and subject to multiple revisions; such economic noise often has little predictive power but can have a tremendous impact on the investor psyche and short-term direction of the market. It is important to note that the beginning of the great bull market of the 90s began with similarly erratic short term economic data and investor concern which kept many investors out of the market until the second half of the decade.

It is understandable that investors are completely demoralized and anxious after the events of the past decade. Nonetheless, letting emotion paralyze us is the worst thing that could happen when we are in the midst of a once in a century inflection point from the worst decade in history for U.S. Equities to something much better.

In recent monthly reports, we have been trying to focus attention on the favorable developments that are taking place underneath the flood of emotion and negativism. There is little evidence supporting a double dip recession and it is our opinion that we are in a soft patch which is not uncommon in the early stages of economic recoveries. The economy is seeing softness in some areas but strength in others and economic data and corporate results still point to a recovery.

I don't think there is anything more we can do to emphasize our belief that we are being handed the best opportunity to invest at favorable prices that any of us have experienced or will likely experience in our lifetimes. This is true for old investors like me who—having taken advantage of the opportunities presented by past bear markets—could afford to rest on our laurels. It is equally true for older investors who have stuck with equities and are worried about their retirement savings; if they stay the course their future will begin to look much better. The biggest payoff, however, will be for younger investors who use this opportunity to start their long term program of equity investment.

Low valuations and strong balance sheets, coupled with bearish sentiment despite signs of continuing recovery, leave us encouraged that this is the time for long-term investors to maintain or increase their exposure to U.S. Equities.

Yours truly,

A handwritten signature in black ink that reads "Rudy North". The signature is written in a cursive, flowing style.

Rudy North, President

NORTH GROWTH US EQUITY FUND

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

| | 1 Month | 3 Months | 6 Months | YTD |
|---------------------------------|--------------|--------------|--------------|--------------|
| NGM US Equity Fund \$CDN | -2.39 | -5.02 | -3.21 | -2.22 |
| S&P 500 \$CDN | -0.97 | -1.84 | -2.76 | -3.22 |
| NGM US Equity Fund \$US | -5.89 | -6.31 | -4.48 | -3.64 |
| S&P 500 \$US | -4.51 | -3.17 | -4.04 | -4.62 |
| S&P 400 MidCap \$US | -4.94 | -5.03 | -1.56 | 0.24 |
| S&P 600 SmallCap \$US | -7.46 | -8.55 | -3.20 | -2.46 |
| NASDAQ Composite \$US | -6.11 | -6.12 | -5.10 | -6.24 |

NORTH GROWTH US EQUITY FUND

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

| | 1 Year | 3 Years | 5 Years | 10 Years | 15 Years | Since Inception |
|---------------------------------|-------------|--------------|--------------|-------------|--------------|-----------------|
| NGM US Equity Fund \$CDN | 6.34 | -5.62 | -1.62 | 4.62 | 9.92 | 11.14 |
| S&P 500 \$CDN | 2.18 | -8.36 | -3.01 | -4.92 | 4.52 | 6.57 |
| NGM US Equity Fund \$US | 9.18 | -5.92 | 0.52 | 8.04 | 11.63 | 12.10 |
| S&P 500 \$US | 4.91 | -8.66 | -0.91 | -1.81 | 6.14 | 7.49 |
| S&P 400 MidCap \$US | 11.87 | -4.29 | 1.73 | 4.20 | 9.96 | 11.06 |
| S&P 600 SmallCap \$US | 7.81 | -7.11 | -0.38 | 4.75 | 7.94 | 9.73 |
| NASDAQ Composite \$US | 6.24 | -5.73 | 0.53 | -6.01 | 5.56 | 7.54* |

Source: Bloomberg "Total Return Analysis" as of September 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: Aug 31, 2010 \$21.00 CDN
\$19.69 US

Total Assets in Fund \$205.1 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

