

U.S. equities continued to rally in March, contributing to a strong quarter of performance. The S&P 500 Index gained 3.8% for the month, slightly ahead of the NASDAQ Composite which returned 3.5% yet lagging behind the S&P 400 MidCap and S&P 600 SmallCap Indices which were up 4.8% and 4.2% respectively. The North Growth U.S. Equity Fund had a decent month, appreciating 4.2%. A slightly stronger Canadian dollar reduced the Fund's return in Canadian dollars to 2.6% versus the S&P 500 which gained 2.2% in Canadian dollars.

For the first quarter of 2013, the U.S. Equity Fund advanced 10.9%, outperforming the S&P 500 and NASDAQ Composite Indices which were up 10.6% and 8.5% respectively. The S&P 400 MidCap and S&P 600 SmallCap Indices delivered stronger returns of 13.5% and 11.8% respectively year-to-date. In Canadian dollars, the Fund appreciated 13.3% during the quarter, beating the S&P 500's 13.0% Canadian-dollar return.

In contrast to the strength of U.S. equities this month and throughout the first quarter, Canadian equities have been notably weak, with the S&P/TSX Composite Index down 0.19% in March and up only 3.3% for the first quarter. The recent underperformance of Canadian equities versus U.S. equities is the continuation of a longer term trend with the S&P/TSX Composite gaining 2.1% per annum over the last 5 years versus 5.6% for the S&P 500 in Canadian dollars and 6.8% for the North Growth U.S. Equity Fund. The S&P/TSX Composite is incredibly concentrated with resources and financials accounting for approximately 70% of the index. After more than a decade of unprecedented capital flows into the commodity markets we believe the commodity 'super-cycle' is now coming to an end. If we are correct, the end of the 'super-cycle' does not bode well for the average Canadian equity investor for the foreseeable future.

To position themselves for the weaker commodity markets and the corresponding weakness in the average Canadian equity portfolio we encourage Canadians to ensure they have adequate exposure to U.S. equities. Additionally, we believe there are good alternative investment opportunities in the other, often ignored, 30% of the Canadian market. To that end, the North Growth Canadian Equity Fund does not currently own any financial or resource companies. Having filed a prospectus on the North Growth Canadian Equity Fund on June 15, 2012, we are not permitted to publish performance results in our marketing material for the Fund for three more months. While we recognize it is difficult to assess the Canadian Fund's performance due to this publication restriction, we encourage our clients to talk to us and consider using our Canadian Fund for at least a portion of their Canadian equity exposure.

Given several weaker-than-expected economic data points in March and still fresh memories of a summer slowdown in each of the past three years, there is again chatter of a "U.S. growth problem" in the markets. This recurring pattern of investor doubt over the

U.S. economic expansion that is in its fourth year and persistent fear of a double-dip recession is, to say the least, exhausting.

Clearly, the ebb and flow of economic news during the last three years has shown the U.S. economy to be remarkably resilient. The solid trends of increasing bank loans, a recovering housing market, improving employment conditions, and growth in manufacturing as well as services underscore the slow, steady economic expansion in the United States. The summer doldrums of 2010, 2011 and 2012 then were simply noise rather than signals in an overall favourable macroeconomic backdrop.

U.S. corporations, having generated record profits in recent years, are fundamentally strong with mounting cash-rich balance sheets. Many of the companies with pristine financials are large-cap technology names and have progressively increased their dividend payouts and share repurchases.

Most recently, Cisco Systems, the top holding in the North Growth U.S. Equity Fund, announced a 21% increase to its quarterly dividend. Since the beginning of 2012, Cisco's dividend has more than doubled, resulting in a current yield of 3.2%. Furthermore, as the company has committed to returning to shareholders a minimum of 50% of its free cash flow (cash flow from operations minus capital expenditures) through dividends and share buybacks, Cisco's dividend payout can be expected to remain in an upward trend over the next several years. Cisco shares are by no means excessively valued—trading at 13 times trailing earnings or 10 times adjusted for the \$30 billion (equivalent to \$5.66 per share) of net cash on its balance sheet—while the company is competitively well positioned in the data networking sector and poised to continue growing earnings.

Incidentally, the combination of increasing dividend yields and low valuations of many financially strong large-cap tech stocks, such as Cisco, offers a defensive element to the investments. Concurrently, the technology industry in general faces decent growth prospects with leverage to the expanding U.S. and global economies. Such stocks therefore fit our “growth at a reasonable price” philosophy well.

As has been the case for many months, we remain constructive in our outlook for U.S. equities. A favourable macroeconomic environment, continued strong corporate profits along with attractive valuations support our conviction.

