

A traditional ‘Santa Claus rally’ was well underway until the last week of December when the media frenzy over the ‘fiscal cliff’ temporarily overwhelmed the market momentum. Despite this setback, monthly returns for the indices we regularly follow were still positive, led by the S&P 600 SmallCap Index’s 3.3% gain, followed by the S&P 400 Midcap at 2.19%, the S&P 500 at 0.91% and the NASDAQ Composite at 0.63%. The North Growth U.S. Equity Fund had a decent month, gaining 1.53%. The CAD/U.S. exchange rate did not have a material move resulting in Canadian dollar returns being roughly equivalent to the U.S. returns.

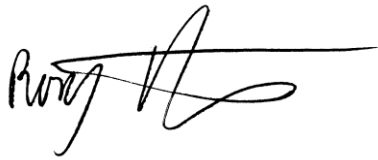
Notably absent in our reports for the past six months has been any performance reporting for the North Growth Canadian Equity Fund. In June of 2012, to make the Canadian Fund more accessible to a broader group of investors, we restructured the Fund so that it now has 3 series and we filed a prospectus on 2 of the series. As a result of the prospectus filing, we are not permitted to publish performance results in our marketing material until we anniversary the filing of the initial prospectus. Unfortunately, this makes it more difficult for the existing Canadian Fund unitholders to track the performance of their investments. We continue to be very pleased with the performance of the Fund and intend to contact the Fund’s unitholders individually over the next few weeks. We are encouraged with the progress the Canadian Fund has been making over the past five years and believe this Fund should be considered by all our investors as it is well differentiated from typical Canadian equity portfolios, providing somewhat unique diversification and return characteristics.

During December all of the North Growth Equity Funds paid an annual distribution. The distribution date for the North Growth U.S. Equity Fund was December 14th and on a per unit basis the distribution was \$0.15 in capital gains and \$0.10 in income. The distribution date for the North Growth Canadian Equity Fund and the North Growth U.S. Equity Advisor Fund was December 31st. The Canadian Equity Fund distribution was capital gains only of \$0.35 for Series F and N and \$0.29 for Series D. The U.S. Equity Advisor Fund distribution was income only of \$0.07 for Series F and \$0.01 for Series D. We are finalizing the T-3s and will be sending them out within the next 2 weeks.

Evidence of a strengthening U.S. economy continues to build, with an additional leg of support coming from a recent uptick of leading economic indicators of global activity. U.S. companies are delivering record profit margins and have massive balance sheets poised to be deployed in a new wave of capital investment. This decidedly positive macro backdrop should feed optimism and accelerate growth, but the dysfunctional U.S. Congress is sapping any momentum by threatening to shut down the U.S. government.

There is no debt ceiling crisis. There is huge demand for U.S. debt and the U.S. economy has the capacity to service additional debt. Congress needs to agree to raise the debt ceiling and move forward with implementing a long term plan to reduce the federal deficit. In the near term, the most important element of any plan to tackle the deficit is to support growth, allowing the U.S. economy to return to full capacity. Any significant spending cuts or revenue increases in the near term would be counter-productive to the long term deficit reduction goals held by both Republicans and Democrats. This is not a difficult concept for even politicians to understand. I continue to believe that sane heads will prevail and we will soon have a meaningful long term deficit reduction plan in place and a removal of the debt ceiling threat.

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
COO & Lead Portfolio Manager

NORTH GROWTH U.S. EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	1.66	-1.35	-1.16	6.57
S&P 500 \$CDN	1.04	0.81	3.54	13.48
NGM US Equity Fund \$US	1.53	-2.51	1.14	8.93
S&P 500 \$US	0.91	-0.38	5.95	16.00
S&P 400 MidCap \$US	2.19	3.61	9.25	17.88
S&P 600 SmallCap \$US	3.30	2.22	7.73	16.33
NASDAQ Composite \$US	0.63	-2.48	3.90	17.73

NORTH GROWTH U.S. EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
NGM US Equity Fund \$CDN	6.57	6.55	2.58	4.65	7.23	10.12
S&P 500 \$CDN	13.48	8.86	1.74	2.28	1.98	6.90
NGM US Equity Fund \$US	8.93	8.51	2.50	9.59	9.86	11.48
S&P 500 \$US	16.00	10.87	1.66	7.10	4.47	8.22
S&P 400 MidCap \$US	17.88	13.62	5.15	10.53	9.14	11.24
S&P 600 SmallCap \$US	16.33	14.07	5.14	10.45	7.71	10.02
NASDAQ Composite \$US	17.73	11.32	3.78	9.46	5.19	7.76*

Source: Bloomberg "Total Return Analysis" as of January 2, 2013.