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

| | 1 Month | 3 Months | 6 Months | YTD |
|---------------------------------|--------------|--------------|-------------|--------------|
| NGM Canadian Equity Fund | -3.73 | -2.78 | 2.02 | 13.59 |
| S&P / TSX \$CDN | 1.73 | 1.83 | 3.73 | 3.07 |

NORTH GROWTH CANADIAN EQUITY FUND

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

| | 1 Year | 3 Years | 5 Years | 10 Years | *Since Takeover | **Since Inception |
|---------------------------------|--------------|--------------|--------------|-------------|--------------------|----------------------|
| NGM Canadian Equity Fund | 30.04 | -7.94 | -1.97 | 2.03 | 2.35 | 2.03 |
| S&P / TSX \$CDN | 12.55 | -1.60 | 5.02 | 2.82 | 11.06 | 2.82 |

*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: Aug 31, 2010 \$ 10.07 CDN

Total Assets in Fund \$ 17.2 Million CDN

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

| | *CURRENT YIELD | 1 Year | 3 Years | 5 Years |
|----------------------------------|-------------------|-------------|-------------|-------------|
| NGM CDN Money Market Fund | 0.51 | 0.15 | 1.63 | 2.48 |
| 30 Day T-Bill | N/A | 0.22 | 1.48 | 2.44 |

** 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.*

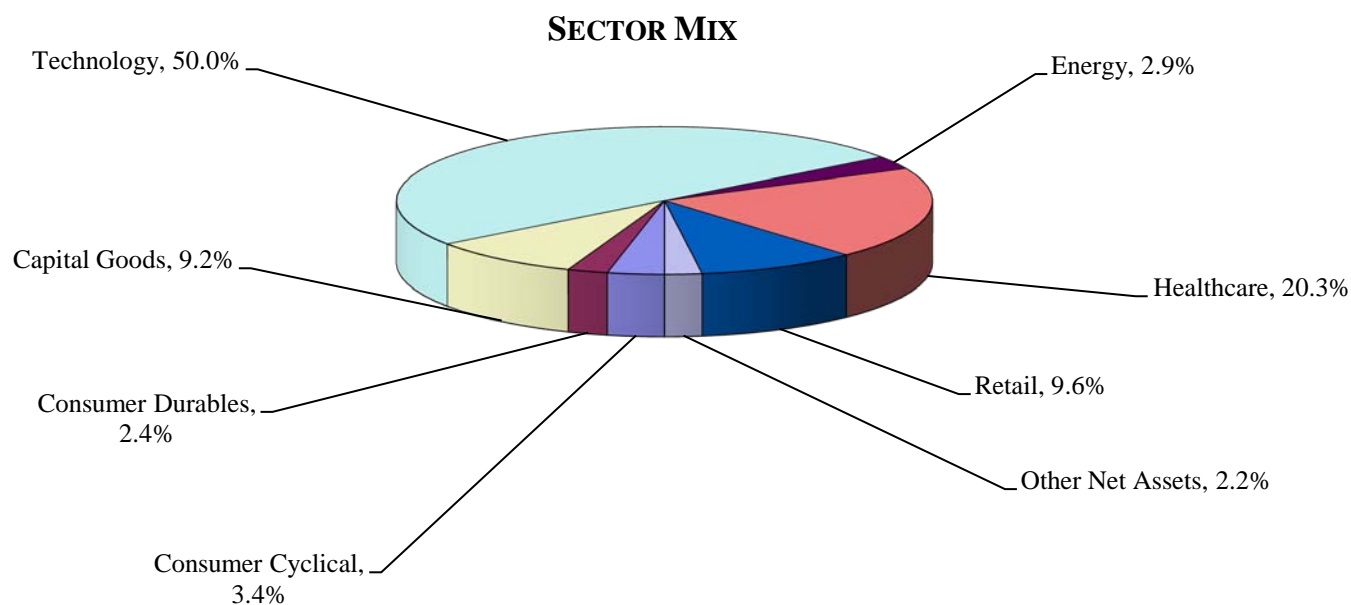
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach 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 0.51% 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 August 31, 2010**

