

U.S. equity indices surged in September, with gains ranging from 8.9% for the S&P 500 Index to 12.2% for the NASDAQ Composite. The North Growth U.S. Equity Fund gained 12.6% during September, bringing the year-to-date returns to +8.5%. The recent strength in the Canadian dollar offset some of these gains, but the 8.6% gain for the U.S. Fund in Canadian dollars for the month was still almost double the 4.4% gain of the Canadian market as represented by the S&P TSX Composite. The North Growth Canadian Equity Fund was up 6.9% for the month to bring its year-to-date returns to +21.5%.

There is no one simple answer to explain why the markets were so strong in September. After a very volatile summer, the markets were near their lows at the end of August, resulting in an oversold situation. As September progressed, incremental economic data came in on the positive side reducing the probability of the U.S. economy slipping back into a recession. For example, early in the summer, the four week average initial unemployment claims number began to increase which seems to have encouraged the double dippers to become more vocal. However, during September, the four week initial unemployment claims number began to fall again which, in combination with other data, such as very low new layoff announcements, seem to suggest an ongoing but very gradual improvement in the labor market and a reduced probability of a new recession. The markets also seemed to respond positively to growing expectations that the Republicans will win a majority in the House of Representatives and possibly even the Senate. More talk of additional monetary stimulus by way of further quantitative easing also contributed to the rally. Looking forward, we believe the combination of strong corporate fundamentals, global growth opportunities and compelling valuations will provide for further gains in U.S. equities.

For many months now we have been pounding the table, espousing what we believe is a tremendous opportunity for long term investors to increase their exposure to the leading global companies that are trading at historically low valuations. We have concentrated our U.S. portfolio in large capitalization U.S. technology companies that have the remarkable characteristics of being both growth and value stocks at the same time and in U.S. healthcare stocks that have more classic value characteristics. We believe our portfolio is as good of a fit as we have ever had to our growth at a reasonable price philosophy, yet we are finding very few takers. We have to admit to being puzzled as we watch money pile into bond funds and speculators fighting to prove they are the greatest fool in the gold market, while such compelling long term investment opportunities in U.S. equities sit out in the open.

Yours truly,



Rory North, CFA
COO & Lead Portfolio Manager

NORTH GROWTH US EQUITY FUND

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

| | 1 Month | 3 Months | 6 Months | YTD |
|---------------------------------|--------------|--------------|-------------|-------------|
| NGM US Equity Fund \$CDN | 8.63 | 8.94 | 1.75 | 6.21 |
| S&P 500 \$CDN | 5.09 | 7.57 | -0.14 | 1.71 |
| NGM US Equity Fund \$US | 12.59 | 12.71 | 0.45 | 8.48 |
| S&P 500 \$US | 8.92 | 11.29 | -1.42 | 3.89 |
| S&P 400 MidCap \$US | 11.31 | 13.12 | 2.27 | 11.58 |
| S&P 600 SmallCap \$US | 11.40 | 9.62 | 0.05 | 8.66 |
| NASDAQ Composite \$US | 12.17 | 12.62 | -0.69 | 5.17 |

NORTH GROWTH US EQUITY FUND

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

| | 1 Year | 3 Years | 5 Years | 10 Years | 15 Years | Since Inception |
|---------------------------------|--------------|--------------|-------------|-------------|--------------|-----------------|
| NGM US Equity Fund \$CDN | 10.92 | -1.69 | 0.42 | 4.96 | 10.41 | 11.59 |
| S&P 500 \$CDN | 5.87 | -6.11 | -1.79 | -4.14 | 4.59 | 6.83 |
| NGM US Equity Fund \$US | 15.42 | -2.79 | 2.91 | 9.02 | 12.38 | 12.78 |
| S&P 500 \$US | 10.16 | -7.16 | 0.64 | -0.43 | 6.45 | 7.96 |
| S&P 400 MidCap \$US | 17.78 | -1.67 | 3.77 | 5.40 | 10.57 | 11.66 |
| S&P 600 SmallCap \$US | 14.22 | -4.18 | 1.62 | 6.18 | 8.53 | 10.34 |
| NASDAQ Composite \$US | 12.75 | -3.34 | 2.86 | -3.63 | 6.21 | 8.18* |

Source: Bloomberg "Total Return Analysis" as of October 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: Sep. 30, 2010 \$22.81 CDN
\$22.17 US

Total Assets in Fund \$222.9 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

