

Following remarkably strong performance in September, US equity markets continued to climb in October. The North Growth US Equity Fund gained 2.8% for the month, lagging the 3.5% to 5.9% advances of the major indices we regularly track. The Fund's year-to-date return of +11.5% remains well ahead of the 7.8% gain for the S&P 500 Index and is just slightly above the 11.4% gain for the technology-focused NASDAQ Composite. The Canadian market was also up in October, as reflected by the S&P/TSX Composite's 1.7% monthly return. The North Growth Canadian Equity Fund outperformed the index, gaining 3.8% for the month. Year-to-date, the Canadian Fund is up 26.1% compared to the S&P/TSX which has advanced 9.4%.

October news flow consisted predominantly of stronger than expected third quarter earnings from most major US corporations. With the bulk of earnings results behind us, over 70% of the companies in the S&P 500 beat profit forecasts in the July-to-September period. This marks the sixth straight quarter of better than expected earnings, resulting in the longest streak of positive earnings surprises based on Bloomberg data since 1993. On average, corporate earnings came in 7% above analysts' estimates.

We continue to be very pleased with the profit growth and outlook of the majority of the holdings in the US Equity Fund. Management commentary, which has been constructive for over a year, remained upbeat in the latest quarter. In its most recent earnings conference call, Intel noted that its "enterprise segment remains steady and consistent and [its] mix from this segment continues to be a source of strength to [the company's] profitability." Likewise, Microsoft indicated that the "Microsoft Business Desktop is thriving, with enterprises and small- and medium-sized businesses investing in [its] products and services." Such emphasis on the exceptional strength in enterprise sales provides increasing evidence of a business- and capital- spending led economic recovery.

In general, US corporate balance sheets remain remarkably healthy with record levels of cash accumulation. Across many industries, companies are taking advantage of their financial strength and making strategic capital investments to competitively position themselves as demand improves. Along with increasing capital expenditures, we expect hiring and job growth to follow as a consequence of rising business momentum.

Indeed, recent employment reports have been encouraging. The Labor Department indicated that the US economy added 151,000 jobs in October, and with the number of initial filings for unemployment benefits continuing to decline from September, the four-week average initial unemployment claims statistic as of November 6<sup>th</sup> fell to a new low for this economic cycle. As US executives have grown more optimistic, boosting earnings forecasts, companies across a broad range of sectors have indicated plans to increase headcount. In fact, US employers outside of government have added to their workforce in every month this year.

To support further gains in employment and promote economic growth, in light of low and falling inflation, the US Federal Reserve announced on November 3<sup>rd</sup> that it will provide additional monetary stimulus via a second round of quantitative easing or purchase of Treasury securities, amounting to \$600 billion by mid-2011. Easier financial conditions as a result of Fed policy actions should spur further investment which, in a virtuous cycle, would lead to continued growth in profits.

We have maintained for many months now that strong earnings growth and corporate fundamentals, combined with low valuations, provide phenomenal investment opportunities. The North Growth US Equity Fund remains fully invested and we continue to be encouraged by the numerous stocks that fit our “growth at a reasonable price” philosophy.

Yours truly,

A handwritten signature in cursive script that reads "Erica Lau".

Erica Lau, CFA

## NORTH GROWTH US EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>1.90</b>	<b>8.05</b>	<b>1.36</b>	<b>8.24</b>
S&P 500 \$CDN	2.92	7.11	1.18	4.68
<b>NGM US Equity Fund \$US</b>	<b>2.78</b>	<b>8.91</b>	<b>0.92</b>	<b>11.50</b>
S&P 500 \$US	3.80	7.97	0.74	7.84
S&P 400 MidCap \$US	3.45	9.46	1.48	15.42
S&P 600 SmallCap \$US	4.25	7.47	-1.46	13.28
NASDAQ Composite \$US	5.90	11.53	2.42	11.38

