

North American equities declined in June despite a solid rally during the final week of the month. In the U.S., the S&P 500 Index fell 1.7%, coming in slightly ahead of the other indices we follow. The S&P 600 SmallCap lost 1.8% while the S&P 400 MidCap and NASDAQ Composite decreased 2.0% and 2.1% respectively. The North Growth U.S. Equity Fund declined 2.3% for the month, underperforming all of the mentioned indices. In Canada, the S&P/TSX Composite Index fell 3.3%. The North Growth Canadian Equity Fund performed slightly better during June, falling 3.1%.

Investor sentiment remained lackluster last month as the markets continued to focus on the Greek debt crisis and weaker-than-expected U.S. economic data. Moreover, with the U.S. government near the top of its debt ceiling, recent concerns that America could default on its debts have added to investor angst.

The current U.S. debt ceiling of \$14.3 trillion was hit on May 16<sup>th</sup> causing the U.S. Treasury to take “extraordinary measures” such as suspending payments into two federal pension funds. However, Treasury Secretary, Timothy Geithner, has warned that the measures only provide a limited degree of flexibility and in the absence of a raise to the debt limit, the U.S. could technically default by August 2<sup>nd</sup>. The issue clearly impacts confidence as a default by the U.S. government could result in a financial crisis. The delays in increasing the debt limit appear to be the result of gamesmanship typical of U.S. politics. We believe that the feuding politicians in Washington will come to an agreement before the deadline and avoid such a fiasco.

The current soft patch in the U.S. economy is quite similar to the one experienced last summer with one notable exception. Whereas bank loans trended lower in the summer of 2010 after the completion of the Federal Reserve’s first round of quantitative easing, bank loans have been increasing now for thirteen weeks (ref: ISI Group, Weekly Economic Report, July 5, 2011). Notwithstanding the uncertainty surrounding the financial sector from the possibility of a default of Greek debt, the financial markets are actually in a better position this year relative to 2010 as measured by the U.S. Financial Conditions Index.

The continued uptick in bank lending is encouraging, as is the improvement in exports. Exports are benefiting in part from the growth of developing-country economies as well as the weaker U.S. dollar. As the temporary disruptions in the global supply chain from Japan’s earthquake and tsunami fade, exports are likely to pick up further in the second half of the year. In fact, the U.S. trade deficit unexpectedly narrowed in April due to a plunge in auto and oil imports combined with record exports. At \$43.7 billion, the gap shrank 6.7% from the previous month, representing the lowest trade deficit since December 2010 according to U.S. Commerce Department data.

We continue to believe that U.S. economic growth will accelerate in the latter half of this year. Despite investor worries that the U.S. economy is weakening, few companies have cut their earnings forecasts and many executives remain upbeat in their business outlook. The health of American corporations has been steadfastly strengthening and the bulk of U.S. companies are poised to report yet another quarter of robust earnings in the coming weeks. Most recent analyst projections call for second-quarter profits for companies in the S&P 500 Index to increase 14% from a year ago.

Strong corporate fundamentals and low valuations present amazing “growth at a reasonable price” investment opportunities. We remain confident that in time the market will acknowledge these opportunities; for now, we are adhering to our discipline and exercising a great deal of patience.

Yours truly,

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

Erica Lau, CFA

## NORTH GROWTH U.S. EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending June 30, 2011

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-2.67</b>	<b>-0.41</b>	<b>1.49</b>	<b>1.49</b>
S&P 500 \$CDN	-2.08	-0.43	2.82	2.82
<b>NGM US Equity Fund \$US</b>	<b>-2.26</b>	<b>0.11</b>	<b>4.66</b>	<b>4.66</b>
S&P 500 \$US	-1.67	0.10	6.02	6.02
S&P 400 MidCap \$US	-2.04	-0.73	8.56	8.56
S&P 600 SmallCap \$US	-1.81	-0.16	7.54	7.54
NASDAQ Composite \$US	-2.11	-0.04	5.01	5.01

## NORTH GROWTH U.S. EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending June 30, 2011

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>16.16</b>	<b>7.10</b>	<b>2.22</b>	<b>4.46</b>	<b>9.31</b>	<b>11.49</b>
S&P 500 \$CDN	18.40	1.44	-0.02	-1.81	4.07	7.09
<b>NGM US Equity Fund \$US</b>	<b>28.22</b>	<b>9.11</b>	<b>5.25</b>	<b>9.28</b>	<b>11.86</b>	<b>13.01</b>
S&P 500 \$US	30.69	3.34	2.94	2.72	6.50	8.56
S&P 400 MidCap \$US	39.38	7.82	6.60	7.94	11.36	12.42
S&P 600 SmallCap \$US	37.03	8.16	4.61	7.79	9.35	11.22
NASDAQ Composite \$US	32.86	7.63	5.97	3.28	6.46	8.75*

