

US equities continued to decline early in June before rebounding to close the month essentially flat. The North Growth US Equity Fund declined 1.4% during the month, underperforming all the major indices we regularly follow. For the first six months of the year the North Growth US Equity Fund is down 0.4% versus the S&P 500's 2.7% gain and the NASDAQ Composite's 1.1% decline. Although the Canadian dollar declined slightly during June it has gained approximately 4% year-to-date. Year-to-date, the North Growth US Equity Fund's return expressed in Canadian dollars is -4.4% versus the S&P 500's Canadian dollar return of -1.4%.

In Canada the S&P/TSX Composite Index was down 0.8% for the month, while the North Growth Canadian Equity Fund fell 4.1%. Year-to-date, the North Growth Canadian Equity Fund is now up only 1.2%, underperforming the S&P TSX Composite's 4.2% gain.

Our message has been very consistent for a considerable period of time now, which is making it increasingly difficult to write anything closely resembling an interesting monthly report. For emphasis I will reiterate our three key opinions:

1. US large capitalization growth stocks have outstanding fundamentals but are being ignored and as a result are trading at compelling valuation levels.
2. Energy, precious metals and base metals are trading at unsustainably high levels and have considerable downside risk.
3. The Canadian dollar is fully valued versus the US dollar; accordingly Canadians should be happy to buy US dollar denominated assets.

Currently both our portfolios are fully invested and concentrated in companies with excellent fundamentals and compelling valuations. We believe this combination of solid fundamentals and attractive valuations results in limited downside risk with substantial upside potential. We have been consciously concentrating our portfolios in order to maximize their exposure to this favorable risk/return environment. While we are confident that this positioning will deliver solid long term results, the portfolio concentration will generate increased short term volatility.

As Rory has stated at the beginning of this report, the Funds experienced another down month and a disappointing 6 months performance. This is particularly ironic since the key elements of our "growth at a reasonable" price investment policy continue to be as favorable as one can ever expect to see. For over forty years my colleagues and top financial professionals dealing with me and my firm have joked about my glee for the investment opportunities that I see when the current market performance is negative and discouraging.

Everybody accepts that the only rational way to make money through any type of investing is to buy low and sell high. That's what all of the legendary investment greats have in common. Even though you and I might not be "investment greats", it makes sense that we should try to do the same.

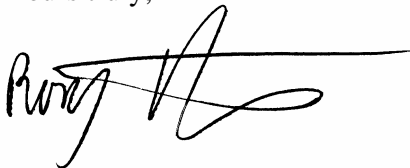
Emotionally the investment public and even investment professionals find it hard to practice this axiomatic truth. That's too bad. Typically, it is after a couple of down quarters that some investors begin to lose confidence in the long term advantage of being invested in equities and sticking to a consistent investment philosophy. This sometimes leads them to sell at the very time they should be buying. That's sad.

Pointing out that one should buy after two quarters of decline in the value of a Fund is not what many people want to hear. They think a litany of doom and gloom sounds much more thoughtful and credible. The record suggests that the negative commentary that a declining market brings out of the woodwork is the wrong message.


We have looked at all the periods during which the North Growth US Equity Fund has experienced one or two consecutive quarterly declines and at what happened in the following quarter. Whether these quarters took place during a bull market, during a period of mid-cycle correction, or at the bottom of a bear market, they were always followed by a strong quarter – most of which were amongst the strongest quarters in the history of the Fund.

Why be afraid of a down quarter or two? Such lows tend to be followed by a positive quarter. While I don't want to focus attention on short term performance, when one is confronted with this type of correction, it is both a good short term and long term buying opportunity.

Yours truly,



Rory North, CFA



Rudy North, President

**NORTH GROWTH US EQUITY FUND**  
**SHORT TERM RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2006**

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-0.11%</b>	<b>-10.73%</b>	<b>-4.36%</b>	<b>-4.36%</b>
S&P 500 \$CDN	1.47%	-5.81%	-1.43%	-1.43%
<b>NGM US Equity Fund \$US</b>	<b>-1.43%</b>	<b>-6.58%</b>	<b>-0.35%</b>	<b>-0.35%</b>
S&P 500 \$US	0.14%	-1.44%	2.71%	2.71%
S&P 400 MidCap \$US	0.02%	-3.14%	4.24%	4.24%
S&P 600 SmallCap \$US	0.02%	-4.56%	7.70%	7.70%
NASDAQ Composite \$US	-0.26%	-7.01%	-1.08%	-1.08%

**NORTH GROWTH US EQUITY FUND**  
**ANNUALIZED RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2006**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>-4.52%</b>	<b>8.32%</b>	<b>6.75%</b>	<b>13.03%</b>	<b>15.07%</b>
S&P 500 \$CDN	-1.05%	4.45%	-3.57%	6.17%	<b>9.81%</b>
<b>NGM US Equity Fund \$US</b>	<b>4.82%</b>	<b>15.34%</b>	<b>13.46%</b>	<b>15.32%</b>	<b>15.98%</b>
S&P 500 \$US	8.63%	11.22%	2.49%	8.32%	10.68%
S&P 400 MidCap \$US	12.98%	18.14%	9.30%	13.82%	14.62%
S&P 600 SmallCap \$US	13.92%	20.46%	11.07%	11.80%	N/A
NASDAQ Composite \$US*	6.47%	10.91%	0.66%	6.70%	10.16%

Source: Bloomberg "Total Return Analysis" as of July 5, 2006.

\*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, 2006 \$ 21.84 CDN**  
**\$ 19.57 US**

**Total Assets in Fund \$ 251.3 Million CDN**

**NORTH GROWTH CANADIAN EQUITY FUND  
SHORT TERM RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2006**

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>-4.13%</b>	<b>-9.19%</b>	<b>1.22%</b>	<b>1.22%</b>
S&P / TSX \$CDN	-0.82%	-3.50%	4.19%	4.19%

**NORTH GROWTH CANADIAN EQUITY FUND  
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2006**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>6.68%</b>	<b>9.54%</b>	<b>4.72%</b>	<b>10.83%</b>	<b>6.30%</b>
S&P / TSX \$CDN	19.64%	20.69%	10.48%	21.89%	2.36%

\*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, 2006 \$ 12.33 CDN**

**Total Assets in Fund \$ 25.2 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND  
ANNUALIZED RATES OF RETURNS FOR PERIODS ENDING JUNE 30, 2006**

	* CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>4.02%</b>	<b>3.05%</b>	<b>2.51%</b>	<b>2.57%</b>
30 Day T-Bill	4.15%	3.20%	2.70%	2.74%

*\* The Current Yield for the Money Market Fund is the average of the annualized daily yield for the most recent seven day period.*

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, as evidenced in the 104 basis point increase in the Fund’s current yield over the past six months versus a 100 basis point increase in the overnight rate over the same period.

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 lists the Funds under the following headings: **Mutual Fund** - NGM US Equity Fund; **Pooled Fund** - NGM Cdn. Equity Fund; **Money Market Fund** - NGM Cdn. Money Market Fund.