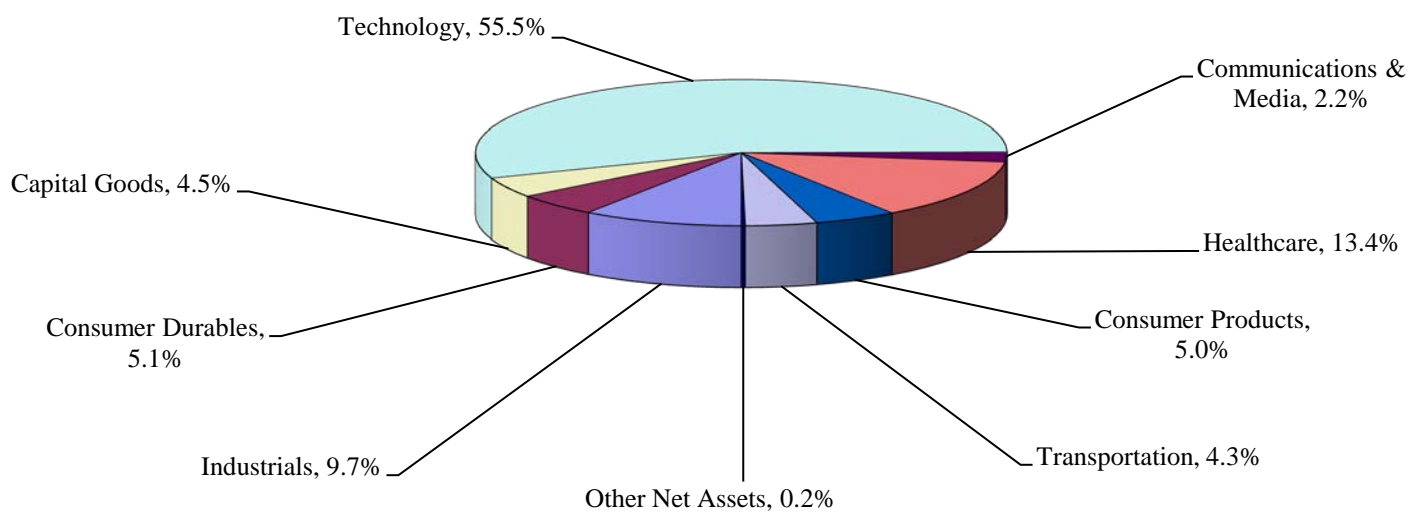
| | % |
|------------------------------|----------------|
| Apple Inc. | 11.39 |
| Cisco Systems Inc. | 9.52 |
| Bristol-Myers Squibb Company | 5.53 |
| Citrix Systems Inc. | 4.84 |
| Intel Corporation | 4.72 |
| Pfizer Inc. | 4.39 |
| Microsoft Corporation | 4.21 |
| Precision Castparts Corp. | 4.02 |
| General Electric Company | 3.64 |
| Texas Instruments Inc. | <u>3.60</u> |
| Top 10 | 55.87 |
| Total Equities | 97.76 |
| Cash | <u>2.24</u> |
| TOTAL ASSETS | 100.00% |



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

| | % |
|-------------------------------------|----------------|
| Zarlink Semiconductor Inc. | 12.66 |
| EXFO Inc. | 6.90 |
| Sierra Wireless Inc. | 6.80 |
| Biovail Corporation | 6.68 |
| Bombardier Inc., Class B | 6.34 |
| Dorel Industries Inc., Class B | 5.10 |
| QLT Inc. | 4.89 |
| Miranda Technologies Inc. | 4.63 |
| ATS Automation Tooling Systems Inc. | 4.51 |
| WestJet Airlines Ltd. | <u>4.34</u> |
| Top 10 | 62.85 |
| Total Equities | 99.76 |
| Cash | <u>0.24</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.