## NORTH GROWTH US EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>15.88</b>	<b>-0.31</b>	<b>0.87</b>	<b>4.84</b>	<b>10.80</b>	<b>11.66</b>
S&P 500 \$CDN	9.87	-4.07	-1.21	-3.94	4.80	6.97
<b>NGM US Equity Fund \$US</b>	<b>22.89</b>	<b>-2.83</b>	<b>3.87</b>	<b>9.12</b>	<b>12.85</b>	<b>12.89</b>
S&P 500 \$US	16.52	-6.49	1.73	-0.02	6.74	8.15
S&P 400 MidCap \$US	27.64	-1.41	4.93	6.12	11.02	11.82
S&P 600 SmallCap \$US	26.27	-3.43	3.12	6.56	9.20	10.54
NASDAQ Composite \$US	23.88	-3.35	4.34	-2.24	6.67	8.49*

Source: Bloomberg "Total Return Analysis" as of November 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: Oct 31, 2010 \$23.24 CDN  
\$22.78 US**

**Total Assets in Fund \$228.2 Million CDN**

## NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>3.78</b>	<b>6.84</b>	<b>5.10</b>	<b>26.06</b>
S&P / TSX \$CDN	1.69	7.97	4.32	9.39

## NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>39.67</b>	<b>-3.05</b>	<b>-0.05</b>	<b>3.09</b>	<b>3.73</b>	<b>3.05</b>
S&P / TSX \$CDN	18.40	-2.02	6.80	5.03	11.68	3.38

\*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: Oct 31, 2010 \$ 11.18 CDN**

**Total Assets in Fund \$ 19.1 Million CDN**

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>0.77</b>	<b>0.26</b>	<b>1.41</b>	<b>2.42</b>
30 Day T-Bill	N/A	0.30	1.29	2.37

*\* 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.*

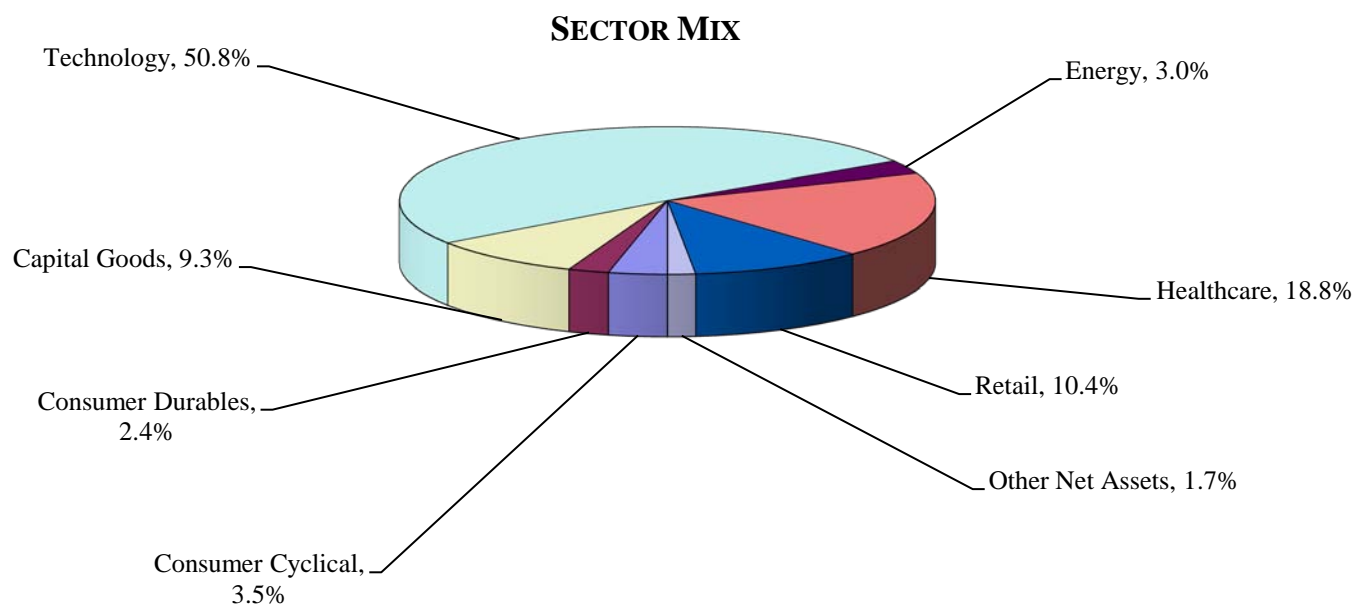
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach 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 0.77% 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 October 31, 2010**

