

GROWTH AT A
REASONABLE PRICE



2006 ANNUAL REPORT
& AUDITED FINANCIAL STATEMENTS



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TO US, “GROWTH AT A REASONABLE PRICE”
MEANS INVESTING IN SOLID, GROWING COMPANIES
THAT HAVE REASONABLY PRICED STOCKS.

We steer away from stocks that are overvalued because although a company’s earnings might be expected to grow over the long term, valuations based on price/earnings levels cannot be expected to grow indefinitely.

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PRESIDENT'S MESSAGE

Dear Unitholder,

I really wasn't in the mood to write yet another "President's Message". After so many years of writing reports stressing the handful of investment principles that are really important, and stating our interpretation of current economic and market issues, I had the feeling that maybe nobody really wants to hear this stuff yet again. In this frame of mind, it was difficult to get started writing this year's message so I decided to just launch into a discussion of performance.

Performance is the reason investors buy our Funds. The only reason we expect to get new business and keep it is because of our long term record, acceptance of our investment philosophy and, ultimately, respect for our judgment.

Having said that, let's look at some actual performance figures. The US Fund delivered a solid absolute gain of 12.7% in Canadian dollars in 2006. In US dollars, the Fund gained 12.5% versus 15.8% for the S&P 500. After six consecutive calendar years of outperforming the S&P 500, the Fund underperformed the Index in 2006. From a vanity point of view it was sad to miss the bragging rights to seven consecutive years of beating the market.

When we compare the results of the US Fund versus the market over the past seven years, we see that the Fund's performance in US dollar terms over that period has been an exceptional compound average annual rate of 17.3% versus only 1.1% for the S&P 500 Index. Incidentally, for that entire seven-year period Rory and his team were solely responsible for managing the US Equity Fund.

If you turn to the performance figures on page 8 you will see that over the past ten years, for every period of more than one year, the Fund has outperformed the market. On an even longer time horizon, the Fund returned an average annual rate of return of 15.6% over the past ten years versus 8.4% for the S&P 500,

and had a return of 16.4 % versus 11.2 % for the S&P 500 for the period since the inception of the US Fund in October 1992.

It is these results that define the North Growth US Equity Fund as a top performing US mutual fund. This record should give investors the confidence to treat short term market weakness not as a reason for concern but as an opportunity to buy the Fund.

This inevitably leads me back to the 'handful of investment principles' that I write about so often. Since a great deal of many investors' thoughts and concerns revolve around short term market performance and commentary that is just useless market noise, an overview of the successful investor's mantra is worth repeating:

- Equities are the best financial asset class available to long term investors interested in achieving long term growth of capital.
- To capitalize on this fact an investor has to stay invested in equities regardless of the short term mood of the market.
- In and out market timing has not worked for investors. I could write a book on why this is what should be expected. However, this isn't something worth obsessing over – it's just an observed fact that needs to be accepted.

If you want to be
a successful investor,
don't trade in and out
of the market –
don't even think about it.

This sounds simple, and it should be. I feel it is important to make these points again (my apologies to all our clients who already invest by this creed) because no matter how good a manager's record is, many clients do not fully benefit because they do not take the serious long term investment point of view.

Peter Lynch will be remembered by some clients. He was the wunderkind mutual fund manager for 17 years in the 70s and into the 80s. He retired from portfolio management early to become a thinker and senior spokesperson for his company. One of his first projects was to review the actual individual accounts for everybody who had ever invested in the fund he managed.

The findings were shocking. For their holding periods, clients of his fund received an average annual growth rate of only half that of the fund. The reason, of course, was holding the fund for too short of a time period and, even worse, trading in and out of the fund. A number of academic studies have produced similar conclusions. For managers who are sincerely interested in providing investors with good investment results, these findings really take away from their job satisfaction. For investors it means that many will not realize their long term needs.

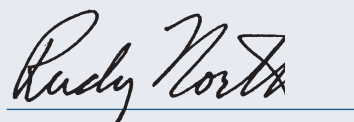
At North Growth it is our job to provide long term growth for our clients, and I was again pleased with the skill and discipline with which our portfolio managers implemented our "growth at a reasonable price" investment philosophy throughout the year. This disciplined approach is expected to continue to pay off, with attractive stock valuations and expected strong earnings growth in 2007.

The exciting development in the US market going into 2007 is that large cap growth stocks have rarely, in my memory, sold at a greater discount to small cap stocks. This is very different from the situation in 1998-99 when it was small cap stocks that were selling at a record discount to large cap stocks. This, you will remember, was resolved by a change in

market leadership from large to small and mid cap stocks. At that time, sticking to our "growth at a reasonable price" investment philosophy and reliance on individual stock selection resulted in the Fund owning mostly small cap stocks in 2000 and, in turn, its exceptional performance during the bear market of 2000-02 and the recovery that started in 2003.