Source: Bloomberg "Total Return Analysis" as of July 1, 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: Jun. 30, 2011 \$24.02 CDN  
\$24.91 US**

**Total Assets in Fund \$239.6 Million CDN**

## NORTH GROWTH CANADIAN EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending June 30, 2011

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>-3.07</b>	<b>-2.94</b>	<b>7.19</b>	<b>7.19</b>
S&P / TSX \$CDN	-3.33	-5.15	0.16	0.16

## NORTH GROWTH CANADIAN EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending June 30, 2011

	1 Year	3 Years	5 Years	10 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>26.26</b>	<b>6.73</b>	<b>1.22</b>	<b>2.95</b>	<b>4.84</b>	<b>3.93</b>
S&P / TSX \$CDN	20.87	0.19	5.67	8.05	11.68	3.88

\*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: Jun. 30, 2011 \$ 12.50 CDN**

**Total Assets in Fund \$ 22.3 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND**  
**Annualized Rates of Returns (%) for Periods Ending June 30, 2011**

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>0.84</b>	<b>0.74</b>	<b>0.79</b>	<b>2.08</b>
30 Day T-Bill	N/A	0.77	0.79	2.02

*\* 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 0.84% 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 June 30, 2011**

	%
Apple Inc.	9.37
Cisco Systems Inc.	7.37
Intel Corporation	5.56
Bristol-Myers Squibb Company	4.75
Microsoft Corporation	4.73
Pier 1 Imports Inc.	4.67
St Jude Medical Inc.	4.38
Texas Instruments Inc.	3.97
Pfizer Inc.	3.87
Precision Castparts Corp.	3.85
General Electric Company	3.67
Applied Materials Inc.	3.50
Herman Miller Inc.	3.12
WellPoint Inc.	3.12
First Solar Inc.	3.11
Citrix Systems Inc.	2.92
Cerner Corporation	2.89
DSP Group Inc.	2.65
Varian Medical Systems Inc.	2.52
Zimmer Holdings Inc.	2.28
Safeway Inc.	1.98
Wal-Mart Stores Inc.	1.95
Micron Technology Inc.	1.87
Electronic Arts Inc.	1.86
NIKE Inc., Class B	1.59
Cheesecake Factory Inc.	1.54
Johnson Controls Inc.	1.46
Adobe Systems Inc.	1.21
Flow International Corporation	1.00
Citigroup Inc.	0.93
America Eagle Outfitters Inc.	0.88
Savient Pharmaceuticals Inc.	0.53
Guess? Inc.	0.51
<b>Total Equities</b>	<b>98.91</b>
<b>Cash</b>	<b><u>1.09</u></b>
<b>TOTAL ASSETS</b>	<b>100.00</b>

**CANADIAN EQUITY FUND**  
**As of June 30, 2011**

	%
Zarlink Semiconductor Inc.	10.40
Bombardier Inc., Class B	7.65
EXFO Inc.	6.51
Sierra Wireless Inc.	6.06
Miranda Technologies Inc.	5.00
Sandvine Corporation	4.69
WestJet Airlines Ltd.	4.44
ATS Automation Tooling Systems Inc.	4.42
Celestica Inc.	4.18
GSI Group Inc.	4.01
Valeant Pharmaceuticals International, Inc.	3.94
MacDonald, Dettwiler and Associates Ltd.	3.59
Azure Dynamics Corporation	3.44
CAE Inc.	3.38
QLT Inc	3.36
Gennum Corporation	3.27
Dorel Industries Inc.	3.03
Jean Coutu Group (PJC) Inc., Class A	2.82
Saputo Inc.	2.19
TELUS Corporation	2.03
Ballard Power Systems Inc.	1.85
Imris Inc.	1.41
Research in Motion Limited	1.38
COM DEV International Inc.	1.21
Day4 Energy Inc.	0.77
<b>Total Equities</b>	<b>95.03</b>
<b>Cash</b>	<b><u>4.97</u></b>
<b>TOTAL ASSETS</b>	<b>100.00</b>

**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).