

Although June was a difficult month for US equities, there were encouraging signs that the market is working through a transition towards large cap leadership and possibly even large cap technology leadership. During June the mid cap S&P 400 Index led the decline falling 2.2%, while the small cap S&P 600 Index and the large cap S&P 500 indices were each down approximately 1.6%. The technology heavy NASDAQ Composite was essentially flat for the month. The North Growth US Equity Fund delivered acceptable relative performance being down 0.9% for the month. Year-to-date, in US dollars, the US Fund is up 6.3% versus 7.0% for the S&P 500. The Canadian dollar has appreciated by approximately 9% year-to-date, reducing the Canadian dollar returns for the US Fund and the S&P 500 for the first half of this year to -2.8% and -2.2% respectively.

Canadian equities also struggled during June, with the S&P/TSX Composite down 0.8% for the month. In contrast, the North Growth Canadian Equity Fund gained 4.3% for the month. The strong performance pulled the Canadian Fund ahead of the Index on a year-to-date basis with a 10.7% return versus 9.1% for the Index. The Canadian Fund's recent strength was relatively broad-based with Bombardier, Dorel, Emergis, EXFO Electro-optical, Jean Coutu, Saputo, Sierra Wireless, Tundra Semi and WestJet all contributing meaningfully to the monthly gains.

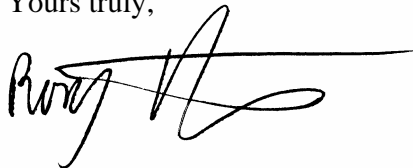
The most recent positive sign of an emergence of large cap leadership in the US was the market reaction to General Electric's second quarter earnings release. On July 13<sup>th</sup>, GE reported a solid in-line quarter with earnings per share up 13%. Importantly, total orders were up 32% year-over-year and backlog increased by 42%, providing a solid footing for future earnings growth. The company also detailed its exposure to the sub-prime mortgage business, having reduced its exposure from \$4.5 billion to \$1.1 billion by the end of the quarter and announcing its intention to exit the business. Unlike hedge funds, GE does not employ excessive leverage and the losses associated with exiting this business are easily absorbed. All in all, the quarterly results were quite similar to the results over the past few years; however, what was different was the market's reaction to the earnings. For the past eight quarters in a row GE shares have sold off subsequent to the earnings report, but this quarter—despite trading near multi-year highs prior to the announcement—GE shares traded up strongly subsequent to the earnings results.

On July 27<sup>th</sup> preliminary second quarter US GDP figures will be released. Despite the onslaught of stronger than expected US economic reports over the past few months, it is my impression that people will be surprised to see that the US economy grew by 3%, or possibly more, during the second quarter. Canadians appear to be under the impression that the US economy is floundering, which is just not the case. Clearly the rate of growth has slowed, but

the US economy is growing nicely. Furthermore, people are ignoring the fact that the US Federal budget deficit has shrunk by more than half since peaking in 2004. After peaking at \$412 billion, or approximately 3.8% of GDP, in 2004, the deficit now looks likely to come in at approximately \$150 billion, or only 1.1% of GDP, for the fiscal year ending September 2007. Year-to-date, US federal revenues have grown at approximately 8% versus expense growth of only around 3%. If these trends continue we could well see a US federal budget surplus within the next two years.

The Canadian dollar has appreciated versus the US dollar by approximately 10% since the end of March to new 30-year highs, and is now valued at around 95 cents. There is substantial investor/speculator interest in the Canadian dollar as indicated by record open interests in the futures market. Given its recent momentum, by all accounts the Canadian dollar could reach parity. However, fundamentally, it is clear that the Canadian dollar is already overvalued relative to the US dollar. For our investors—all of whom have a realistic longer term investment horizon of five years or more—the current strength in the Canadian dollar should be viewed as an opportunity to increase exposure to the attractively valued US equity market.