Yours truly,



Erica Lau, CFA

NORTH GROWTH U.S. EQUITY FUND

Short Term Rates of Return (%) for Periods Ending March 31, 2013

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	2.62	13.28	11.75	13.28
S&P 500 \$CDN	2.20	12.95	13.86	12.95
NGM US Equity Fund \$US	4.18	10.93	8.15	10.93
S&P 500 \$US	3.75	10.61	10.19	10.61
S&P 400 MidCap \$US	4.78	13.45	17.55	13.45
S&P 600 SmallCap \$US	4.24	11.81	14.29	11.81
NASDAQ Composite \$US	3.49	8.51	5.83	8.51

NORTH GROWTH U.S. EQUITY FUND

Annualized Rates of Return (%) for Periods Ending March 31, 2013

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
NGM US Equity Fund \$CDN	5.12	9.49	6.78	6.93	7.38	10.80
S&P 500 \$CDN	16.07	12.68	5.59	4.61	1.97	7.38
NGM US Equity Fund \$US	3.20	9.48	7.00	10.94	9.80	11.99
S&P 500 \$US	13.96	12.67	5.81	8.53	4.27	8.53
S&P 400 MidCap \$US	17.83	15.12	9.85	12.45	9.30	11.77
S&P 600 SmallCap \$US	16.14	15.18	9.19	12.36	7.76	10.46*
NASDAQ Composite \$US	7.40	12.25	8.70	10.30	4.66	8.08*

Source: Bloomberg "Total Return Analysis" as of April 1, 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: \$28.77 CDN
\$28.32 US

Total Assets in Fund: \$276.0 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

Short Term Rates of Return (%) for Periods Ending March 31, 2013

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	N/A	N/A	N/A	N/A
S&P / TSX \$CDN	-0.19	3.34	5.11	3.34

NORTH GROWTH CANADIAN EQUITY FUND

Annualized Rates of Return (%) for Periods Ending March 31, 2013

	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	6.11	4.86	2.06	9.97	N/A

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

Unit Price: \$ 15.30 CDN

Total Assets in Fund: \$ 27.2 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND
Annualized Rates of Returns (%) for Periods Ending March 31, 2013

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.87	0.86	0.75	0.92
30 Day T-Bill	N/A	0.93	0.81	0.89

** 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 March 31, 2013

	%
Cisco Systems Inc.	10.05
Apple Inc.	8.15
Intel Corporation	5.78
Pier 1 Imports Inc.	4.89
Bristol-Myers Squibb Company	4.73
St. Jude Medical Inc.	4.44
Microsoft Corporation	4.20
Texas Instruments Inc.	3.90
Pfizer Inc.	3.71
Cerner Corporation	3.57
Citrix Systems Inc.	3.53
Wellpoint Inc.	3.40
Safeway Inc.	3.02
Zimmer Holdings Inc.	3.02
American Eagle Outfitters Inc.	3.02
Herman Miller Inc.	2.88
Precision Castparts Corp.	2.82
Electronic Arts Inc.	2.65
DSP Group Inc.	2.59
Gilead Sciences Inc.	2.42
Varian Medical Systems Inc.	2.36
Johnson Controls Inc.	1.69
Ethan Allen Interiors Inc.	1.56
NIKE Inc., Class B	1.51
Citigroup Inc.	1.40
Flow International Corporation	1.35
Cheesecake Factory Inc.	1.30
Jacobs Engineering Group Inc.	1.30
Applied Materials Inc.	1.08
Rite Aid Corporation	1.02
GT Advanced Technologies Inc.	0.98
Savient Pharmaceuticals Inc.	0.59
Itron Inc.	0.51
Total Equities	99.39
Cash	<u>0.61</u>
TOTAL ASSETS	100.00

CANADIAN EQUITY FUND
As of March 31, 2013

	%
Sandvine Corporation	8.95
Bombardier Inc., Class B.	7.47
WestJet Airlines Ltd.	7.03
Celestica Inc.	6.48
Valeant Pharmaceuticals International, Inc.	6.16
Sierra Wireless Inc.	5.95
COM DEV International Ltd.	5.56
Dorel Industries Inc., Class B	4.89
MacDonald, Dettwiler and Associates Ltd.	4.77
ATS Automation Tooling Systems Inc.	4.63
EXFO Inc.	4.60
CAE Inc.	4.47
Open Text Corporation	4.01
QLT Inc.	3.56
Jean Coutu Group (PJC) Inc., Class A	3.31
GSI Group Inc.	2.81
Imris Inc.	2.72
Stantec Inc.	2.63
Saputo Inc.	2.46
TELUS Corporation	2.19
Ballard Power Systems Inc.	1.97
Martinrea International Inc.	1.80
Heroux-Devtek Inc.	0.89
Total Equities	99.33
Cash	<u>0.67</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.
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.