

I started my business career in the midst of the 1962 bear market. In the following 45 years I have experienced a further nine bear markets and ten bull markets. The current market decline will be my eleventh bear market. Living through all these cycles has only strengthened my confidence that equities constitute the best asset class available to long term investors. Naturally, that superior long term record takes into account both bull markets and bear markets.

The long term superiority of equities is dramatic and remarkably consistent in the decades following the second World War. Equities do roughly twice as well as long term bonds, decade after decade and over the entire period. Following is a table of annualized rates of returns for different asset classes since the 1950s.

	1950s	1960s	1970s	1980s	1990s	2000-06	Annualized Return**
Small-Company Stocks*	16.9	15.5	11.5	15.8	15.1	13.3	<b>12.7</b>
S&P 500	19.4	7.8	5.9	17.5	18.2	1.1	<b>10.4</b>
Long Term Corporate Bonds	1.0	1.7	6.2	13.0	8.4	8.9	<b>5.9</b>
Long Term Government Bonds	-0.1	1.4	5.5	12.6	8.8	8.6	<b>5.4</b>
Treasury Bills	1.9	3.9	6.3	8.9	4.9	3.0	<b>3.7</b>
Inflation	2.2	2.5	7.4	5.1	2.9	2.6	<b>3.0</b>

Source: Ibbotson SBBI Yearbook, 2007

\* North Growth Management has limited confidence in the integrity of the data for the Small-Company Stocks category as a result of its contraction. The Small-Company Stocks data series compiled by Ibbotson consists of the fifth capitalization quintile of stocks on the NYSE for 1950-1981, the Dimensional Fund (DFA) Small Company Fund for 1982-March 2001, and DFA Micro Cap Fund for April 2001-present.

\*\*Annual return calculated over the cumulative period covering the 1950s, 1960s, 1970s, 1980s and 1990s, and the 7 years of the current decade.

Obviously, to achieve the long term performance of equities an investor has to stay invested in equities because short term performance is very unpredictable. Many investors get scared by falling markets and sell out of equities on market weakness. I have witnessed this tendency for 45 years and it has never changed. These people sell at times when purchases would be much more rational.

I have met with countless investors in their late 50s and 60s whose lifetime investment results have been disappointing, leaving them with much less capital than they feel with which they would like to retire. Usually they come to see me after equity markets have been rising for some time and the performance of the US Equity Fund has been particularly good. Their problem invariably is the outcome of investing when the market is bullish and panicking out of equities after the market has been weak.

In and out “timing” of equity holdings simply doesn’t work. Successful long term investors hold their stock regardless of the short term mood of the market and if they have funds

available, buy on market weakness. Over time they end up with far greater assets than they ever dared dream.

So, why do so many investors get so worried every time equities slip into a bear market? The short answer is that it is just human nature. The fight or flight response that served us so well in prehistoric times is simply not adequate to deal with the confusion of a bear market. Maybe another 50,000 years of evolution will solve this inappropriate behavior but a little bit of intellectual discipline right now would be a much better solution.

Bear markets are simply something that successful long term investors have to live with. The following table records all the bear markets since the end of World War II.

<b>Date of Market Peak</b>	<b>Date of Market Trough</b>	<b>Return Peak To Trough</b>	<b>Duration Of Past Bear Markets</b>
May-29-1946	Jun-13-1949	-30%	36.5 Months
Aug-2-1956	Oct-22-1957	-22%	15 Months
Dec-12-1961	Jun-26-1962	-28%	6.5 Months
Feb-9-1966	Oct-7-1966	-22%	8 Months
Nov-29-1968	May-26-1970	-36%	18 Months
Jan-11-1973	Oct-3-1974	-48%	20.5 Months
Sep-21-1976	Mar-6-1978	-19%	17.5 Months
Nov-28-1980	Aug-12-1982	-27%	20.5 Months
Aug-25-1987	Dec-24-1987	-34%	4 Months
Jul-16-1990	Oct-11-1990	-20%	3 Months
Jul-17-1998	Aug-31-1998	-19%	1.5 Months
Mar-28-2000	Oct-9-2002	-49%	30.5 Months

Admittedly there have been some pretty emotional times during those market declines but the superior record of performance by equities takes that all into account.

Studying the past record of bear markets won't lead to picking the exact bottom of the current decline. However, as I write this report on March 10<sup>th</sup>, the S&P is down 18.6% from its October high. This is definitely getting into the range of the bottom of some past bear markets. This is the time to be thinking of buying, not selling equities.

Yours truly,



Rudy North  
President

## NORTH GROWTH US EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending February 29, 2008

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-6.30</b>	<b>-12.43</b>	<b>-18.78</b>	<b>-11.31</b>
S&P 500 \$CDN	-5.12	-11.09	-14.99	-9.69
<b>NGM US Equity Fund \$US</b>	<b>-4.45</b>	<b>-11.04</b>	<b>-12.86</b>	<b>-10.69</b>
S&P 500 \$US	-3.25	-9.68	-8.79	-9.05
S&P 400 MidCap \$US	-1.86	-8.08	-8.05	-7.91
S&P 600 SmallCap \$US	-3.08	-8.55	-12.48	-7.82
NASDAQ Composite \$US	-4.85	-14.46	-12.17	-14.23

## NORTH GROWTH US EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending February 29, 2008

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>-21.03</b>	<b>-3.86</b>	<b>5.92</b>	<b>7.41</b>	<b>12.00</b>	<b>12.81</b>
S&P 500 \$CDN	-18.88	-2.26	2.84	0.30	7.91	8.37
<b>NGM US Equity Fund \$US</b>	<b>-6.16</b>	<b>3.64</b>	<b>14.98</b>	<b>11.45</b>	<b>13.78</b>	<b>14.54</b>
S&P 500 \$US	-3.60	5.37	11.64	4.07	9.64	10.03
S&P 400 MidCap \$US	-4.74	7.03	15.53	9.62	12.75	13.32
S&P 600 SmallCap \$US	-9.45	4.26	15.72	7.42	11.13	12.03
NASDAQ Composite \$US	-5.24	4.25	11.91	3.04	8.46*	9.33*

Source: Bloomberg "Total Return Analysis" as of March 3, 2008.

\*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: Feb 29, 2008 \$20.34 CDN**  
**\$20.66 US**

**Total Assets in Fund \$221.1 Million CDN**

**NORTH GROWTH CANADIAN EQUITY FUND**  
**Short Term Rates of Return (%) for Periods Ending February 29, 2008**

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>0.44</b>	<b>-5.73</b>	<b>-17.64</b>	<b>-5.48</b>
S&P / TSX \$CDN	3.45	-0.12	0.70	-1.43

**NORTH GROWTH CANADIAN EQUITY FUND**  
**Annualized Rates of Return (%) for Periods Ending February 29, 2008**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>-16.09</b>	<b>-1.91</b>	<b>4.62</b>	<b>4.75</b>	<b>3.46</b>
S&P / TSX \$CDN	6.75	14.58	18.11	18.59	4.55

*\*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: Feb 29, 2008 \$ 10.63 CDN**

**Total Assets in Fund \$ 18.2 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND**  
**Annualized Rates of Returns (%) for Periods Ending February 29, 2008**

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>3.63</b>	<b>4.33</b>	<b>3.63</b>	<b>3.11</b>
30 Day T-Bill	N/A	4.18	3.66	3.21

*\* 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).

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