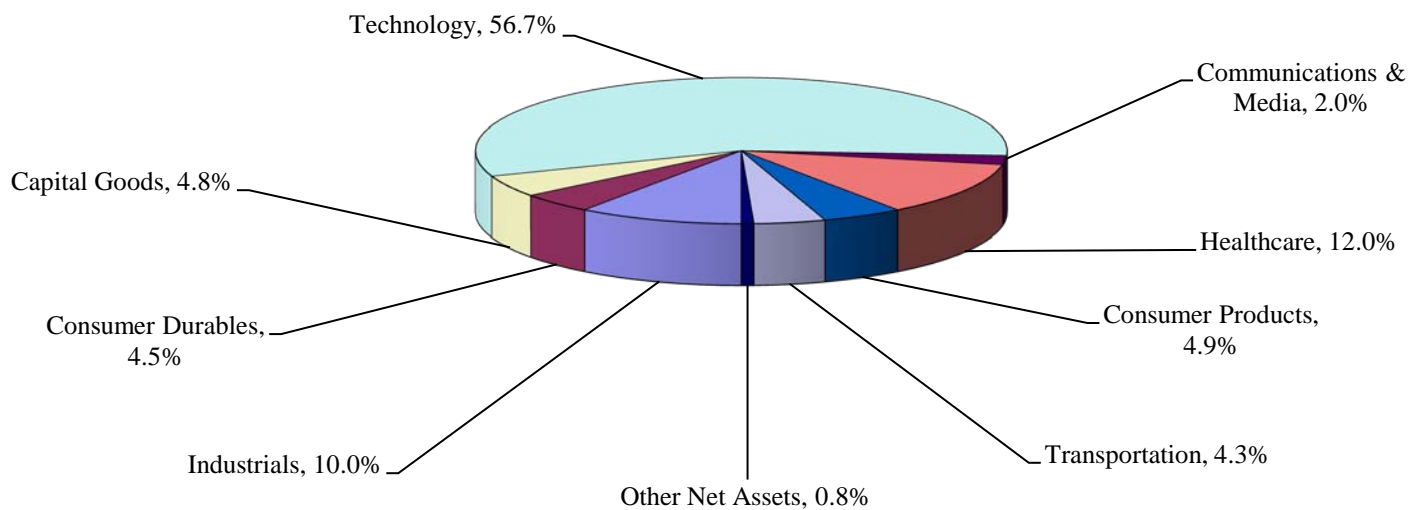
	<b>%</b>
Apple Inc.	11.12
Cisco Systems Inc.	9.93
Intel Corporation	5.14
Bristol-Myers Squibb Company	4.90
Citrix Systems Inc.	4.61
St. Jude Medical Inc.	4.33
Precision Castparts Corp.	4.17
Pfizer Inc.	4.14
Microsoft Corporation	4.11
Pier 1 Imports Inc.	<u>4.05</u>
<b>Top 10</b>	<b>56.50</b>
<b>Total Equities</b>	<b>98.32</b>
Cash	<u>1.68</u>
<b>TOTAL ASSETS</b>	<b>100.00%</b>



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

	%
Zarlink Semiconductor Inc.	12.34
Sierra Wireless Inc.	8.56
Bombardier Inc., Class B	6.53
EXFO Inc.	6.36
Valeant Pharmaceuticals International, Inc.	5.92
ATS Automation Tooling Systems Inc.	4.81
Dorel Industries Inc., Class B	4.51
WestJet Airlines Ltd.	4.33
QLT Inc.	4.15
MacDonald, Dettwiler and Associates Ltd.	<u>3.89</u>
<b>Top 10</b>	61.39
<b>Total Equities</b>	99.25
Cash	<u>0.75</u>
<b>TOTAL ASSETS</b>	<b>100.00%</b>

**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).