

North American equities declined sharply in May. In the U.S., the S&P 500 Index lost 6.0%, faring the best among the indices we regularly track. The S&P 400 MidCap and S&P 600 SmallCap Indices fell 6.5% and 6.3% respectively during the month while the NASDAQ Composite depreciated 7.0%. The North Growth U.S. Equity Fund underperformed all the mentioned indices with its 8.0% decline. Due to the weaker Canadian dollar in May, the Fund lost only 3.8% in Canadian dollars for the month versus the S&P 500 which was down 1.7% in Canadian dollars.

On June 15, 2012 we filed the final Simplified Prospectus for the North Growth Canadian Equity Fund Series D and Series F. The Series N units are equivalent to the F Series except for that they are not covered by the Prospectus. The N Series is for clients investing directly through North Growth Management accounts and are distributed using prospectus exemptions.

In compliance with NI-108 Part 15, we are no longer permitted to publish reports with any performance data for any series of the Canadian Equity Fund, including the N Series, for periods prior to the filing of the prospectus. We have edited all our historical publications to remove this data. This report contains no performance data for the Canadian Fund. Going forward we are only permitted to provide standard performance data to unitholders of the Fund until a series of the Fund has been distributed under a prospectus continuously for 12 consecutive months. Next month, subject to legal confirmation, we plan to produce a separate report that will be sent only to Canadian Fund unit holders that will include performance data from June 15, 2012.

The North Growth Canadian Equity Fund is managed with a similar mandate to the North Growth U.S. Equity Fund. Our Canadian research levers off of our U.S. research with the resulting portfolio being quite distinctive as compared to other more mainstream Canadian portfolios. The Fund currently has no holdings in the financial or resource sector and has significant exposure to technology, healthcare, industrial and consumer sectors. Over the past few years a number of our core technology holdings have been acquired by U.S. corporations who apparently shared our views that these companies were being significantly undervalued by the Canadian market. Most recently our largest position as of May 31, Miranda Technologies, announced a definitive agreement to be acquired by Belden Inc. We have subsequently sold this position and are working to redeploy the proceeds in to other compelling Canadian growth-at-a-reasonable price opportunities.

Recent news coverage highlighting Europe's escalating sovereign-debt troubles and softer U.S. economic data relative to the beginning of the year has contributed vastly to

the weakness in stocks since late-April. The intense 24/7 coverage of this issue within the context of the investment experience over the past 5 years, and even back to the post technology bubble of the late 90's, is generating very negative investment sentiment towards equities and an intense fear of volatility which is pushing money out of equities and into bonds. In the financial media, almost every talking head and numerous articles are proselytizing an era of low returns from equities. Equity valuations are driven by expectations. When expectations are high—remember the late 90s—valuations are high, and correspondingly there is a high likelihood for low returns. And when expectations are low?

Over the past few months, and in particular during May, the momentum building in the US economic recovery has clearly slowed. The European recession has weakened global demand, reducing US exports, and reducing levels of corporate investment as CEOs become more cautious. High oil prices over the past six months have also put a damper on the expansion; not to mention political uncertainty and talk of the fiscal cliff in the US.

But, despite all this, the US economy is holding up quite well. Banks are well capitalized and loan growth continues. The housing sector, after being on the rocks for the past 5 years, is actually emerging as one of the bright spots in the U.S. economy. Employment is slowly improving. Corporate balance sheets have never been stronger, which should drive increased capital investment. In this era of increasing globalization, the U.S. is once again in a very competitive position, giving rise to the much talked about but still nascent “U.S. manufacturing renaissance”.

Europe is a mess that will be difficult to sort out. Growth will likely be the essential key to the solution. The 20% decline in oil prices over the last month is a major global stimulus injection. It won't fix Europe on its own, but it could very well be adequate to prevent Europe from dragging down the rest of the world. Additional stimulus measures in Europe will likely be needed. Any sign of stabilization or improvement in Europe will itself generate a powerful stimulus as negative consumer and corporate sentiment caused by the turmoil would be relieved, letting free the animal spirits of growth.

