

Encouraging U.S. economic data and earnings reports counterbalanced lingering concerns over Europe in July. The S&P 500 Index gained 1.4% for the month, beating all of the other indices we track. The NASDAQ Composite advanced 0.2% while the S&P 400 MidCap remained essentially flat and the S&P 600 SmallCap declined 0.8%. The North Growth U.S. Equity Fund lagged all the mentioned indices in July, falling 3.3%. As the Canadian dollar continued to strengthen, the Fund's monthly return in Canadian dollars was -4.8% compared to the S&P 500 which was down 0.1% in Canadian dollars.

U.S. economic data over the past month has generally come in better than expected, alleviating fears that slowing economies in Europe and China will push the U.S. into another recession. Industrial production in the United States increased 0.4% in June while orders for durable goods rose 1.6%, more than projected. Confidence among homebuilders in July climbed to the highest level in five years, indicating continued recovery in the U.S. real estate market.

Moreover, data pertaining to the labour market likewise showed a steady, albeit slow, improvement. According to the July employment report, U.S. employers added 163,000 workers last month after a 64,000 gain in payrolls in June. The median estimate of economists in a Bloomberg survey expected an advance of only 100,000. Job openings in the U.S. rose to the highest level in four years in June, and the weekly jobless claims statistic—the number of workers filing first-time applications for unemployment benefits—has been in an encouraging downward trend over the past several weeks. Given such better than expected economic news, it is likely U.S. GDP for the second quarter may surprise on the upside.

Most importantly, corporate earnings reports for the April-to-June period were also better than forecast, affirming the excellent health of U.S. companies despite the uncertainty created by Europe's financial problems. In recent months, analysts had lowered predictions for profits by a greater magnitude than necessary thereby enabling corporations to deliver positive surprises. According to data compiled by Bloomberg, of the S&P 500 companies that have reported earnings this quarter, profits on average have been even with a year ago versus estimates of 4.7% decline, and around 72% of the earnings have beaten analysts' expectations.

For the 70% of the North Growth U.S. Equity Fund's holdings that have reported so far, earnings on a weighted-average basis grew 4.3% year-over-year, topping estimates of 1.4% growth, and 73% of the reports were above expectations. By and large, we have

been pleased with the results of the companies in the portfolio. We were, however, somewhat confounded by the stock price reactions to some of the earnings reports.

As an example, Microsoft delivered a strong quarter with adjusted revenue and operating income increases of 7% and 12% respectively. Earnings per share came in 16% above the average estimate of Wall Street analysts and company management sounded constructive on the conference call. Microsoft is very well positioned as it will be launching a whole new suite of products and services over the next year. Yet, despite such stellar earnings and outlook, the stock traded down as much as 6% during the week following the quarterly report; it is now back to similar levels as when the report was issued. Consequently, Microsoft is attractively valued at 11 times trailing earnings or only 8 times adjusted for net cash on the balance sheet, with a 2.7% dividend yield and a dividend that has grown at an average rate of 15% over the past five years.

The equity markets are plagued by much uncertainty brought about by the debt and banking crisis in Europe, economic slowdown in China, U.S. politics in an election year and impending changes in U.S. fiscal policy. However, in spite of all this, the U.S. economy remains in a steady expansion with solid corporate fundamentals and highly favourable stock valuations. We continue to be constructive in our long term outlook for U.S. equities, adhering to our “growth at a reasonable price” philosophy and exercising a tremendous amount of patience.

Yours truly,



Erica Lau, CFA

NORTH GROWTH U.S. EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-4.77	-6.97	-2.64	2.68
S&P 500 \$CDN	-0.12	0.73	6.26	9.47
NGM US Equity Fund \$US	-3.33	-8.36	-2.65	4.12
S&P 500 \$US	1.39	-0.78	6.25	11.01
S&P 400 MidCap \$US	-0.04	-4.76	1.17	7.85
S&P 600 SmallCap \$US	-0.77	-3.10	0.54	7.15
NASDAQ Composite \$US	0.20	-3.21	5.07	13.54

NORTH GROWTH U.S. EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	6.59	9.44	0.34	5.36	7.20	10.99
S&P 500 \$CDN	14.55	11.43	-0.11	1.59	2.15	7.27
NGM US Equity Fund \$US	1.55	12.08	1.59	10.28	9.50	12.20
S&P 500 \$US	9.13	14.13	1.13	6.34	4.34	8.44
S&P 400 MidCap \$US	1.20	16.06	3.45	9.31	8.95	11.57
S&P 600 SmallCap \$US	3.99	15.62	2.74	9.49	7.54	10.62
NASDAQ Composite \$US	7.89	15.29	3.95	9.15	4.84	8.58*

Source: Bloomberg "Total Return Analysis" as of Aug 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: \$24.71 CDN
\$24.64 US

Total Assets in Fund \$241.3 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	N/A	N/A	N/A	N/A
S&P / TSX \$CDN	0.80	-4.35	-4.90	-0.74

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	*Since Takeover	**Since Inception
NGM Canadian Equity Fund	N/A	N/A	N/A	N/A	N/A	N/A
S&P / TSX \$CDN	-7.22	5.51	-0.56	8.49	9.06	2.65

*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.

