

August was a terrible month for global equity markets with all the major indices in the U.S. registering substantial declines. The North Growth U.S. Equity Fund fell 6.1%, slightly underperforming the S&P 500 Index which had a negative 5.4% return while tracking closely to the NASDAQ Composite which lost 6.3%. The S&P 400 Mid Cap and S&P 600 Small Cap Indices were hit hardest, declining 7.1% and 7.7% respectively in August. While the weakening Canadian dollar last month provided some relief to the monthly performance in Canadian dollars, the U.S. Equity Fund still depreciated 3.8% in Canadian dollars versus the S&P 500 which declined 3.1%. The North Growth Canadian Equity Fund fell 10.1% in August, significantly underperforming the S&P/TSX Composite which lost 2.0%.

The extremely partisan political environment in the U.S. combined with the ongoing European debt problems certainly affected investor sentiment negatively over the past couple of months. The resulting turmoil in equity markets and the weakness in much of the economic data appear to have undermined both consumer and business confidence; however, while the prospects for the U.S. economy during the second half of the year and 2012 may have diminished compared to expectations several months ago, they are not recessionary.

Amongst the recent barrage of negative news headlines are some encouraging data points for the U.S. economy. The U.S. trade deficit narrowed in July to a better-than-expected \$44.8 billion on a 3.6% rise in exports and 0.2% drop in imports, putting trade on track to boost third quarter GDP by close to 1%. Consumer credit also increased in July more than expected and bank loans continue to trend higher. The U.S. service sector continues to expand, as measured by the Institute for Supply Management (ISM)'s non-manufacturing index which rose to 53.3 in August.

Job openings have been increasing since May, with the latest July reading of 3.2 million employment positions hitting the highest level in nearly three years. Taking into consideration the increased job openings with the slow pace of hiring over the same period, the lack of employment growth simply reflects businesses' lack of confidence to take on needed staff—as opposed to any fundamental weakness in the health of U.S. corporations.

On the contrary, companies remain financially strong with exceptional amounts of cash on their balance sheets. Despite a muted macroeconomic environment, S&P 500 company profits have exceeded analyst projections for ten consecutive quarters, including the 17 percent growth in earnings during the latest April-to-June period. Earnings for most U.S. corporations, with the notable exception of those in the financial industry, are at record levels, having surpassed their pre-recession highs. Meanwhile, as

a result of the weak equity markets, the S&P 500 Index trades at a price/earnings (P/E) ratio of 13 times reported profits, the lowest multiple since 1985 (ref: Bloomberg data). And after adjusting for cash balances, numerous U.S. companies actually trade at single-digit multiples.

Companies have clearly demonstrated an ability to generate healthy profits and decent earnings growth in spite of lacklustre economic growth. Analyst earnings estimates for S&P 500 companies during the current quarter are for an approximate 15% year-over-year increase. Although analysts are cutting their estimates due to the volatile markets and more uncertain economic outlook, the number of chief executive officers reducing profit forecasts in August fell substantially below the average in over a decade, according to data compiled by Bloomberg.

Corporate CEOs rather than Wall Street analysts, we believe, are definitely the better gauge of real business prospects. Investing in U.S. equities by no means equates to investing in U.S. GDP—U.S. corporations continue to be exceedingly well positioned for growth in the long run and trade at increasingly attractive valuations, creating phenomenal investment opportunities.

Yours truly,

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

Erica Lau, CFA

NORTH GROWTH U.S. EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-3.79	-9.60	-7.74	-5.74
S&P 500 \$CDN	-3.07	-7.88	-6.46	-3.27
NGM US Equity Fund \$US	-6.13	-10.60	-8.50	-4.27
S&P 500 \$US	-5.43	-8.90	-7.23	-1.77
S&P 400 MidCap \$US	-7.11	-12.22	-8.87	-2.72
S&P 600 SmallCap \$US	-7.67	-12.25	-8.10	-3.90
NASDAQ Composite \$US	-6.28	-8.79	-6.83	-2.15