The North Growth US Equity Fund is now 75% invested in large cap growth stocks that will benefit from a change in market leadership. The attractive valuation of the market in general, and especially for large cap growth stocks, and the fundamentals of the individual stocks in the US Fund's portfolio all point to an above average year for the Fund. The Canadian Equity Fund is also well positioned for a good year. For some commentary on the discrepancies in the Canadian market that our Fund is positioned to take advantage of, please refer to page 6 of this report.

Yours truly,



Rudy North

North Growth Management Ltd.



Back row (left to right): Elena Eberlein, Cynthia Yen, Shannon Lee, Jamie Kozak, Caroline North, Erica Lau, John Jackman.
Front row (left to right): Rudy North, Rory North.

2006 PERFORMANCE REVIEW

THE NORTH GROWTH FAMILY OF FUNDS

North Growth (NGM) US Equity Fund

2006 was a good year for US equities. All the major indices we follow delivered positive returns with the S&P 500 Index, which gained 15.8% in 2006, leading the pack. The S&P 600 SmallCap Index was close behind, advancing 15.1%, while the NASDAQ Composite and the S&P 400 MidCap indices returned 10.4% and 10.3% respectively. In 2006, the North Growth US Equity Fund gained 12.5% in US dollars – a decent return that lagged the S&P 500 Index following six consecutive years of outperformance. Although the currency displayed much volatility in trading throughout 2006, the Canadian dollar ended the year only slightly weaker than the US dollar. In Canadian dollars, the Fund returned 12.7% for the year versus the S&P 500 which gained 16.0%.

North Growth (NGM) Canadian Equity Fund

The North Growth Canadian Equity Fund delivered a disappointing return of [REDACTED] compared to a very strong +17.3% for the S&P/TSX Composite Index. The year was volatile for performance and emotions – at its high in April, the Fund's year-to-date performance of [REDACTED] was met with jubilation which quickly turned to gloom at its [REDACTED] low in August. The Index in comparison was +11.0% in April and -2.0% at its low in June. The fluctuations in the Fund's performance during this period were greater in magnitude than those of the Index and largely attributable to company specific developments which, in our opinion, were overreactions. The Index's volatility, however, was mainly driven by changing sentiment towards macroeconomic factors and commodities prices. In April, we thought the Fund was finally living up to its potential but as the positive performance evaporated we realized that patience was still in order. We are confident that the Fund's portfolio of "growth at a

reasonable price" stocks will live up to its potential but this year's degree of volatility should remind investors to step back from their emotions, trust the fundamentals, and look at equity investing with a longer term perspective.

Last year we highlighted our concern for the three largest sectors that now make up 76% of the Index – Financials, Energy, and Materials. Those concerns not only remain but are even stronger. While we saw all three sectors post at least one correction during the year, they recovered and in aggregate they accounted for the majority of the Index's return. Interestingly, the Energy sector, which has been hyped by the media and mainstream investors, was extremely volatile with numerous corrections but ended the year only up 6.0% – meaning Financials and Materials really carried the Index's performance. Clearly the Index's growth this year and in recent years has been unbalanced, and given that we continue to see excessive valuations and an unsustainably inflated commodity price environment, we still see significant risk to the broader Canadian market. By avoiding these sectors and their expected hazards, the Fund is well positioned to enjoy growth as the companies in the portfolio continue to progress. The last three years required patience; we look forward to this patience resulting in outperformance in 2007 and beyond.

**North Growth (NGM)
Canadian Money Market Fund**

The Money Market Fund's current yield ended 2006 at 4.06%, 1.08% above the 2.98% current yield at the beginning of the year. Similarly, the Bank of Canada's overnight target rate of 4.25% at the end of the year was exactly 1% higher than the 3.25% rate at the beginning of 2006. The Bank of Canada started and completed raising its overnight target rate in the first half of the year. Beginning in January, and successively in March, April, and May, the central bank increased the overnight rate by 0.25% each meeting. The overnight target rate was held constant at 4.25% throughout the latter half of 2006. Due to the short average maturities within the Fund of 30 days or less, the direction of the Fund's current yield corresponds closely with the direction in Canadian short term interest rates. Over the past five years, the average annual return for the Fund was 2.65%, just 0.14% behind the 2.79% average annual return for 30-day Treasury Bills.

The Fund continues to invest in a well-diversified portfolio of Canadian money market securities with an emphasis on high credit ratings. The Fund's competitive 0.25% all-inclusive management fee helped it outperform the average of the Globe and Mail's universe of Canadian Money Market Funds by 0.94% in 2006.