Series N Unit Price: \$ 12.84 CDN

Total Assets in Fund \$ 22.1 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.85	0.83	0.57	1.37
30 Day T-Bill	N/A	0.88	0.63	1.30

** 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.*

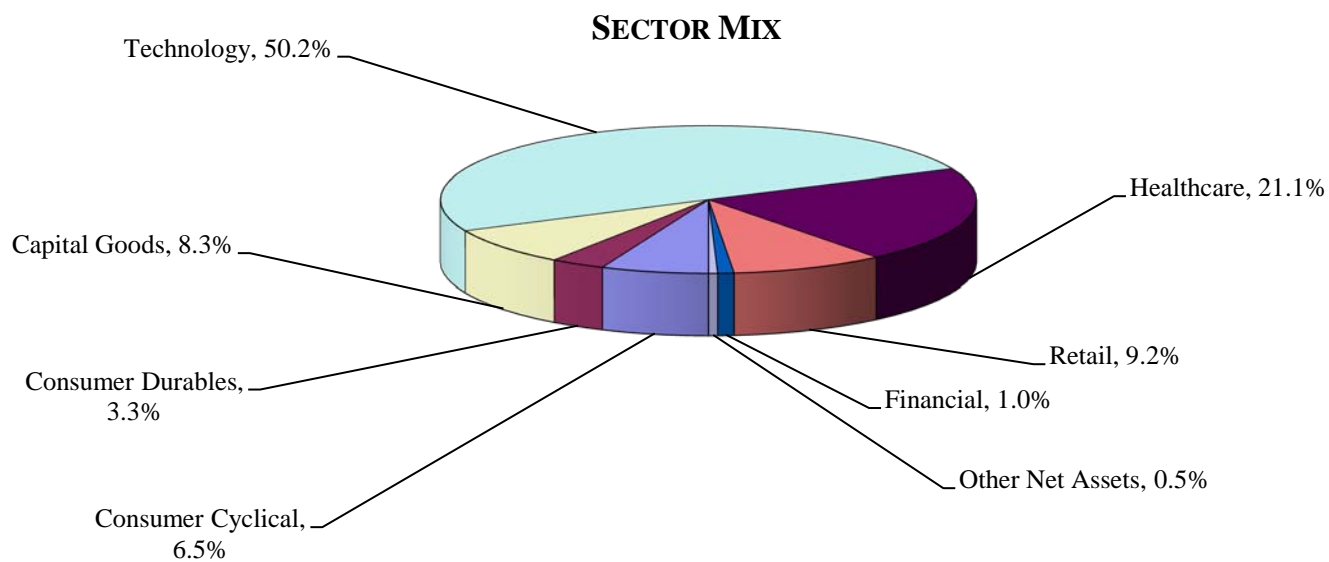
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach 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 0.85% 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 July 31, 2012**

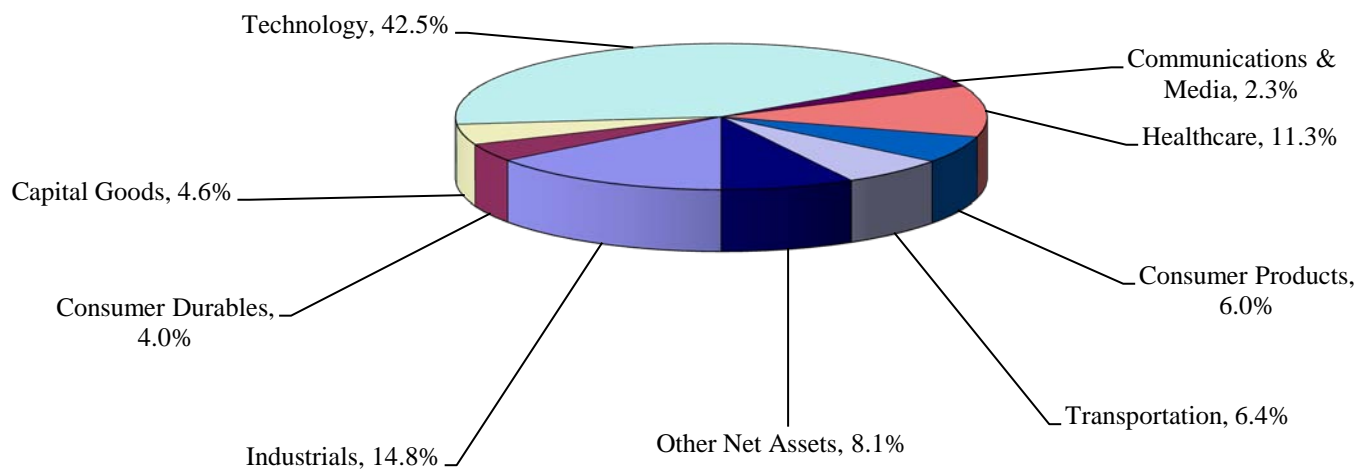
	%
Apple Inc.	10.74
Cisco Systems Inc.	8.72
Intel Corporation	6.34
Bristol-Myers Squibb Company	5.69
Pier 1 Imports Inc.	5.02
Microsoft Corporation	4.92
St. Jude Medical Inc.	3.93
Pfizer Inc.	3.51
American Eagle Outfitters Inc.	3.47
Texas Instruments Inc.	<u>3.40</u>
Top 10	55.74
Total Equities	99.45
Cash	<u>0.55</u>
TOTAL ASSETS	100.00%



CANADIAN EQUITY FUND
TOP 10 HOLDINGS
As of July 31, 2012

	%
Celestica Inc.	7.20
Bombardier Inc., Class B.	6.79
WestJet Airlines Ltd.	6.42
Sierra Wireless Inc.	6.20
Sandvine Corporation	6.15
COM DEV International Ltd.	5.13
EXFO Inc.	5.06
Valeant Pharmaceuticals International, Inc.	4.60
ATS Automation Tooling Systems Inc.	4.55
CAE Inc.	<u>4.54</u>
Top 10	56.64
Total Equities	91.89
Cash	<u>8.11</u>
TOTAL ASSETS	100.00%

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 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