

October 2012 marks an important milestone for our investors with the publication of the first twenty year performance numbers for the North Growth U.S. Equity Fund. The Fund returned 11.99% per annum for this twenty year period versus 8.38% for the S&P 500 Total Return Index. The significance of this 3.6% annual outperformance is clearly evident when you consider that after twenty years a \$100,000 investment in the Fund on October 31, 1992 would have grown to \$962,908 versus a comparable investment in the S&P 500 Index (assuming there was such thing as a perfect index fund with no fees) that would have grown to \$500,015. The impact of the Canadian dollar appreciation over the past decade is much more benign over the twenty year period, with Canadian dollar average annual returns of 10.79% for the Fund versus 7.22% for the S&P 500.

The first seven years of the Fund's history, from October 31, 1992 to October 31, 1999, was a period of relatively steady economic growth and exceptionally high equity returns. During its first seven years the Fund delivered high average annual returns of 13.89% per annum but these results were over 7% per annum below the S&P 500 Total Return Index's 20.98% average annual return. During the last two years of this period, while large capitalization and technology equity valuations were getting ridiculously high, our discipline moved us to build a cash position and focus on reasonably valued small and mid- capitalization stocks. This positioning cost us short term performance but set us up very well for what was to follow.

The subsequent thirteen year period, from October 31, 1999 to October 31, 2012, turned out to be one of the most difficult periods for equity investments in history, which, among other challenges, included the tail end of a major equity market bubble, two of the four worst bear markets of the last 90 years, record energy prices and a major global financial crisis. Not surprisingly, equity returns were well below historical averages during this period, as evidenced by the S&P 500 Total Return Index delivering returns averaging only 2.11% per annum. In comparison, the North Growth U.S. Equity Fund held up very well, with returns of 10.97% per annum or almost 8.9% per annum better than the S&P 500. We believe adherence to our investment discipline through volatile and varied markets has been the key factor to our long term success.

In 1999, extrapolation of the strong economic growth of the 90s and the frothy equity returns of the prior five years led investors to see only sunshine and roses far into the future. Unrealistically high investor expectations translated to overvalued U.S. large-capitalization stocks, particularly technology names, and an overvalued US dollar.

Today, investors again appear to be extrapolating from the recent past far into the future, but this time with doom and gloom on the mind. We believe expectations for future returns are currently too low which is translating into low valuations for large-capitalization U.S. stocks, particularly technology names, and an undervalued U.S. dollar.

Recently, investors and the media seem to be focused almost exclusively on macro concerns. We are not ignorant to these challenges, but believe they are well recognized in the markets and ultimately solvable. Over the past few months, while our monthly reports have highlighted less well-publicized signs of strength in the U.S. economy, we have remained primarily focused on what we believe are strong fundamentals and low valuations of individual companies.

During October the Fund fell 4.24%, underperforming the S&P 500 which was down only 1.85%. Over the past six months the Fund has underperformed the S&P 500 by almost 8%. Although the recent underperformance is frustrating, we are confident that our portfolio of outstanding companies trading at attractive valuations is well-positioned to continue to deliver solid long term results.

Yours truly,

A handwritten signature in black ink, appearing to read 'Rory North', with a long horizontal flourish extending to the right.

Rory North, CFA

NORTH GROWTH U.S. EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	-2.70	2.37	-4.77	5.11
S&P 500 \$CDN	-0.27	2.56	3.30	12.27
NGM US Equity Fund \$US	-4.24	2.77	-5.82	7.00
S&P 500 \$US	-1.85	2.96	2.16	14.29
S&P 400 MidCap \$US	-0.79	4.65	-0.33	12.87
S&P 600 SmallCap \$US	-2.03	4.05	0.83	11.49
NASDAQ Composite \$US	-4.39	1.66	-1.61	15.42

NORTH GROWTH U.S. EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	20years
NGM US Equity Fund \$CDN	6.33	8.50	1.77	5.07	6.93	10.79
S&P 500 \$CDN	15.47	10.24	1.49	2.26	2.43	7.23
NGM US Equity Fund \$US	6.08	11.42	0.64	9.84	9.41	11.99
S&P 500 \$US	15.21	13.21	0.36	6.91	4.81	8.38
S&P 400 MidCap \$US	12.11	15.81	3.12	10.21	9.21	11.49
S&P 600 SmallCap \$US	13.60	16.61	2.49	10.17	7.50	10.42
NASDAQ Composite \$US	12.33	14.56	1.86	9.30	4.95	8.29

Source: Bloomberg "Total Return Analysis" as of Nov 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: \$25.30 CDN
\$25.32 US

Total Assets in Fund \$244.2 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

Short Term Rates of Return (%) for Periods Ending October 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	1.07	7.30	2.64	6.50

NORTH GROWTH CANADIAN EQUITY FUND

Annualized Rates of Return (%) for Periods Ending October 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	4.47	7.36	-0.34	9.81	9.62	3.19

*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: \$ 13.16CDN

Total Assets in Fund \$ 23.1 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.86	0.84	0.64	1.18
30 Day T-Bill	N/A	0.88	0.71	1.13