**North Growth (NGM)
Currency Hedge Limited Partnership**

Currently, we believe that establishing a currency hedge is unnecessary; however, we are still operating the North Growth Currency Hedge Limited Partnership. Although North Growth Management believes there is minimal risk of any significant Canadian dollar appreciation from current levels, the ability to hedge away currency risk is still important to any investor who is reluctant to purchase US equities at this time because of a fear that the Canadian dollar may appreciate further. Currency risk is easily managed and should not be used as an excuse for having inadequate US equity exposure.

PERFORMANCE RESULTS

AVERAGE ANNUAL COMPOUND RATES OF RETURN

It is virtually impossible to correctly judge any long term average rate of performance from looking at a series of annual results. One needs to have some sense of average annual compound rates of return in order to make financial planning decisions and to compare alternative investments.

North Growth (NGM) Equity Funds

Annualized Rates of Return (%) for Periods Ending December 31, 2006

| US Equity Fund | 1 yr | 2 yrs | 3 yrs | 4 yrs | 5 yrs | 6 yrs | 7 yrs | 8 yrs | 9 yrs | 10 yrs | Since Inception* |
|--------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|--------|------------------|
| NGM US Equity Fund \$CDN | 12.7 | 9.6 | 7.5 | 11.7 | 8.8 | 9.5 | 13.8 | 13.0 | 12.2 | 13.8 | 15.8 |
| S&P 500 \$CDN | 16.0 | 8.5 | 6.6 | 6.4 | -0.2 | -1.3 | -1.9 | -0.1 | 3.6 | 6.7 | 10.7 |
| NGM US Equity Fund \$US | 12.5 | 11.3 | 11.4 | 20.5 | 15.9 | 14.2 | 17.3 | 16.9 | 14.8 | 15.6 | 16.4 |
| S&P 500 \$US | 15.8 | 10.2 | 10.4 | 14.7 | 6.2 | 2.9 | 1.1 | 3.4 | 6.0 | 8.4 | 11.2 |
| S&P 400 MidCap \$US | 10.3 | 11.4 | 13.1 | 18.4 | 10.9 | 8.9 | 10.1 | 10.7 | 11.6 | 13.5 | 14.5 |
| S&P 600 SmallCap \$US | 15.1 | 11.3 | 15.0 | 20.5 | 12.5 | 11.5 | 11.5 | 11.6 | 10.1 | 11.6 | N/A |
| NASDAQ Composite \$US† | 10.4 | 6.2 | 7.2 | 16.7 | 5.0 | 0.2 | -6.7 | 1.7 | 5.4 | 7.0 | 10.6 |

| Canadian Equity Fund | 1 yr | 2 yrs | 3 yrs | 4 yrs | 5 yrs | 6 yrs | 7 yrs | 8 yrs | 9 yrs | 10 yrs | Since Inception** |
|---------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------------------|
| NGM CDN Equity Fund \$CDN | ■ | ■ | ■ | ■ | ■ | ■ | - | - | - | - | ■ |
| S&P/TSX \$CDN | 17.3 | 20.6 | 18.6 | 20.6 | 13.1 | 8.3 | - | - | - | - | 4.1 |

* NGM US Equity Fund Inception October 13, 1992

** North Growth Canadian Equity Fund Inception September 1, 2000

† Return Since Inception for the NASDAQ is simple price appreciation only because Total Return data is not available on Bloomberg

ANNUAL PERFORMANCE RESULTS

This data gives you insight into the typical annual variations in investment results. Annual results explain how long term results come about and will reveal whether a record is dependent largely on earlier results, more recent results, or more ideally a balance of both.

North Growth (NGM) Equity Funds

Annual Rates of Return (%) for Calendar Years

| US Equity Fund | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|--------------------------|------|------|------|------|-------|-------|-------|------|------|------|------|------|------|------|
| NGM US Equity Fund \$CDN | 12.7 | 6.5 | 3.5 | 25.5 | -2.0 | 12.9 | 43.4 | 7.2 | 6.3 | 29.1 | 29.5 | 25.0 | 0.4 | 15.1 |
| S&P 500 \$CDN | 16.0 | 1.5 | 2.8 | 5.8 | -22.8 | -6.4 | -5.6 | 13.9 | 37.8 | 39.2 | 23.6 | 33.9 | 7.5 | 14.5 |
| NGM US Equity Fund \$US | 12.5 | 10.0 | 11.6 | 52.7 | -1.1 | 6.2 | 38.0 | 13.9 | -0.8 | 23.7 | 28.9 | 28.5 | -5.4 | 10.8 |
| S&P 500 \$US | 15.8 | 4.9 | 10.9 | 28.7 | -22.1 | -11.9 | -9.1 | 21.0 | 28.6 | 33.4 | 23.0 | 37.6 | 1.3 | 10.1 |
| S&P 400 MidCap \$US | 10.3 | 12.6 | 16.5 | 35.6 | -14.5 | -0.6 | 17.5 | 14.7 | 19.1 | 32.2 | 19.2 | 30.9 | -3.6 | 13.9 |
| S&P 600 SmallCap \$US | 15.1 | 7.7 | 22.7 | 38.8 | -14.6 | 6.5 | 11.8 | 12.4 | -1.3 | 25.6 | 21.3 | 30.0 | N/A | N/A |
| NASDAQ Composite \$US* | 10.4 | 2.1 | 9.2 | 50.8 | -31.3 | -20.8 | -39.2 | 86.1 | 40.2 | 22.2 | 23.0 | 41.0 | -3.2 | 14.8 |

