

August was an interesting month; but despite all the negative headlines trumpeting a crisis, all the major US Equity market indices delivered solid gains for the month. Strong quarterly results and an increase of long term revenue growth targets from networking giant Cisco Systems spurred the technology heavy NASDAQ Composite Index to lead the way with a 2.1% gain for the month. The North Growth US Equity Fund had an excellent month, outperforming all the major indices with a 2.5% gain. Year-to-date, the Fund is now up 7.3% which is 2.1% better than the S&P 500 but approximately 0.8% behind the NASDAQ Composite and the S&P 400 MidCap Index. The strength of the Canadian dollar so far this year reduces the Fund's performance when expressed in Canadian dollars to -2.7% versus -4.7% for the S&P 500 Index.

Canadian equities were not as resilient as their US counterparts during August, with the S&P/TSX Composite falling 1.3%. The North Growth Canadian Equity Fund exhibited its higher levels of volatility and gave back all of its recent relative gains with a 5.7% decline for the month. Year-to-date, the Canadian Fund is up 2.1% versus 7.5% for the Index.

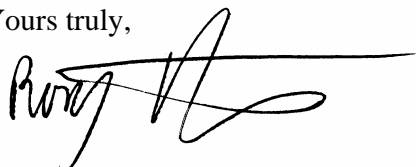
Although US equities delivered solid gains during August, they were extremely choppy. During the first half of the month the markets continued to decline from their July 19<sup>th</sup> high before rebounding strongly on an intraday turnaround on August 16<sup>th</sup>. As a technical note, it is important to acknowledge that the decline for the S&P 500 from the July 19<sup>th</sup> close to the low point on August 16<sup>th</sup> at 12:47 pm eastern time totaled 11.75%. Prior to this mid-summer correction, a common refrain from the more bearish crowd was that this bull market was not healthy because we had not experienced a 10% correction. I guess we will not be hearing that for a while unless these technicians choose to only look at closing prices showing a maximum decline of only 9.4%.

In a most unusual turn of events, the normally mundane money markets have been at the centre of the action as concerns over subprime mortgage risk caused the short term credit markets to seize up. While trying to assess the risks associated with increasing default levels in the mortgage market, managers of money market funds and corporate treasuries panicked and rushed to the safe haven of Treasury bills and shunned the corporate and, in particular, asset-backed paper markets. This lemming-like behavior put enough strain on the financial system that on Monday, August 17<sup>th</sup> the Fed stepped in to ease the credit squeeze by cutting the primary credit rate, or overnight rate, by 50 basis points to 5.75%. The Fed took additional action to encourage banks and other institutions to use this source of liquidity including extending the term on these facilities from the usual overnight term to as long as 30 days. This inaugural move by the new Federal Reserve Board Chairman, Ben Bernanke, was very much targeted at easing the specific issue of inadequate liquidity in the credit markets rather than a broader stimulus move that would be accomplished by a more traditional reduction in the discount rate. Not enough time has passed to conclude that the Fed's action was a success but so far there has been a significant increase in liquidity in the short term credit markets as evidenced by a normalization of Treasury bill yields.

The weakness in the US housing market and accompanying turmoil in the mortgage markets will certainly slow the rate of growth of the US economy, which might just be a good thing as revised numbers showed second quarter GDP growth accelerated to 4.0%. The most interesting fact from these latest growth figures is that, for the first time since 1991, trade accounted for more of the US economy's growth than personal consumption (1.42% vs 1.03%). We have been surprised by the complete lack of discussion or commentary on this emerging trend that could very well become the new engine of US growth for years to come. Furthermore, inventories, which have been a substantial drag on the US economy for the past 2 years, remain at low levels and will contribute to future growth as they are rebuilt. Going forward, we are currently expecting a slowdown rather than a recession as contributions from improved trade and inventory rebuilding mitigate the expected drag from reduced consumer spending. It is also becoming more likely that the Fed will move to stimulate the economy by reducing the discount rate at its next meeting on September 18<sup>th</sup>.

Over the past six months, market leadership has been rotating towards technology. The North Growth US Equity Fund now has just over 50% of its assets invested in technology — primarily large cap. We have built this position over a number of years based on our core “growth at a reasonable price” investment philosophy. The unifying characteristics of these technology holdings include strong growth in earnings and free cash flow, powerful product cycles, pristine balance sheets, and P/E multiples at the lower end of their historic range. Large cap technology names also provide some of the best exposure to growth in demand from non-US markets. Recent positive corporate developments include: a substantial increase in long term revenue growth targets from Cisco, raised third quarter guidance from Intel, Apple's announcement that in the initial 74 days since launch it sold 1 million iPhones, another increase to Microsoft's regular dividend, and a constructive mid-quarter update from Texas Instruments. In short, we believe we are in the early stages of a new multi-year technology spending cycle, from which our Funds are ideally positioned to benefit.

Yours truly,



Rory North, CFA

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

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>1.52%</b>	<b>-1.18%</b>	<b>-2.77%</b>	<b>-2.74%</b>
S&P 500 \$CDN	0.49%	-4.49%	-4.57%	-4.66%
<b>NGM US Equity Fund \$US</b>	<b>2.54%</b>	<b>0.08%</b>	<b>7.69%</b>	<b>7.31%</b>
S&P 500 \$US	1.50%	-3.28%	5.70%	5.20%
S&P 400 MidCap \$US	0.92%	-5.53%	3.59%	8.14%
S&P 600 SmallCap \$US	1.87%	-4.85%	3.45%	5.01%
NASDAQ Composite \$US	2.07%	-0.10%	7.89%	8.06%

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

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>12.22%</b>	<b>8.67%</b>	<b>10.39%</b>	<b>10.73%</b>	<b>14.86%</b>
S&P 500 \$CDN	10.02%	4.31%	3.61%	3.87%	9.86%
<b>NGM US Equity Fund \$US</b>	<b>17.44%</b>	<b>16.85%</b>	<b>19.32%</b>	<b>13.80%</b>	<b>16.13%</b>
S&P 500 \$US	15.13%	12.16%	12.00%	6.75%	11.07%
S&P 400 MidCap \$US	16.48%	15.75%	15.60%	11.93%	14.43%
S&P 600 SmallCap \$US	14.28%	15.69%	16.89%	9.95%	N/A
NASDAQ Composite \$US*	19.80%	13.04%	15.30%	5.55%	10.64%

Source: Bloomberg "Total Return Analysis" as of September 4, 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: Aug. 31, 2007 \$ 25.04 CDN**  
**\$ 23.71 US**

**Total Assets in Fund \$ 275.6 Million CDN**

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

	<b>1 Month</b>	<b>3 Months</b>	<b>6 Months</b>	<b>YTD</b>
<b>NGM Canadian Equity Fund</b>	<b>-5.69%</b>	<b>-3.83%</b>	<b>1.89%</b>	<b>2.08%</b>
S&P / TSX \$CDN	-1.29%	-2.23%	6.01%	7.50%

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

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>*Since Takeover</b>	<b>**Since Inception</b>
<b>NGM Canadian Equity Fund</b>	<b>14.89%</b>	<b>8.93%</b>	<b>7.22%</b>	<b>10.14%</b>	<b>6.63%</b>
S&P / TSX \$CDN	15.95%	20.25%	18.52%	20.76%	4.78%

*\*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, 2007 \$ 12.91 CDN**

**Total Assets in Fund \$ 25.6 Million CDN**

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

	* CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>4.48%</b>	<b>4.16%</b>	<b>3.25%</b>	<b>2.93%</b>
30 Day T-Bill	NA%	4.29%	3.40%	3.08%

*\* 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).