NORTH GROWTH U.S. EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	7.58	1.65	0.30	3.70	8.67	10.95
S&P 500 \$CDN	8.82	-2.14	-1.63	-1.91	3.79	6.68
NGM US Equity Fund \$US	17.15	4.43	2.75	8.58	11.12	12.36
S&P 500 \$US	18.50	0.54	0.78	2.70	6.13	8.04
S&P 400 MidCap \$US	22.89	4.00	4.65	7.28	10.65	11.65
S&P 600 SmallCap \$US	24.44	2.07	2.65	7.01	8.62	10.46
NASDAQ Composite \$US	23.31	3.95	4.35	4.41	6.22	8.26*

Source: Bloomberg "Total Return Analysis" as of September 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: Aug 31, 2011 \$22.31 CDN
\$22.78 US

Total Assets in Fund \$222.3 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-10.11	-11.60	-11.20	-2.25
S&P / TSX \$CDN	-1.98	-6.88	-8.52	-3.52

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	13.16	3.77	0.29	2.00	3.59	3.00
S&P / TSX \$CDN	9.91	0.44	3.99	8.10	10.94	3.46

*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: Aug 31, 2011 \$ 11.40 CDN

Total Assets in Fund \$ 20.3 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.78	0.80	0.68	1.97
30 Day T-Bill	N/A	0.85	0.70	1.91

** 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.*

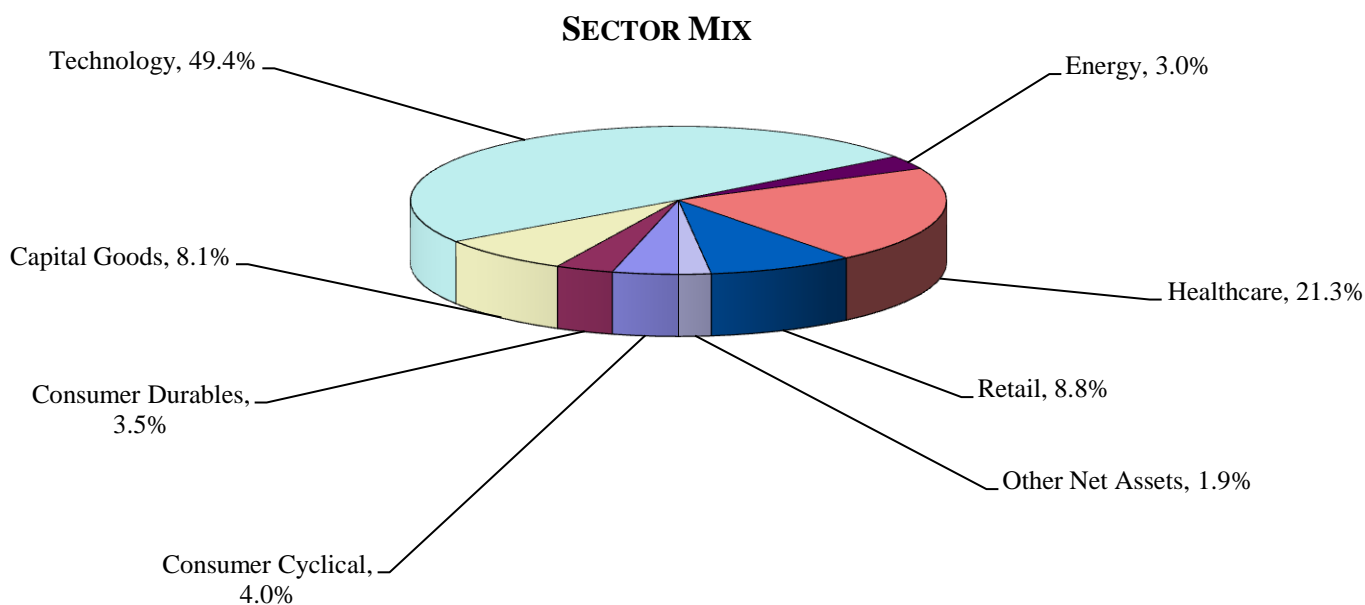
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach 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 0.78% 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.