| Canadian Equity Fund | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---------------------------|------|------|------|------|-------|-------|------|------|------|------|------|------|------|------|
| NGM CDN Equity Fund \$CDN | █ | █ | █ | █ | █ | █ | - | - | - | - | - | - | - | - |
| S&P/TSX \$CDN | 17.3 | 24.1 | 14.5 | 26.7 | -12.4 | -12.6 | - | - | - | - | - | - | - | - |

Source: Bloomberg "Total Return Analysis"

*Price appreciation only for NASDAQ in 1993 and 1994

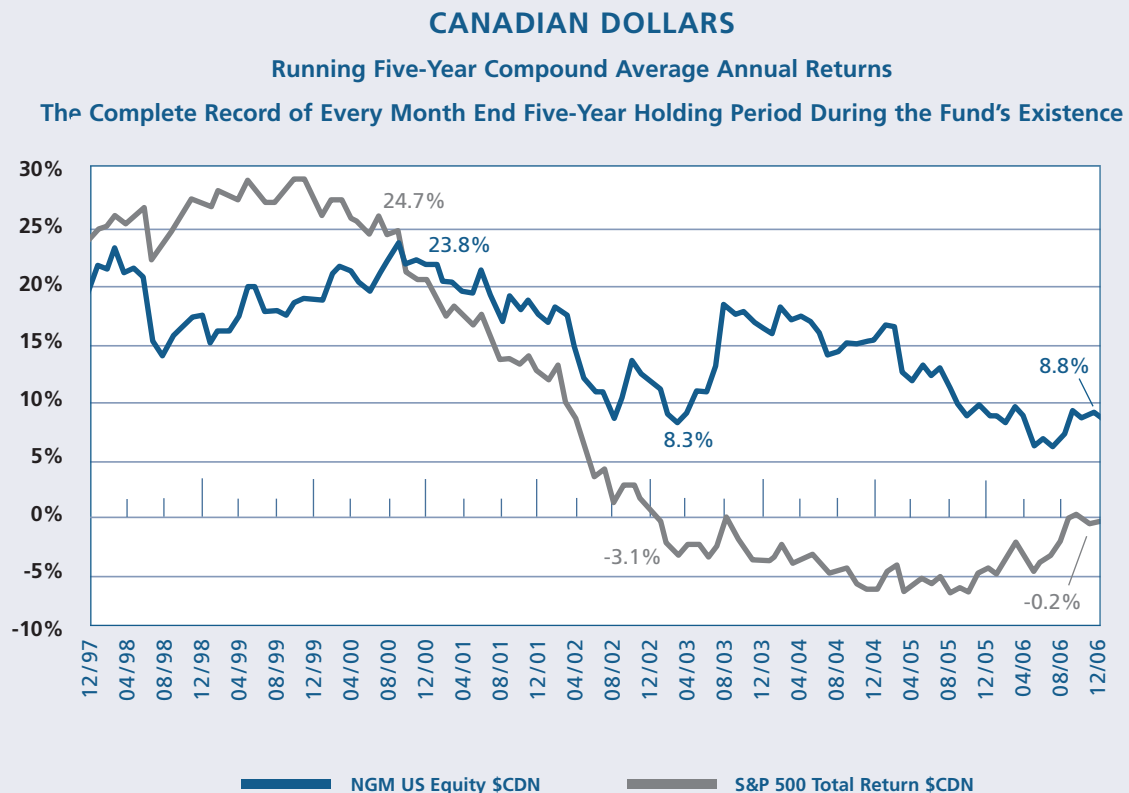
NAVPS (US FUND): December 31, 2006 \$ 25.75 CDN
\$ 22.09 US

NAVPS (CANADIAN FUND): December 31, 2006 \$ █ CDN

RUNNING FIVE-YEAR RESULTS

NORTH GROWTH US EQUITY FUND RUNNING FIVE-YEAR RESULTS: THE BEST LONG TERM PERSPECTIVE OF A FUND'S PERFORMANCE

We feel this is the measure that gives the best long term perspective of a Fund's performance. It presents longer term results in a way which is neither overly influenced by long past periods of good performance, nor by strong short term results (end date sensitivity). The running five-year average return chart shown below effectively achieves this desired balance as it provides a complete record of the range of performance for any given five-year holding period.

