

A broad-based sell-off in the US equity markets during the latter half of the month resulted in losses across the major US market indices in July. The S&P 400 MidCap and S&P 600 SmallCap Indices were hit hardest, declining 4.3% and 5.1% respectively. The S&P 500 was down 3.1% while the technology-focused NASDAQ Composite lost 2.1%. The North Growth US Equity Fund delivered solid outperformance for the month with its 1.5% decline. Year-to-date, in US dollars, the Fund is up 4.7%, ahead of the S&P 500 Index's 3.6% gain. With the Canadian dollar's approximate 9% appreciation so far this year, however, the US Fund is down 4.2% in Canadian dollars versus the S&P 500's Canadian dollar loss of 5.1%.

Canadian equities also experienced a significant decline in the second half of July, but the S&P/TSX Composite Index ended the month pretty much unchanged, down only 0.1%. By contrast, the North Growth Canadian Equity Fund underperformed the Index, falling 2.2%. Year-to-date, the Fund is up 8.2% versus the Index's return of 8.9%.

The big topic in business news today is the US subprime mortgage debacle. Rising delinquencies and defaults associated with subprime mortgages in the US started to surface earlier this year in February. However, the problem which was contained to a narrow part of the US housing market began to spread in June with the collapse of two hedge funds managed by Bear Stearns that were highly leveraged and speculated mostly in subprime mortgage bonds and collateralized debt obligations or CDOs—securities that hold pieces of junk-rated corporate bonds, mortgage bonds, high-interest loans, derivatives or other CDOs. The ensuing turmoil in the credit markets spilled over into equities in July as investors feared that tighter borrowing conditions would elevate the risk of an economic recession.

Incidentally, the economic data released during the month indicated a strong US economy. Second-quarter GDP growth came in at an annual rate of 3.4%, greater than most economic forecasts and a marked acceleration from the revised gain of 0.6% in the first three months of the year. Although consumer spending slowed somewhat in April through June, the Conference Board's index of consumer confidence rose in July to the highest level in almost six years. Meanwhile, certain measures of inflation eased, reinforcing that the US is in a moderate growth, low inflation environment—an enviable backdrop for equity investments.

While the end of cheap financing and decreased market appetite for high-risk debt securities may slow economic growth a bit, company balance sheets on the whole are in good shape and corporate profits continue to grow at a solid pace. Certainly, there will be casualties from the subprime mortgage fallout: mortgage providers whose lenders have cut them off, leveraged hedge funds that have to write down the value of their assets, and last but not least, troubled companies that are no longer able to refinance their debt or attract private equity deals. But by and large, US corporations continue to report growing earnings and many hold unprecedented, high levels of cash on their books.

According to Bloomberg, for the over 400 companies of the S&P 500 Index that have reported second-quarter results, per-share profits from continuing operations are up 11% year-over-year. Earnings growth has been remarkably strong over the past several years and most companies remain constructive in their outlook.

The North Growth US Equity Fund continues to be fully invested in high-quality, predominantly large capitalization stocks. We invest based on our “growth at a reasonable price” philosophy. We do not buy companies in poor financial health with hopes of gaining a takeover premium in the event that they get taken private. Accordingly, this episode of market turmoil has not altered the solid fundamentals of the holdings in the portfolio, other than to make their shares more attractively valued.

When the dust settles on the current subprime mortgage “crisis”, the recent slump in stocks will, we believe, prove to be yet another buying opportunity.

Yours truly,

A handwritten signature in black ink, appearing to read "Erica Lau", with a period at the end.

Erica Lau, CFA

NORTH GROWTH US EQUITY FUND
SHORT TERM RATES OF RETURN FOR PERIODS ENDING JULY 31, 2007

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-1.40%	-3.17%	-7.10%	-4.20%
S&P 500 \$CDN	-2.97%	-5.23%	-7.46%	-5.13%
NGM US Equity Fund \$US	-1.53%	0.76%	2.50%	4.66%
S&P 500 \$US	-3.10%	-1.39%	2.10%	3.64%
S&P 400 MidCap \$US	-4.31%	-1.71%	3.40%	7.16%
S&P 600 SmallCap \$US	-5.05%	-2.30%	1.00%	3.08%
NASDAQ Composite \$US	-2.13%	1.06%	3.76%	5.87%

NORTH GROWTH US EQUITY FUND
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING JULY 31, 2007

	1 Year	3 Years	5 Years	10 Years	Since Inception
NGM US Equity Fund \$CDN	12.90%	7.24%	10.63%	10.81%	14.83%
S&P 500 \$CDN	9.48%	3.85%	3.33%	3.30%	9.88%
NGM US Equity Fund \$US	19.76%	15.40%	19.72%	13.68%	16.03%
S&P 500 \$US	16.13%	11.76%	11.81%	5.98%	11.02%
S&P 400 MidCap \$US	16.73%	15.29%	15.50%	11.81%	14.45%
S&P 600 SmallCap \$US	14.10%	14.64%	16.68%	10.02%	N/A
NASDAQ Composite \$US*	22.67%	11.31%	14.62%	5.29%	10.56%

Source: Bloomberg "Total Return Analysis" as of August 1, 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: July 31, 2007 \$ 24.66 CDN
\$ 23.12 US

Total Assets in Fund \$ 271.8 Million CDN

**NORTH GROWTH CANADIAN EQUITY FUND
SHORT TERM RATES OF RETURN FOR PERIODS ENDING JULY 31, 2007**

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-2.22%	4.16%	5.75%	8.23%
S&P / TSX \$CDN	-0.13%	4.00%	7.67%	8.91%

**NORTH GROWTH CANADIAN EQUITY FUND
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING JULY 31, 2007**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	18.90%	9.40%	7.72%	11.87%	7.62%
S&P / TSX \$CDN	20.13%	20.44%	18.35%	21.58%	5.03%

**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, 2007 \$ 13.69 CDN

Total Assets in Fund \$ 27.4 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND
ANNUALIZED RATES OF RETURNS FOR PERIODS ENDING JULY 31, 2007

	* CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	4.29%	4.13%	3.18%	2.90%
30 Day T-Bill	N/A	4.25%	3.33%	3.05%

** 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 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.