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

**NORTH GROWTH US EQUITY FUND**  
**SHORT TERM RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2007**

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-1.27%</b>	<b>-1.88%</b>	<b>-2.84%</b>	<b>-2.84%</b>
S&P 500 \$CDN	-2.05%	-1.93%	-2.22%	-2.22%
<b>NGM US Equity Fund \$US</b>	<b>-0.88%</b>	<b>6.34%</b>	<b>6.28%</b>	<b>6.28%</b>
S&P 500 \$US	-1.66%	6.28%	6.96%	6.96%
S&P 400 MidCap \$US	-2.18%	5.84%	11.98%	11.98%
S&P 600 SmallCap \$US	-1.64%	5.18%	8.56%	8.56%
NASDAQ Composite \$US	0.01%	7.70%	8.17%	8.17%

**NORTH GROWTH US EQUITY FUND**  
**ANNUALIZED RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2007**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>14.52%</b>	<b>4.98%</b>	<b>11.32%</b>	<b>11.66%</b>	<b>15.03%</b>
S&P 500 \$CDN	15.10%	3.62%	3.17%	4.39%	10.16%
<b>NGM US Equity Fund \$US</b>	<b>19.98%</b>	<b>13.14%</b>	<b>19.46%</b>	<b>14.59%</b>	<b>16.25%</b>
S&P 500 \$US	20.59%	11.68%	10.71%	7.13%	11.33%
S&P 400 MidCap \$US	18.51%	15.15%	14.17%	13.37%	14.88%
S&P 600 SmallCap \$US	16.04%	14.47%	14.36%	11.27%	N/A
NASDAQ Composite \$US*	20.71%	9.13%	12.90%	6.59%	10.79%

Source: Bloomberg "Total Return Analysis" as of July 2, 2007.

\*The return since inception for this index is a Simple Price Appreciation because total return data is not available on Bloomberg.

The inception of the Fund: October 13, 1992.

**NAVPS: June 30, 2007 \$ 25.01 CDN**  
**\$ 23.48 US**

**Total Assets in Fund \$ 278.0 Million CDN**

**NORTH GROWTH CANADIAN EQUITY FUND  
SHORT TERM RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2007**

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>4.29%</b>	<b>10.13%</b>	<b>10.69%</b>	<b>10.69%</b>
S&P / TSX \$CDN	-0.82%	6.28%	9.05%	9.05%

**NORTH GROWTH CANADIAN EQUITY FUND  
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2007**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>18.98%</b>	<b>8.38%</b>	<b>6.95%</b>	<b>12.73%</b>	<b>8.07%</b>
S&P / TSX \$CDN	22.73%	20.12%	16.56%	22.09%	5.12%

*\*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: June 30, 2007 \$ 14.00 CDN**

**Total Assets in Fund \$ 28.0 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND  
ANNUALIZED RATES OF RETURNS FOR PERIODS ENDING JUNE 30, 2007**

	* CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>4.09%</b>	<b>4.12%</b>	<b>3.10%</b>	<b>2.86%</b>
30 Day T-Bill	N/A	4.22%	3.25%	3.02%

*\* 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.*

The North Growth Canadian Money Market Fund is consistently one of the highest yielding money market funds in Canada – not because we waste any time searching for basis points along the yield curve but because at **0.25%** the Fund's management fee is one of the **lowest in Canada**. We manage the Fund simply by creating a well-diversified portfolio of very short term, top credit quality notes and believe the product is a good proxy for the risk free rate\*. We maintain the average maturity of the Fund at near 15 days, meaning that we essentially roll over the entire portfolio every 30 days. As a result, the Fund's current yield will rapidly follow any changes (up or down) in the Bank of Canada's overnight rate.

The accountant's fees for the annual audit are greater than the annual management fees, so North Growth Management takes a small loss on the product. We don't mind because we offer the product as a service to our clients. We also believe an inflation protected liquidity product, such as our money market fund is an underutilized asset class that could improve the overall financial planning of many of our clients. This may seem strange coming from a firm notorious for its opinion that bonds are essentially an inferior asset class that offer inadequate returns for their inherent risk, but we can lay out a strong theoretical argument that you can create a superior portfolio using equities and money market than you can using equities and mid to long term bonds.

For retirees living off their financial assets, we believe that using a client's own personal cash requirements and risk tolerance to determine their appropriate mix of money market and equities, can, in most instances, create a superior portfolio to the all too pervasive industry staple 60/40 equity/bond split. For clients seeking a truly personalized retirement plan we encourage you to make an appointment to come in and get a fresh look at your plan from the North Growth Management investment professionals.

\*The risk free rate is the theoretical rate of return of an investment with zero risk. The North Growth Canadian Money Market is not a risk free investment and is not covered by the CDIC (Canadian Deposit Insurance Corporation).

**INVESTING WITH NORTH GROWTH MANAGEMENT:**

North Growth Management is a focused firm. 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).