Yours truly,



Rory North, CFA  
COO & Lead Portfolio Manager

## NORTH GROWTH U.S. EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending May 31, 2012

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-3.83</b>	<b>-2.59</b>	<b>5.65</b>	<b>6.14</b>
S&P 500 \$CDN	-1.73	0.71	7.54	6.80
<b>NGM US Equity Fund \$US</b>	<b>-8.02</b>	<b>-6.68</b>	<b>4.36</b>	<b>4.51</b>
S&P 500 \$US	-6.01	-3.53	6.23	5.16
S&P 400 MidCap \$US	-6.48	-4.94	5.50	5.90
S&P 600 SmallCap \$US	-6.27	-4.77	4.94	3.64
NASDAQ Composite \$US	-7.04	-4.42	8.50	9.05

## NORTH GROWTH U.S. EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending May 31, 2012

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>3.53</b>	<b>14.06</b>	<b>0.47</b>	<b>4.79</b>	<b>8.04</b>	<b>11.27</b>
S&P 500 \$CDN	6.20	12.82	-1.61	0.14	2.80	7.19
<b>NGM US Equity Fund \$US</b>	<b>-2.91</b>	<b>16.19</b>	<b>1.17</b>	<b>8.98</b>	<b>10.13</b>	<b>12.33</b>
S&P 500 \$US	-0.41	14.92	-0.92	4.14	4.80	8.21
S&P 400 MidCap \$US	-6.09	18.87	1.72	7.19	9.71	11.57
S&P 600 SmallCap \$US	-4.40	18.71	0.67	6.90	8.05	10.52
NASDAQ Composite \$US	0.85	17.95	2.67	6.61	5.47	8.44

Source: Bloomberg "Total Return Analysis" as of June 1, 2012.

\*These returns are a simple price appreciation because total return data is not available on Bloomberg.  
The inception of the Fund: October 13, 1992.

**Unit Price: \$25.55 CDN**  
**\$24.73 US**

**Total Assets in Fund \$249.9 Million CDN**

## NORTH GROWTH CANADIAN EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending May 31, 2012

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>-4.05</b>	<b>-1.81</b>	<b>10.78</b>	<b>14.12</b>
S&P / TSX \$CDN	-6.14	-8.22	-4.26	-2.60

## NORTH GROWTH CANADIAN EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending May 31, 2012

	1 Year	3 Years	5 Years	10 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>-3.00</b>	<b>20.56</b>	<b>-1.40</b>	<b>2.17</b>	<b>4.35</b>	<b>3.62</b>
S&P / TSX \$CDN	-14.19	6.42	-1.12	6.73	9.01	2.52

\*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.

**Unit Price: \$ 12.46 CDN**

**Total Assets in Fund \$ 22.2 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND**  
**Annualized Rates of Returns (%) for Periods Ending May 31, 2012**

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>0.86</b>	<b>0.83</b>	<b>0.53</b>	<b>1.48</b>
30 Day T-Bill	N/A	0.88	0.60	1.42

*\* 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.*

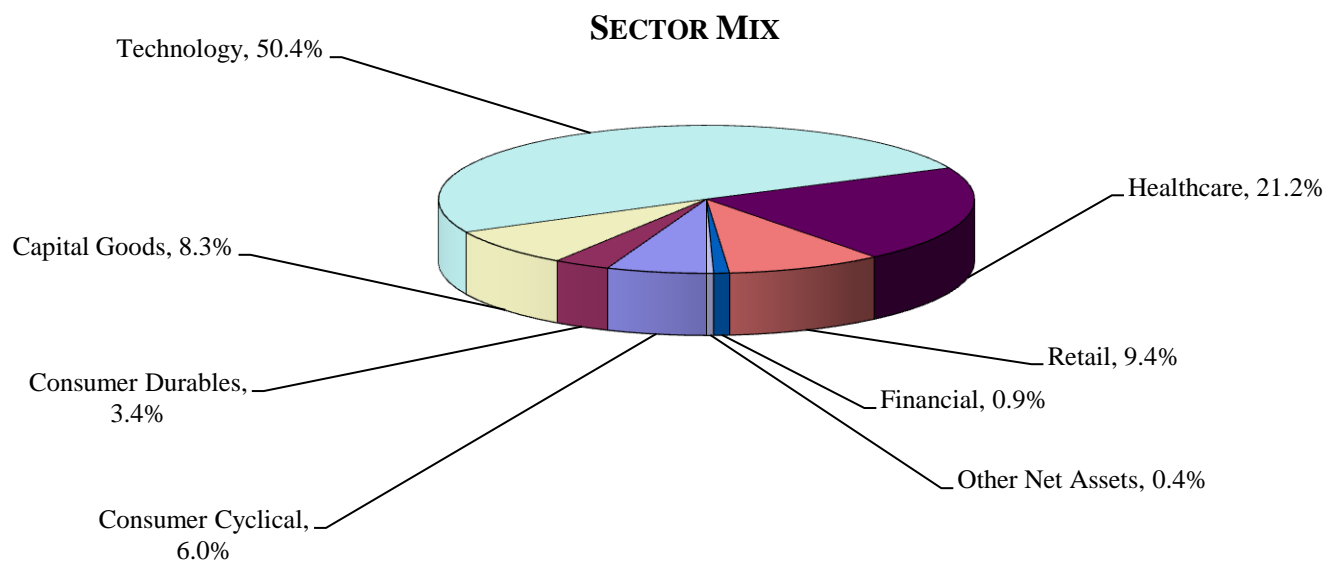
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach because the management fee is, and always has been, 0.25%. In today's low rate environment most other money market funds in Canada have cut their management fees and extended their maturities in order to improve yields, as a result the North Growth Canadian Money Market Fund's yields are now below the industry average.