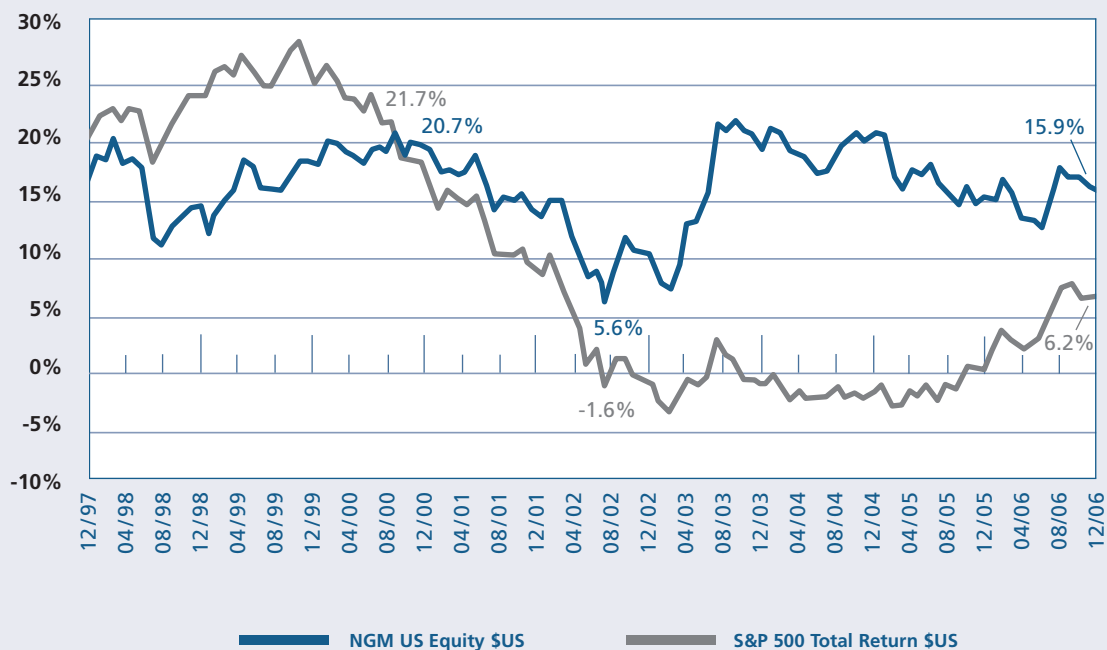


It is important for Canadian investors to understand the impact foreign exchange volatility can have on Canadian dollar denominated returns from foreign investments. Comparing the running five-year compound average annual returns for the North Growth US Equity Fund in both Canadian and US dollars should help investors better understand the currency impact. As of December 31, 2006, the Fund's five-year average annual return in Canadian dollars was 8.8% versus 15.9% in US dollars. This 7.1% per annum difference is unusually high as the current five-year period fully captures the Canadian dollar's move from its trough levels at the beginning of 2002. As outlined in our currency risk commentary on page 14, we currently expect the Canadian dollar to begin trending down from current levels. Accordingly, going forward, the US Fund's rolling five-year return in Canadian dollars should begin to converge towards the rolling five-year US dollar return.

US DOLLARS

Running Five-Year Compound Average Annual Returns

The Complete Record of Every Month End Five-Year Holding Period During the Fund's Existence



MANAGEMENT FEES

North Growth Management's mission is to achieve superior long term results for our investors by focusing exclusively on the management of our Funds and assisting our clients with their overall investment programs. We believe that our objectives, and in turn our clients' objectives, are facilitated by our competitive, simple and transparent fee structure.

| North Growth Funds (NGM) | Management Fee (%) | Management Expense Ratio (MER) (%) |
|------------------------------------|--------------------|------------------------------------|
| US Equity | 1.20 | 1.20 |
| Canadian Equity | 1.25 | 1.25 |
| Canadian Money Market | 0.25 | 0.26 |
| Currency Hedge Limited Partnership | 0.50 | N/A |

The fees that North Growth Management charges for its family of Funds, as set out in the table above, are among the lowest in the Canadian mutual fund industry. According to Globefund.com, the average management expense ratio (management fee plus other fund expenses such as accounting and legal expenses) in 2006 for the US equity fund category was 2.70%. For the Canadian equity fund category, the average MER was 2.81%. By comparison, the MER was 1.20% for the North Growth US Equity Fund and 1.25% for the North Growth Canadian Equity Fund.

The difference of approximately 1.50% per annum has a significant impact on the long term performance of an investment. To put this into perspective, consider a \$150,000 investment in an equity fund with an average annual return of 10% net of fees over ten years. At the end of the ten-year horizon, the initial \$150,000 investment would be worth \$389,061. Now, if the same equity fund lowered its annual fees by 1.50%, the net return to the investor would be 11.50% per year over ten years. Under this scenario, the initial \$150,000 investment would grow to \$445,492 after ten years—an additional \$56,431! Clearly, all else being equal, low fees meaningfully enhance investment results over the long run.

