

U.S. equities posted solid gains in August. The S&P 500 Index appreciated 2.3% while the S&P 400 MidCap and S&P 600 SmallCap indices increased 3.5% and 3.8% respectively. Of the indices we regularly track, the technology-centric NASDAQ Composite performed the best last month with its 4.6% gain. We were pleased that the North Growth U.S. Equity Fund returned 6.0% in August, beating all the mentioned indices. As a result of the strengthening in the Canadian currency, the Fund was up only 4.2% in Canadian dollars versus the S&P 500 which gained 0.5% in Canadian dollars.

In contrast to the weakening global economy, particularly pronounced for the Euro zone and China, U.S. economic data has continued to hold up relatively well. Second quarter GDP or gross domestic product was revised slightly higher as the U.S. economy expanded at a 1.7% annual rate from April through June, up from the initial estimate of 1.5%. An improvement in the trade deficit and higher consumer spending contributed to the upward revision.

According to the International Council of Shopping Centers (ICSC), U.S. comparable chain-store sales rose 2.6% in August from a year ago and were much better than expected. Chain-store sales are now 13% above their recession low and 8% over their prior peak. Housing data in the U.S. continues to improve, with pending home sales up in July and the S&P/Case-Shiller Home Price Indices showing that all three headline composites ended the second quarter of 2012 with positive annual growth rates for the first time since the summer of 2010. U.S. bank loans continue to trend higher, having increased over the past 17 months at an annual rate of approximately 4.0%. And while the U.S. labour market remains frustratingly sluggish, initial jobless claims—first-time applications for unemployment benefits—decreased more than expected in the latest week ended September 1st to the lowest level in a month.

Clearly, the U.S. economy is in a moderate expansion despite the negative influences from Europe and Asia. This is not to say that weaker foreign economies will not adversely impact the U.S.; rather, the U.S. economy appears to be incredibly resilient and well positioned for long term growth.

Furthermore, investor sentiment has remained highly negative over the past few years that expectations for any growth in the U.S. are minimal. In August, equity volumes were exceptionally light—during the last week of the month, volume was 40% below its average over the past five years and approached the 2008 low. U.S. equity mutual funds experienced outflows of almost \$20 billion in August as money continued to move from equities to bonds. And hedge fund managers have remained bearish and defensively positioned according to the weekly surveys conducted by ISI Group.

As a consequence of such poor market sentiment and low investor expectations for equity returns, U.S. stocks are attractively valued at the same time that U.S. corporations are financially strong and competitively well positioned. We continue to be constructive in our long term outlook for U.S. equities.

Yours truly,

A handwritten signature in black ink, appearing to read "Erica Lau". The signature is written in a cursive, flowing style.

Erica Lau, CFA

NORTH GROWTH U.S. EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	4.17	0.77	-1.84	6.96
S&P 500 \$CDN	0.50	3.01	3.74	10.02
NGM US Equity Fund \$US	5.99	5.59	-1.46	10.35
S&P 500 \$US	2.25	7.94	4.14	13.51
S&P 400 MidCap \$US	3.48	5.39	0.18	11.61
S&P 600 SmallCap \$US	3.79	7.30	2.19	11.21
NASDAQ Composite \$US	4.55	8.85	4.04	18.70

NORTH GROWTH U.S. EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
NGM US Equity Fund \$CDN	15.40	9.70	0.86	5.52	7.34	11.17
S&P 500 \$CDN	18.76	9.71	-0.11	1.73	2.53	7.26
NGM US Equity Fund \$US	14.67	13.61	2.26	10.46	9.82	12.48
S&P 500 \$US	18.00	13.63	1.28	6.51	4.89	8.52
S&P 400 MidCap \$US	12.75	15.73	3.97	9.63	9.21	11.71
S&P 600 SmallCap \$US	16.90	16.18	3.12	9.79	7.63	10.78
NASDAQ Composite \$US	20.35	16.37	4.44	9.74	5.18	8.77

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: \$25.74 CDN
\$26.12 US

Total Assets in Fund \$250.7 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND
Short Term Rates of Return (%) for Periods Ending August 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	2.65	4.61	-3.99	1.88

NORTH GROWTH CANADIAN EQUITY FUND
Annualized Rates of Return (%) for Periods Ending August 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	-3.60	6.10	0.22	8.75	9.28	2.85

*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: \$ 12.91CDN

Total Assets in Fund \$ 22.3 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.85	0.84	0.60	1.31
30 Day T-Bill	N/A	0.88	0.65	1.24