We manage the portfolio to ensure high liquidity and have no intention to extend maturities in order to chase a few basis points and we do not have any room to reduce our management fees because we already take a loss on the product. We still believe our money market fund has superior liquidity characteristics due to its very low average maturity but our current yield is 0.86% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

**U.S. EQUITY FUND  
TOP 10 HOLDINGS  
As of May 31, 2012**

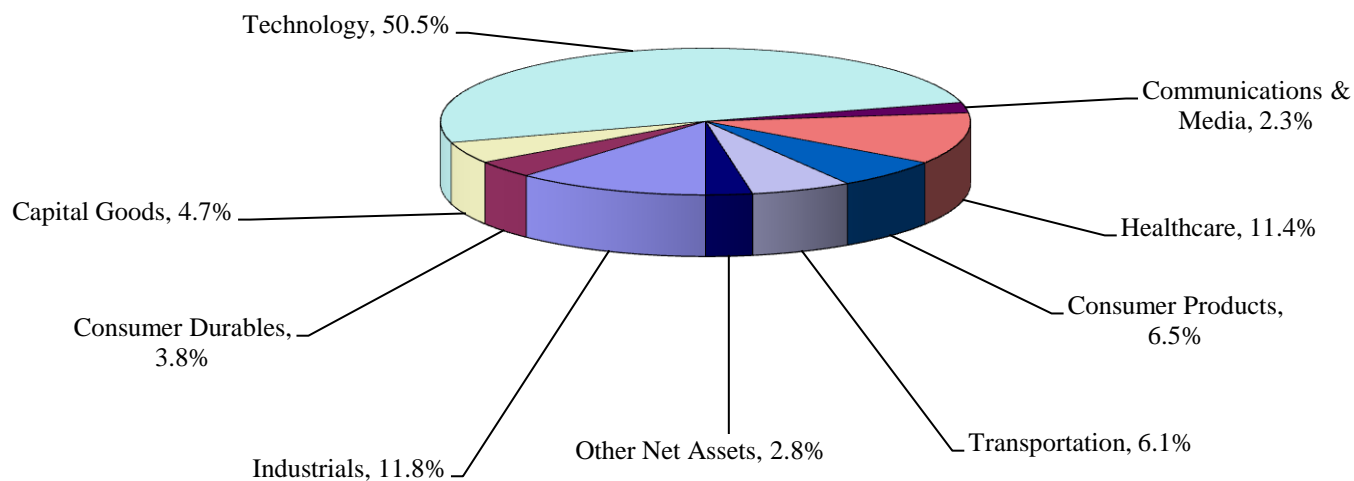
	%
Apple Inc.	11.18
Cisco Systems Inc.	8.87
Intel Corporation	6.33
Bristol-Myers Squibb Company	5.30
Pier 1 Imports Inc.	4.93
Microsoft Corporation	4.30
St. Jude Medical Inc.	4.02
Cerner Corporation	3.58
Texas Instruments Inc	3.54
Citrix Systems Inc.	<u>3.43</u>
<b>Top 10</b>	55.48
<b>Total Equities</b>	99.57
Cash	<u>0.43</u>
<b>TOTAL ASSETS</b>	<b>100.00%</b>



**CANADIAN EQUITY FUND**  
**TOP 10 HOLDINGS**  
**As of May 31, 2012**

	%
Miranda Technologies Inc.	8.40
Sandvine Corporation	6.74
Bombardier Inc., Class B.	6.47
Sierra Wireless Inc.	6.28
WestJet Airlines Ltd.	6.14
EXFO Inc.	6.13
Celestica Inc.	5.76
Valeant Pharmaceuticals International Inc.	5.00
ATS Automation Tooling Systems Inc.	4.75
COM DEV International Ltd.	<u>4.27</u>
<b>Top 10</b>	59.94
<b>Total Equities</b>	97.16
Cash	<u>2.84</u>
<b>TOTAL ASSETS</b>	<b>100.00%</b>

**SECTOR MIX**



**INVESTING WITH NORTH GROWTH MANAGEMENT:**

North Growth Management is a focused firm. We are Canada's U.S. Equity Specialist. 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)