

Equities closed 2010 on a strong note with all major North American indices posting strong gains during December. In the US, the S&P 500 Index advanced 6.7% to close the year up 15.1%. The small capitalization S&P 600 Index posted the strongest gains for both December and the full year with a 7.7% return for the month and 26.3% for the year. During December, the North Growth US Equity Fund trailed the market with a 5.6% return but outperformed the S&P Index for the year with a gain of 17.9%. The Canadian dollar rallied over 3% against the US dollar during December and just over 6% for the year, partially offsetting the strong US equity results.

In Canada, the S&P/TSX Composite gained 4.1% during December and 17.6% for the year. The North Growth Canadian Equity Fund gained 7.3% for the month and 31.5% for the year.


Evidence that US economic activity accelerated throughout the fourth quarter continued to flow in during December, prompting many economists to increase their growth forecasts for the quarter and for the full year 2011. It seems the US economy is now moving beyond a recovery to an expansion phase.

For the past couple of months, job creation as measured by the non-farm payroll has not been as robust as other employment related statistics such as the ADP National Employment Survey, Initial Unemployment Claims and layoff announcements. This disconnect between the various employment indicators opens up the possibility that the current job growth is actually stronger than believed. Job creation will be critical to the next phase of this expansion as it will increase confidence which in turn will drive increased corporate and consumer spending.

From a corporate news perspective December was a relatively quiet month. Corporate earnings results for the fourth quarter are just starting to flow in. We anticipate strong results and positive management commentary indicating improving confidence and growth prospects for 2011. Although market participants are getting more optimistic, valuations are still attractive by historic standards.

As noted in the last monthly report, on December 15th, the North Growth US Equity Fund distributed 29 cents of capital gains per unit. There was no distribution from the North Growth Canadian Equity Fund. T-3 tax slips will be mailed out before the end of January.

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 December 31, 2010

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	2.35	5.06	14.46	11.59
S&P 500 \$CDN	3.36	7.05	15.16	8.89
NGM US Equity Fund \$US	5.64	8.70	22.51	17.92
S&P 500 \$US	6.68	10.76	23.27	15.06
S&P 400 MidCap \$US	6.55	13.50	28.39	26.64
S&P 600 SmallCap \$US	7.66	16.24	27.42	26.30
NASDAQ Composite \$US	6.29	12.34	26.52	18.16

NORTH GROWTH US EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	11.59	1.57	1.02	4.87	10.37	11.73
S&P 500 \$CDN	8.89	-2.75	-0.86	-2.67	4.54	7.13
NGM US Equity Fund \$US	17.92	1.46	4.23	9.26	12.72	13.11
S&P 500 \$US	15.06	-2.85	2.29	1.41	6.76	8.45
S&P 400 MidCap \$US	26.64	3.52	5.73	7.16	11.41	12.27
S&P 600 SmallCap \$US	26.30	3.01	4.64	7.66	9.60	11.10
NASDAQ Composite \$US	18.16	1.02	4.71	1.43	6.97	8.74*

Source: Bloomberg "Total Return Analysis" as of January 4, 2011.

*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: Dec. 31, 2010 \$23.67 CDN
\$23.80 US**

Total Assets in Fund \$235.2 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	7.34	8.25	17.79	31.49
S&P / TSX \$CDN	4.09	9.45	20.68	17.61

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	31.49	1.21	0.06	3.25	4.22	3.42
S&P / TSX \$CDN	17.61	2.09	6.51	6.57	12.47	4.05

*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: Dec. 31, 2010 \$ 11.66 CDN

Total Assets in Fund \$ 19.8 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.82	0.38	1.21	2.35
30 Day T-Bill	N/A	0.42	1.11	2.30

** 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 0.82% 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 December 31, 2010

	%
Apple Inc.	10.68
Cisco Systems Inc.	9.34
Intel Corporation	5.10
Bristol-Myers Squibb Company	4.57
St. Jude Medical Inc.	4.57
Pier 1 Imports Inc.	4.45
Applied Materials Inc.	4.29
Texas Instruments Inc.	4.13
Microsoft Corporation	4.07
Precision Castparts Corp.	4.02
Pfizer Inc.	3.93
General Electric Company	3.74
Citrix Systems Inc.	3.49
Herman Miller Inc.	3.04
Cerner Corporation	2.76
First Solar Inc.	2.69
Varian Medical Systems Inc.	2.62
DSP Group Inc.	2.61
WellPoint Inc.	2.37
Wal-Mart Stores Inc.	2.24
Safeway Inc.	2.00
NIKE Inc., Class B	1.77
Cheesecake Factory Inc.	1.58
Zimmer Holdings Inc.	1.56
Electronic Arts Inc.	1.36
Adobe Systems Inc.	1.24
Johnson Controls Inc.	1.08
American Eagle Outfitters Inc.	1.06
Micron Technology Inc.	1.05
Flow International Corporation	0.86
Guess? Inc.	0.60
Citigroup Inc.	0.21
Total Equities	99.07
Cash	<u>0.93</u>
TOTAL ASSETS	100.00

CANADIAN EQUITY FUND
As of December 31, 2010

	%
Zarlink Semiconductor Inc.	10.51
Sierra Wireless Inc.	7.89
EXFO Inc.	6.81
Bombardier Inc., Class B	6.20
Valeant Pharmaceuticals International, Inc.	5.72
WestJet Airlines Ltd.	4.62
QLT Inc.	4.54
Dorel Industries Inc., Class B	4.36
ATS Automation Tooling Systems Inc.	4.34
Miranda Technologies Inc.	4.09
Sandvine Corporation	3.86
GSI Group Inc.	3.84
MacDonald, Dettwiler and Associates Ltd.	3.73
Genum Corporation	3.50
CAE Inc.	3.36
Celestica Inc.	3.36
Jean Coutu Group (PJC) Inc., Class A	2.77
Day4 Energy Inc.	2.58
Azure Dynamics Corporation	2.13
Saputo Inc.	2.10
TELUS Corporation	1.95
Research in Motion Limited	1.76
COM DEV International Ltd.	1.31
Ballard Power Systems Inc.	1.18
Angiotech Pharmaceuticals Inc.	0.83
Total Equities	97.36
Cash	<u>2.64</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:

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.