All of North Growth's Funds are offered with an "all-inclusive" management fee. As of 2006, management fees on our equity funds are calculated daily and payable monthly at the management fee annual rate as a percentage of the net asset value of the Fund, and as the manager, North Growth Management Ltd. absorbs all other expenses of the Fund. The Fund's management fee and MER therefore represent the same value – namely the total annual expenses (including management fees) paid by the Fund. However, prior to 2006, the two numbers were ever so slightly different as the Fund's expenses were presented in two different ways. In both calculations, the dollar amounts of the expenses were identical, but the base used to calculate the percentage value differed. The MER was calculated using average daily net asset values while the management fee was calculated using the quarter-end net asset value of the Fund. Since North Growth Management changed its accounting practice for calculating the management fees in 2006, the management fee percentages are now identical to the MERs presented in the table above.

Minimum Initial Purchase Amount

The minimum initial investment for the North Growth US Equity Fund and the North Growth Canadian Equity Fund is \$150,000 CDN, corresponding with the minimum amount investment exemptions from registration and prospectus requirements contained in the National Instrument 45-106 (N145-106).

| North Growth Funds (NGM) | Minimum Initial Investment (\$CDN) | Subsequent Investment (\$CDN) |
|--------------------------|------------------------------------|-------------------------------|
| US Equity | \$ 150,000 | \$ 10,000 |
| Canadian Equity | \$ 150,000 | \$ 10,000 |
| Canadian Money Market | \$ 150,000 | \$ 10,000 |

Investments for the Long Term

North Growth Management also offers in-house RRSP and RRIF accounts with no additional fees or charges. The North Growth US Equity Fund, North Growth Canadian Equity Fund, and the North Growth Canadian Money Market Fund are all eligible investments.

Our clients are primarily high net worth individuals who use us to manage the long term growth component of their overall investment program. We emphasize the long term nature of an equity investment with us and suggest that anyone wanting to invest in our funds should have at least a five-year time horizon in mind.

Our View on Asset Mix

- Equity Mix: 80% US Equity Fund / 20% Canadian Equity Fund
- Money Market Fund to provide liquidity while protecting against inflation

For retirees living off their financial assets, we believe that using a client's own personal cash requirements and risk tolerance to determine their appropriate mix of money market and equities, can, in most instances, create a superior portfolio to the industry staple of 60% equity and 40% mid to long term bonds. For clients seeking a truly personalized retirement plan, we encourage you to make an appointment to come in and get a fresh look at your plan from the North Growth Management investment professionals.

FAQs on fees:

Are there any other fees involved in investing in North Growth Funds?

No. Our Funds are no-load and we do not pay trailer fees.

Are your management fees tax deductible?

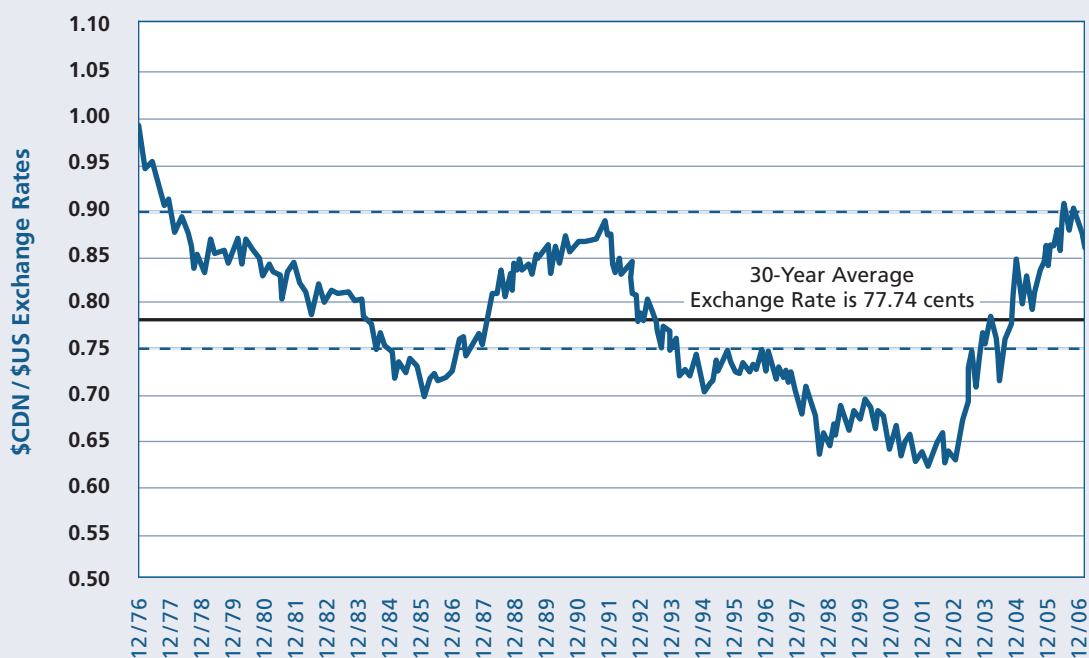
Yes. We are often asked about the tax deductibility of our management fees. North Growth Management fees are tax deductible. The tax deduction occurs "at source", which means that the T3 slip that you receive from us just after year-end already reflects the fee tax deduction.