** 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.*

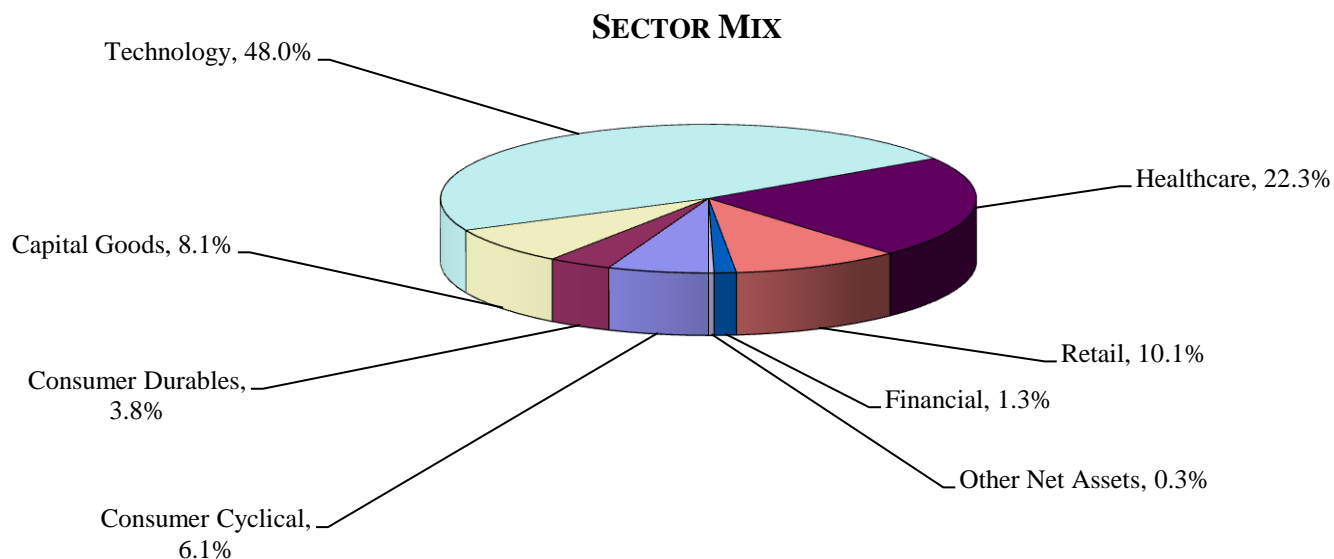
We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio never is greater than 30 days. Historically the Fund has generated very competitive yields with this simple approach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

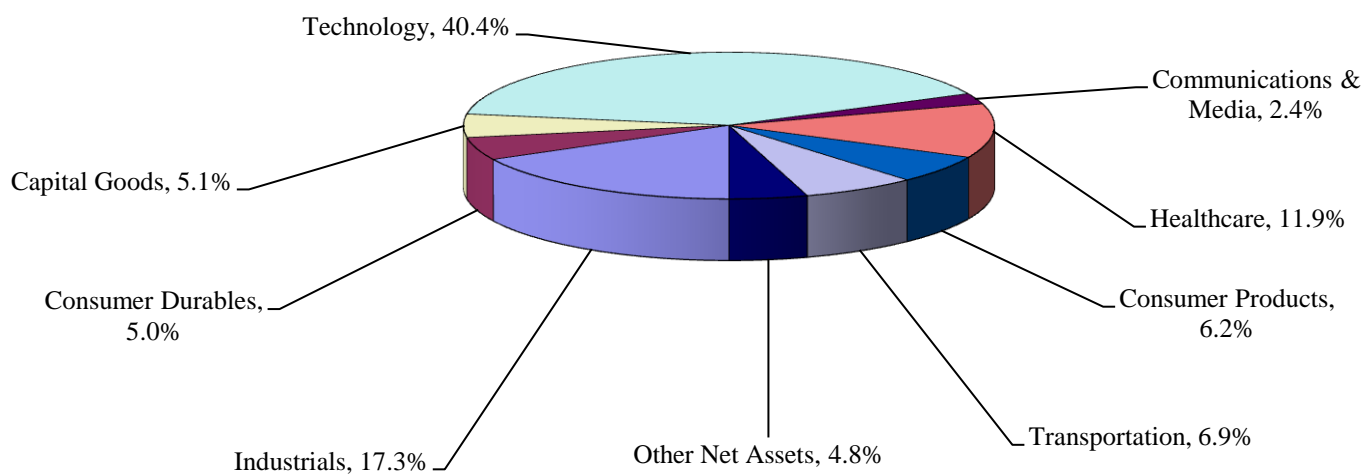
	%
Apple Inc.	10.30
Cisco Systems Inc.	9.22
Pier 1 Imports Inc.	6.11
Intel Corporation	5.25
Bristol-Myers Squibb Company	5.23
Microsoft Corporation	4.69
St. Jude Medical Inc.	3.96
Pfizer Inc.	3.57
Texas Instruments Inc.	3.45
American Eagle Outfitters Inc.	<u>3.43</u>
Top 10	55.21
Total Equities	99.66
Cash	<u>0.34</u>
TOTAL ASSETS	100.00%



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

	%
Bombardier Inc., Class B.	7.08
WestJet Airlines Ltd.	6.92
Celestica Inc.	6.76
Sandvine Corporation	6.25
Valeant Pharmaceuticals International, Inc.	5.32
Sierra Wireless Inc.	5.20
ATS Automation Tooling Systems Inc.	5.14
Dorel Industries Inc.	5.03
COM DEV International Ltd.	5.02
CAE Inc.	<u>4.89</u>
Top 10	57.61
Total Equities	95.25
Cash	<u>4.75</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.
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