

July was shaping up reasonably well for U.S. equities until late in the month, when the pathetic display of partisan bickering over raising the debt ceiling overwhelmed the flow of positive corporate earnings results, sending the market into a steep decline. In U.S. dollars, the North Growth U.S. Equity Fund declined 2.55% for the month versus 2.03% for the S&P 500 Total Return Index. The Canadian dollar gained about 1% for the month. July was relatively kind to the North Growth Canadian Equity Fund, which gained 1.45% versus a decline of 1.73% for the S&P/TSX Composite Index.

Although, as we fully expected, the U.S. government did reach an agreement to raise the debt ceiling prior to the theoretical August 2nd default deadline, the political process was so ugly and the media coverage so intense that investor confidence was badly shaken. Confidence deteriorated further with the downgrade of the U.S. credit rating by the Standard and Poor's rating agency on August 5<sup>th</sup>. These events triggered a steep decline in equities across the globe with U.S. small- and mid-capitalization companies being amongst the hardest hit.

In this environment it seems any negative news is interpreted as a new "CRISIS" (which now has to be the most overused word in the media's hype machine). The low investor confidence has generated extremely weak and volatile market conditions. The volatility appears to be primarily driven by significant repositioning in the hedge fund community and a significant increase in high frequency trading volumes, but undoubtedly there is some panicky main street selling as well. While this extreme level of volatility is certainly not enjoyable, it is truly fascinating—we have never seen anything like it. During the week of August 8<sup>th</sup> to the 12<sup>th</sup>, the market and the Fund moved by more than 4% a day for 4 days in a row yet ended the week down only 1% in U.S. dollars and actually up in Canadian dollars—which for any given week would be considered well within the norm.

This volatility has not changed our outlook on U.S. equities. The combination of falling stock prices and growing earnings makes what we already believed were great investment opportunities even more compelling. As our Funds are fully invested, there are limited opportunities for us to take advantage of the declines at the portfolio level. We have made some modest moves based on relative pricing changes between names already held in the portfolio and have added two new positions.

We are encouraged by the earnings results from our companies. Clearly the economic expansion slowed significantly during the first half of the year. The recent market turmoil has undermined consumer and business confidence, which does increase the possibility that we may be wrong in believing the economy will reaccelerate significantly during the second half of the year. Nonetheless, we continue to believe that the significant drop in

oil prices, continued growth in lending and slowly improving employment conditions should be sufficient to power the next leg of this expansion.

U.S. corporations are in an exceptionally strong financial position. We are able to find many companies that are exceedingly well positioned for long term growth and trade at historically low valuation levels. We believe this creates a tremendous opportunity for investors and are recommending that Canadians re-evaluate their investment portfolios to ensure they have adequate exposure to U.S. equities.

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 U.S. EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending July 31, 2011

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-3.46</b>	<b>-5.25</b>	<b>-4.38</b>	<b>-2.03</b>
S&P 500 \$CDN	-2.95	-3.84	-3.20	-0.21
<b>NGM US Equity Fund \$US</b>	<b>-2.55</b>	<b>-6.16</b>	<b>0.23</b>	<b>1.98</b>
S&P 500 \$US	-2.03	-4.76	1.46	3.87
S&P 400 MidCap \$US	-3.53	-6.77	2.67	4.73
S&P 600 SmallCap \$US	-3.21	-5.82	3.93	4.08
NASDAQ Composite \$US	-0.58	-3.85	2.55	4.40

## NORTH GROWTH U.S. EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending July 31, 2011

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>9.14</b>	<b>5.68</b>	<b>1.50</b>	<b>3.88</b>	<b>9.42</b>	<b>11.23</b>
S&P 500 \$CDN	11.18	0.57	-1.01	-2.13	4.12	6.89
<b>NGM US Equity Fund \$US</b>	<b>17.45</b>	<b>8.15</b>	<b>5.00</b>	<b>8.90</b>	<b>12.11</b>	<b>12.80</b>
S&P 500 \$US	19.65	2.92	2.39	2.61	6.67	8.40
S&P 400 MidCap \$US	25.77	7.20	6.45	7.71	11.62	12.15
S&P 600 SmallCap \$US	24.72	6.26	4.66	7.62	9.63	10.98
NASDAQ Composite \$US	23.52	6.92	6.66	3.89	7.08	8.68*