*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: \$25.40 CDN
\$25.53 US

Total Assets in Fund: \$246.2 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND
Short Term Rates of Return (%) for Periods Ending December 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	1.95	1.72	8.86	7.19

NORTH GROWTH CANADIAN EQUITY FUND
Annualized Rates of Return (%) for Periods Ending December 31, 2012

	1 Year	3 Years	5 Years	10 Years	*Since Inception
NGM Canadian Equity Fund	N/A	N/A	N/A	N/A	N/A
S&P / TSX \$CDN	7.19	4.79	0.81	9.22	N/A

**The inception of the Canadian Equity Fund: September 1, 2000.*

Unit Price: \$ 13.36 CDN

Total Assets in Fund: \$ 23.9 Million CDN

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

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.87	0.85	0.69	1.06
30 Day T-Bill	N/A	0.90	0.74	1.03

** 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 0.87% 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
As of December 31, 2012

	%
Cisco Systems Inc.	10.44
Apple Inc.	9.10
Intel Corporation	6.03
Pier 1 Imports Inc.	5.92
Bristol-Myers Squibb Company	5.07
St. Jude Medical Inc.	4.86
Microsoft Corporation	4.34
Texas Instruments Inc.	3.75
Pfizer Inc.	3.56
Citrix Systems Inc.	3.55
WellPoint Inc.	3.46
American Eagle Outfitters Inc.	3.33
Cerner Corporation	3.22
Precision Castparts Corp.	3.11
Electronic Arts Inc.	2.99
Zimmer Holdings Inc.	2.96
Varian Medical Systems Inc.	2.54
Herman Miller Inc.	2.47
Safeway Inc.	2.29
DSP Group Inc.	2.04
Johnson Controls Inc.	1.63
NIKE Inc., Class B	1.46
Citigroup Inc.	1.38
Ethan Allen Interiors Inc.	1.35
Flow International Corporation	1.33
Cheesecake Factory Inc.	1.21
Jacobs Engineering Group Inc.	1.08
Gilead Sciences Inc.	1.03
Applied Materials Inc.	1.01
GT Advanced Technologies Inc.	0.99
Savient Pharmaceuticals Inc.	0.86
Rite Aid Corporation	0.80
Itron Inc.	0.55
Total Equities	99.69
Cash	<u>0.31</u>
TOTAL ASSETS	100.00

CANADIAN EQUITY FUND
As of December 31, 2012

	%
Bombardier Inc., Class B.	7.94
WestJet Airlines Ltd.	7.33
Celestica Inc.	7.27
Sandvine Corporation	6.70
Valeant Pharmaceuticals International, Inc.	5.46
EXFO Inc.	5.44
CAE Inc.	5.17
COM DEV International Ltd.	5.05
Sierra Wireless Inc.	4.97
Dorel Industries Inc., Class B	4.89
ATS Automation Tooling Systems Inc.	4.69
MacDonald, Dettwiler and Associates Ltd.	4.37
Open Text Corporation	3.54
QLT Inc.	3.51
Jean Coutu Group (PJC) Inc., Class A	3.47
GSI Group Inc.	3.19
Saputo Inc.	2.74
Imris Inc.	2.71
Stantec Inc.	2.66
TELUS Corporation	2.32
Martinrea International Inc.	1.30
Heroux-Devtek Inc.	1.11
Ballard Power Systems Inc.	0.82
Total Equities	96.64
Cash	<u>3.36</u>
TOTAL ASSETS	100.00

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.