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

| | 1 Month | 3 Months | 6 Months | YTD |
|---------------------------------|-------------|-------------|-------------|--------------|
| NGM Canadian Equity Fund | 6.94 | 8.81 | 2.42 | 21.47 |
| S&P / TSX \$CDN | 4.37 | 10.39 | 4.30 | 7.58 |

NORTH GROWTH CANADIAN EQUITY FUND

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

| | 1 Year | 3 Years | 5 Years | 10 Years | *Since Takeover | **Since Inception |
|---------------------------------|--------------|--------------|--------------|-------------|--------------------|----------------------|
| NGM Canadian Equity Fund | 30.43 | -4.59 | -1.82 | 2.84 | 3.25 | 2.70 |
| S&P / TSX \$CDN | 11.73 | -1.31 | 5.22 | 4.08 | 11.57 | 3.24 |

*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: Sep. 30, 2010 \$ 10.77 CDN

Total Assets in Fund \$ 18.4 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND

Annualized Rates of Returns (%) for Periods Ending September 30, 2010

| | *CURRENT YIELD | 1 Year | 3 Years | 5 Years |
|----------------------------------|-------------------|-------------|-------------|-------------|
| NGM CDN Money Market Fund | 0.72 | 0.20 | 1.52 | 2.45 |
| 30 Day T-Bill | N/A | 0.25 | 1.38 | 2.40 |

** 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 0.72% 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.

U.S. Equity Fund
As of September 30, 2010

| | % |
|--------------------------------|--------------------|
| Apple Inc. | 11.80 |
| Cisco Systems Inc. | 9.82 |
| Bristol-Myers Squibb Company | 5.10 |
| Citrix Systems Inc. | 5.06 |
| Intel Corporation | 4.56 |
| Pfizer Inc. | 4.21 |
| Precision Castparts Corp. | 4.02 |
| Pier 1 Imports Inc. | 3.95 |
| Microsoft Corporation | 3.90 |
| Texas Instruments Inc. | 3.76 |
| General Electric Company | 3.63 |
| St. Jude Medical Inc. | 3.58 |
| Applied Materials Inc. | 3.39 |
| Cerner Corporation | 3.29 |
| First Solar Inc. | 2.99 |
| Herman Miller Inc. | 2.59 |
| Wal-Mart Stores Inc. | 2.57 |
| Varian Medical Systems Inc. | 2.50 |
| DSP Group Inc. | 2.45 |
| Safeway Inc. | 2.05 |
| NIKE Inc., Class B | 1.81 |
| Zimmer Holdings Inc. | 1.66 |
| Cheesecake Factory Inc. | 1.60 |
| WellPoint Inc. | 1.58 |
| Adobe Systems Inc. | 1.27 |
| American Eagle Outfitters Inc. | 1.18 |
| Boston Scientific Corporation | 1.11 |
| Johnson Controls Inc. | 0.94 |
| Electronic Arts Inc. | 0.92 |
| Flow International Corporation | 0.61 |
| Guess? Inc. | 0.56 |
| Total Equities | 98.47 |
| Cash | <u>1.53</u> |
| TOTAL ASSETS | 100.00 |

Canadian Equity Fund
As of September 30, 2010

| | % |
|---|--------------------|
| Zarlink Semiconductor Inc. | 12.38 |
| Sierra Wireless Inc. | 7.69 |
| Bombardier Inc., Class B | 6.74 |
| EXFO Inc. | 6.48 |
| Valeant Pharmaceuticals International, Inc. | 5.65 |
| ATS Automation Tooling Systems Inc. | 4.91 |
| QLT Inc. | 4.86 |
| Dorel Industries Inc., Class B | 4.68 |
| WestJet Airlines Ltd. | 4.24 |
| Miranda Technologies Inc. | 3.93 |
| Gennum Corporation | 3.70 |
| MacDonald, Dettwiler and Associates Ltd. | 3.62 |
| CAE Inc. | 3.34 |
| Celestica Inc. | 3.25 |
| GSI Group Inc. | 2.96 |
| Sandvine Corporation | 2.76 |
| Jean Coutu Group (PJC) Inc., Class A | 2.71 |
| Angiotech Pharmaceuticals Inc. | 2.36 |
| Azure Dynamics Corporation | 2.26 |
| TELUS Corporation | 2.12 |
| Saputo Inc. | 2.01 |
| Day4 Energy Inc. | 1.96 |
| Research in Motion Limited | 1.64 |
| COM DEV International Ltd. | 1.52 |
| Ballard Power Systems Inc. | 1.47 |
| Total Equities | 99.24 |
| Cash | <u>0.76</u> |
| TOTAL ASSETS | 100.00 |

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:

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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.