Source: Bloomberg "Total Return Analysis" as of Aug 2, 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: July 31, 2011 \$23.19 CDN**  
**\$24.27 US**

**Total Assets in Fund \$231.0 Million CDN**

## NORTH GROWTH CANADIAN EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending July 31, 2011

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>1.45</b>	<b>-3.45</b>	<b>2.00</b>	<b>8.74</b>
S&P / TSX \$CDN	-1.73	-5.83	-2.53	-1.57

## NORTH GROWTH CANADIAN EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending July 31, 2011

	1 Year	3 Years	5 Years	10 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>21.18</b>	<b>10.05</b>	<b>1.95</b>	<b>3.03</b>	<b>4.97</b>	<b>4.03</b>
S&P / TSX \$CDN	14.26	1.63	4.88	7.92	11.32	3.68

\*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: July 31, 2011 \$ 12.68 CDN**

**Total Assets in Fund \$ 22.6 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND**  
**Annualized Rates of Returns (%) for Periods Ending July 31, 2011**

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>0.82</b>	<b>0.78</b>	<b>0.74</b>	<b>2.02</b>
30 Day T-Bill	N/A	0.83	0.74	1.96

*\* 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.*

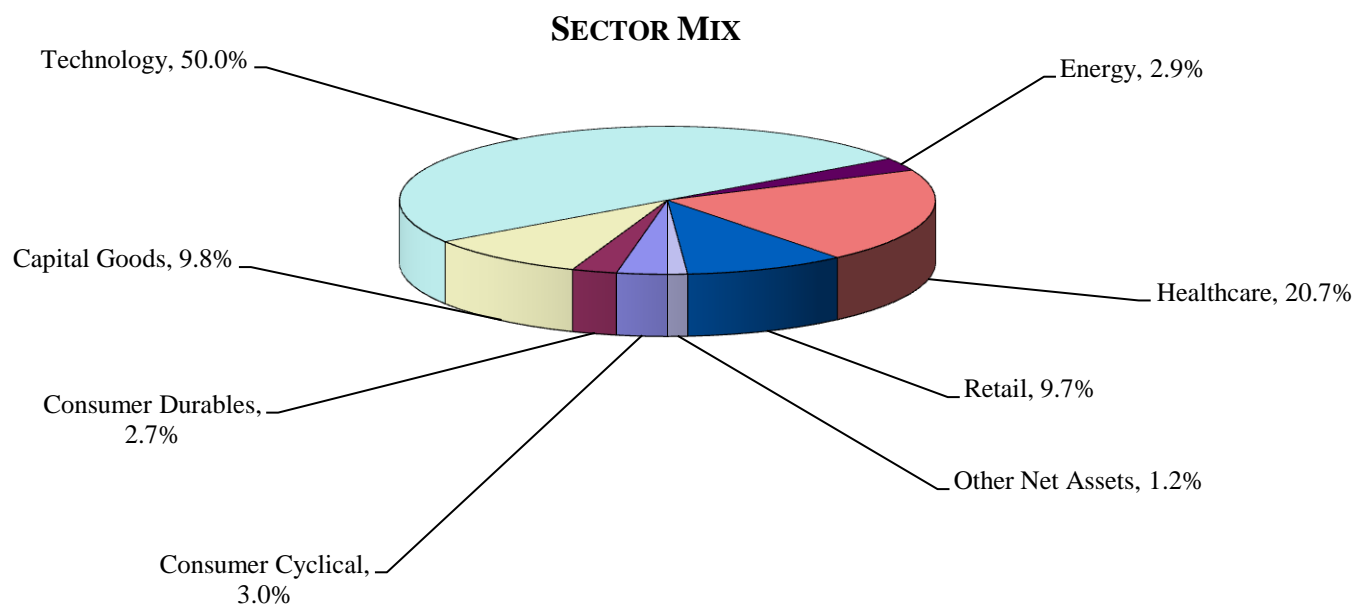
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach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