CURRENCY RISK COMMENTARY

As we had expected, during 2006, the Canadian/US dollar exchange rate demonstrated substantial short term volatility which proved to be nothing other than background noise. The Canadian dollar ended the year at 85.81 cents, down ever so slightly from 85.98 cents at the end of 2005.

We believe that the Canadian dollar is in a fair value range versus the US dollar making a near term directional call difficult; however, over the long term, having the exchange rate at a fair value level allows us to place very little emphasis on currency risk. Even including a currency risk commentary in this year's annual report is probably overemphasizing the issue in the context of today's environment.

Canadian Dollar to US Dollar 30-Year Exchange Rate History
December 31, 1976 - December 31, 2006



The chart on the adjacent page clearly shows that the Canadian dollar is trading at historically high levels, well above the 77.74 cent average of the past 30 years. The historical view, which suggests that the Canadian dollar is likely modestly overvalued at current levels, is supported by significant improvement in the US macroeconomic statistics.

The US Federal deficit peaked in 2004 and has already shrunk by more than half. The Congressional Budget Office recently released a revised estimate for the fiscal year ending September 2007 which anticipates the Federal deficit falling to \$172 billion or approximately 1.5% of GDP. If the current rate of improvement is sustained, it is possible that we could see the US Federal Government balance their budget within the next two to three years.

In last year's currency risk commentary we stated that we expect to see the US current account deficit begin to trend lower during 2006. Early indications are that the current account deficit stabilized at a high level during the second and third quarters of 2006 and began to trend down during the fourth quarter. The preliminary GDP growth estimates for the fourth quarter of 2006 surprised on the upside at 3.5% and the primary contributor to the upside surprise was the decrease in the current account deficit fueled by exports growing faster than imports. We believe this is the start of a trend and, if we are correct, it will be a significant positive for the US dollar.

Finally, during 2006, the short term interest rate differential between Canada and the US remained stable with US short term rates at a 100 basis point premium versus Canadian short term rates. The US economy is currently expanding faster than Canada's and commentary from each country's respective central bank implies that the US short term rate premium is unlikely to decrease in the near future.

Putting it all together, including our view that the commodity cycle has peaked, leads us to our new opinion that we now expect the Canadian dollar to fall towards an exchange rate of 80 cents or less versus the US dollar over the next few years.

PORTFOLIO HOLDINGS
NORTH GROWTH US EQUITY FUND PORTFOLIO

AS OF DECEMBER 31, 2006

Adobe Systems, Inc... is a leading provider of software for digital imaging, design, and document technology platforms for consumers, creative professionals, and enterprises. Adobe offers several key products, including Photoshop, Illustrator, and Acrobat as well as a bundled package, Creative Suite. With the acquisition of Macromedia in December 2005, Adobe gained market leading toolsets in web design (Dreamweaver and Studio) and rich internet applications (Flash).

American Eagle Outfitters, Inc... is a leading lifestyle retailer that designs, markets, and sells its own brand of casual clothing for 15 to 25 year-olds, providing high quality merchandise at affordable prices. The company's collection includes modern basics like jeans, cargo pants, and graphic t-shirts as well as a stylish assortment of accessories, outerwear, and footwear. American Eagle currently operates in 50 states, the District of Columbia and Puerto Rico, and in Canada. The company's newest concept, MARTIN + OSA, targets 25 to 40 year-old women and men.

Apple Computer, Inc... is a leading designer, manufacturer, and marketer of personal computers and related products. Personal computer products offered include the iMac, MacBook, and the Mac mini. Its market leading iPod family of digital music players is complemented by its music download service, iTunes. During the past year, Apple transitioned its computers to Intel-based dual core processors.

Applied Materials, Inc... is the world's largest supplier of products and services to the global semiconductor industry. The company develops, manufactures, markets, and services the processing and manufacturing technology that helps semiconductor manufacturers produce the world's most advanced chips.

Bank of America Corporation... is one of the world's leading financial institutions serving customers through a network of approximately 5,700 retail banking offices, more than 17,000 ATMs in the US, and an Internet website that provides online

banking access to over 20 million active users. The company serves clients in over 170 countries.