** 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.*

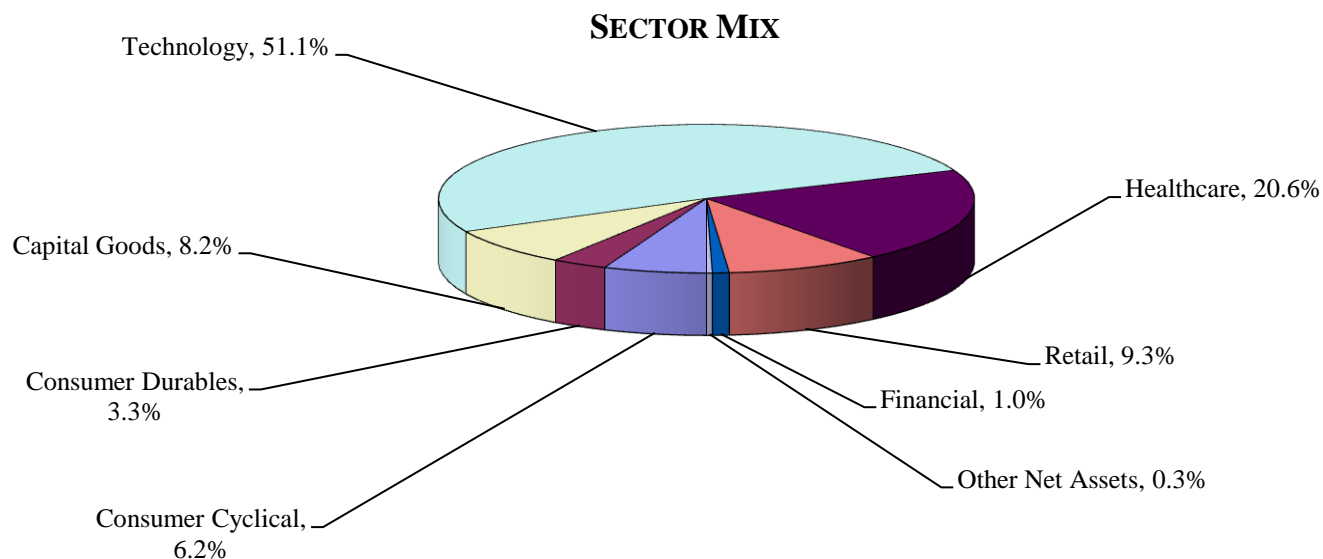
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach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

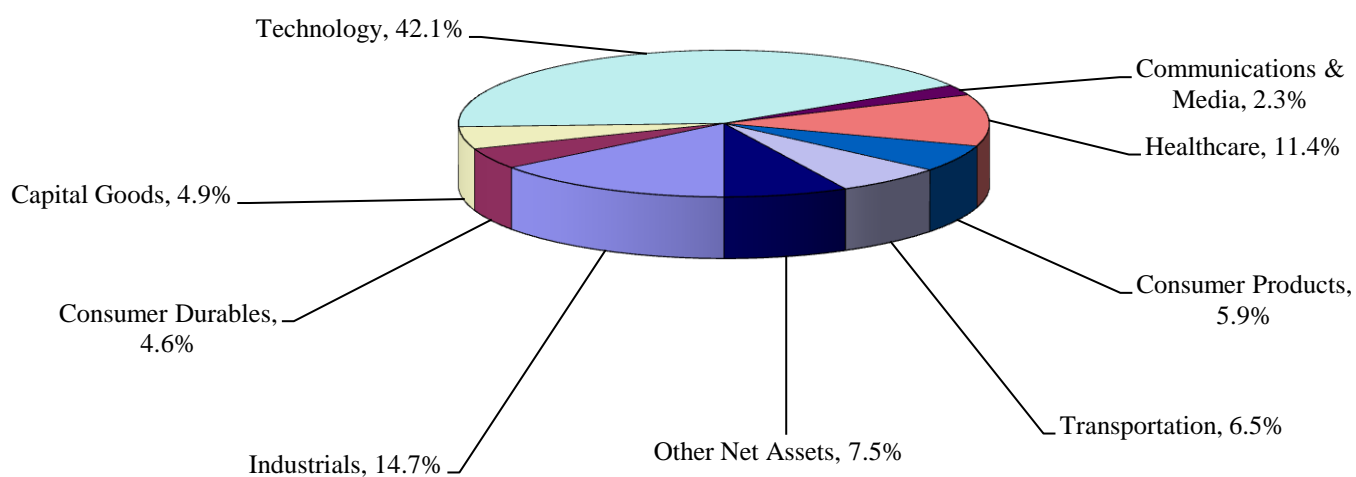
	%
Apple Inc.	11.07
Cisco Systems Inc.	9.86
Intel Corporation	5.79
Pier 1 Imports Inc.	5.32
Bristol-Myers Squibb Company	4.99
Microsoft Corporation	4.87
St. Jude Medical Inc.	3.76
American Eagle Outfitters Inc.	3.51
Texas Instruments Inc.	3.43
Pfizer Inc.	<u>3.29</u>
Top 10	55.89
Total Equities	99.65
Cash	<u>0.35</u>
TOTAL ASSETS	100.00%



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

	%
Celestica Inc.	7.20
Bombardier Inc., Class B.	6.55
WestJet Airlines Ltd.	6.54
Sandvine Corporation	5.96
Sierra Wireless Inc.	5.54
EXFO Inc.	5.03
COM DEV International Ltd.	5.00
ATS Automation Tooling Systems Inc.	4.90
Valeant Pharmaceuticals International, Inc.	4.83
MacDonald, Dettwiler and Associates Ltd.	<u>4.80</u>
Top 10	56.35
Total Equities	92.46
Cash	<u>7.54</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 Investor Services Trust**. For security reasons, instructions can only be accepted by mail or by fax to:

North Growth Management Ltd.
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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