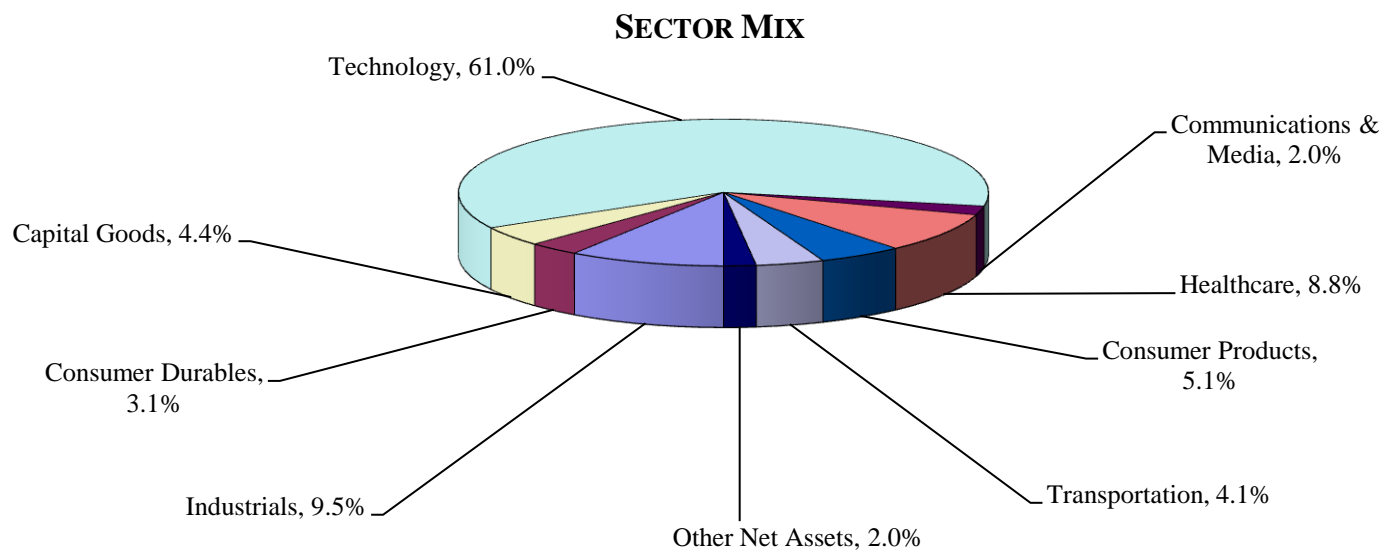
**U.S. EQUITY FUND  
TOP 10 HOLDINGS  
As of July 31, 2011**

	<b>%</b>
Apple Inc.	11.19
Cisco Systems Inc.	7.74
Intel Corporation	5.76
Microsoft Corporation	5.12
Bristol-Myers Squibb Company	4.83
Pier 1 Imports Inc.	4.56
St. Jude Medical Inc.	4.38
Precision Castparts Corp.	3.88
Pfizer Inc.	3.71
Texas Instruments Inc.	<u>3.70</u>
<b>Top 10</b>	<b>54.87</b>
<b>Total Equities</b>	<b>99.71</b>
Cash	<u>0.29</u>
<b>TOTAL ASSETS</b>	<b>100.00%</b>



**CANADIAN EQUITY FUND**  
**TOP 10 HOLDINGS**  
**As of July 31, 2011**

	%
Zarlink Semiconductor Inc.	16.09
Bombardier Inc., Class B	6.27
EXFO Inc.	6.20
Sierra Wireless Inc.	5.48
Miranda Technologies Inc.	4.63
Celestica Inc.	4.57
ATS Automation Tooling Systems Inc.	4.41
Sandvine Corporation	4.29
WestJet Airlines Ltd.	4.13
Valeant Pharmaceuticals International, Inc	<u>4.08</u>
<b>Top 10</b>	<b>60.15</b>
<b>Total Equities</b>	<b>98.03</b>
Cash	<u>1.97</u>
<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).