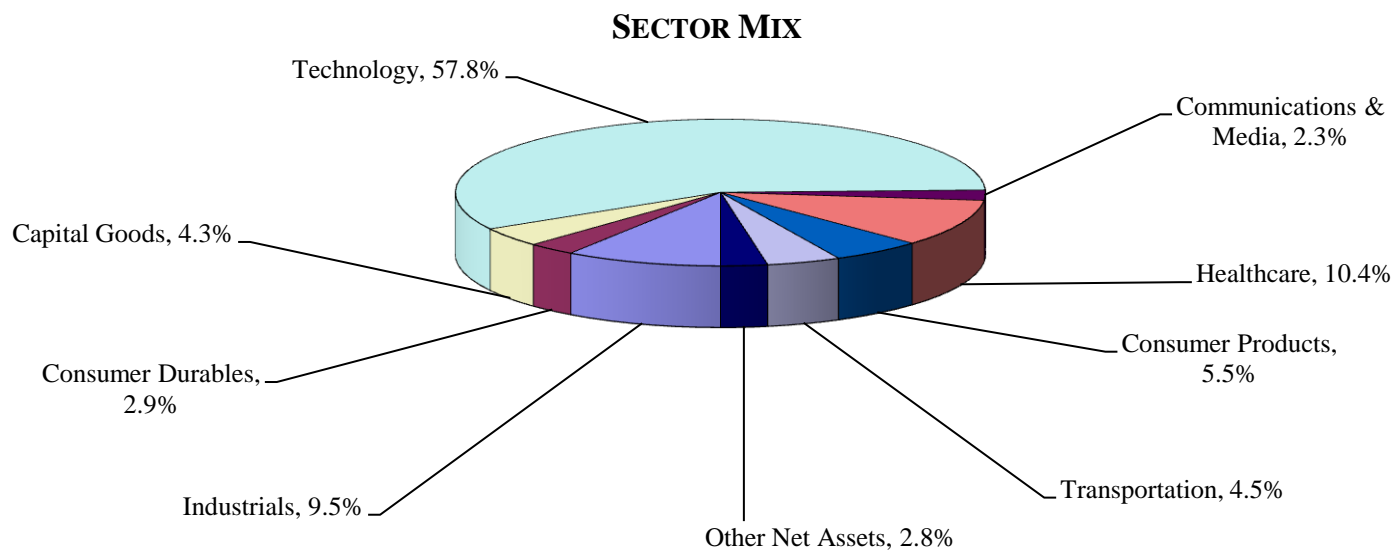
**U.S. EQUITY FUND
TOP 10 HOLDINGS
As of August 31, 2011**

	%
Apple Inc.	10.82
Cisco Systems Inc.	8.09
Intel Corporation	5.53
Bristol-Myers Squibb Company	5.35
St. Jude Medical Inc.	4.58
Microsoft Corporation	4.18
Pier 1 Imports Inc.	4.13
Citrix Systems Inc..	3.48
Texas Instruments Inc.	3.47
Cerner Corporation	<u>3.42</u>
Top 10	53.05
Total Equities	99.24
Cash	<u>0.76</u>
TOTAL ASSETS	100.00%



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

	%
Zarlink Semiconductor Inc.	13.44
Bombardier Inc., Class B	6.46
EXFO Inc.	6.28
Celestica Inc.	4.96
Valeant Pharmaceuticals International Inc.	4.76
Miranda Technologies Inc..	4.48
WestJet Airlines Ltd.	4.48
Gennum Corporation	4.42
ATS Automation Tooling Systems Inc.	4.27
Sierra Wireless Inc.	<u>4.23</u>
Top 10	57.78
Total Equities	97.15
Cash	<u>2.85</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.
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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.