Biomet, Inc... makes orthopaedic medical devices: primarily reconstructive products (hips, knees, and shoulders), fixation devices (bone screws, pins, and plates), spinal products (both traditional spinal fixation devices and electrical stimulation systems), and a broad range of other products including arthroscopy equipment, operating room products and instruments, and wound healing devices. The company has operations at over 50 locations and distributes its products in over 100 countries.

Bristol-Myers Squibb Company... is a global pharmaceutical and related health care products company. Its prescription drugs, which cover key areas in cardiovascular, anti-infection, and cancer, include: Plavix (for heart attacks and strokes), Pravachol (for cholesterol), Glucophage (for diabetes), Taxol (for cancer), Avapro (for hypertension), Abilify (for schizophrenia and bipolar disorders), and Erbitux (for colorectal cancer). The company also sells nutritional (such as ENFAMIL infant formula), wound care, and medical imaging products.

Cheesecake Factory, Inc... is an upscale, casual dining concept that offers more than 200 menu items. Its second concept, Grand Luxe Café, is an upscale, casual dining restaurant. The company also operates two bakery production facilities that produce over 50 varieties of cheesecakes and other baked products for its restaurants and other foodservice operators, retailers, and warehouse clubs.

Chico's FAS, Inc... is a specialty retailer that sells exclusive private-label women's clothing and related accessories. The company operates over 900 women's specialty stores in 47 states, the District of Columbia, the Virgin Islands, and Puerto Rico under the Chico's, White House|Black Market, Soma by Chico's, and Fitigues brands.

Cisco Systems, Inc... is a leading provider of networking equipment including routers, switches, and access products. Its broad portfolio of products provides end-to-end networking solutions and

encompasses advanced technologies ranging from storage area networking to home networking. Its acquisition of Scientific-Atlanta in 2005 gives Cisco a meaningful share in the market for set-top boxes and positions it to benefit from the emerging digital living room.

Citrix Systems, Inc... is a leading supplier of software and services that enable the effective and efficient enterprise-wide deployment and management of applications based on the Windows and UNIX operating systems. The company's products permit organizations to deploy and manage applications without regard to location, network connection, or type of client hardware platform.

Dell, Inc... is a leading provider of a range of computer systems and services to customers worldwide. The company sells desktop and notebook computers, servers, storage systems, networking products, printing and imaging systems, and other technology products and services.

Dionex Corporation... develops, manufactures, markets, and services a range of analytical systems to isolate, identify, and quantify the components of complex chemical mixtures. The company pioneered ion chromatography (IC), a technique used to separate inorganic molecules in water-based solutions, and is the leader in this niche with a 70% market share. Dionex has been actively expanding its capabilities in high-performance liquid chromatography (HPLC), a large \$2 billion market with very high growth potential due to HPLC's role in genomics and drug discovery. The company sells to a broad base of customers in different industries that include environmental, chemical, life sciences, food and beverage, energy, and electronics.

DSP Group, Inc... is a fabless semiconductor company that develops applications combining the company's DSP (digital signal processing) core expertise with advanced RF (radio frequency), communication technology, and speech-processing algorithms. The company's Total Telephony Solutions delivers 900 MHz, 2.4 GHz, 5.8 GHz, DECT, and Bluetooth applications for residential, enterprise, and

Apple introduces iPhone, combining three products — a revolutionary mobile phone, a widescreen iPod with touch controls, and a breakthrough Internet communications device with desktop-class email, web browsing, searching, and maps — into one small and lightweight handheld device.

Apple Inc.
Jan 09, 2007 Press Release

NORTH GROWTH US EQUITY FUND PORTFOLIO...

AS OF DECEMBER 31, 2006

automotive markets. The company also develops embedded integrated silicon/software solutions for voice-over-packet applications.

Ethan Allen Interiors, Inc... is a leading manufacturer and retailer of quality home furnishings. The company sells a full range of furniture products and decorative accessories through an extensive network of over 300 retail locations in the United States and abroad. Ethan Allen is vertically integrated with manufacturing facilities and sawmills throughout the US.

Federal Signal Corporation... manufactures and sells safety, signalling, and communications equipment, fire rescue products, street sweeping and vacuum loader vehicles, parking control equipment, precision punches, and related die components. The company is managed on a decentralized basis and has three major operating groups: fire rescue, environmental products, and safety products. The company recently divested its tools division.

General Electric... is the largest industrialized company in the world with products and services including aircraft engines, power generation, water processing, security technology, medical imaging, business and consumer financing, media content and advanced materials.

Intel Corporation... designs, manufactures, and sells computer components and related products. The company is the world's largest chip maker and its major products include microprocessors, chipsets, embedded processors and microcontrollers, flash memory, and products used for graphics, network and communications, system management, conferencing, and digital imaging.

Mesa Air Group, Inc... operates over 187 aircraft with over 1,200 daily system departures to more than 173 cities in 46 states, the District of Columbia, Canada, and Mexico. It operates as Delta Connection, US Airways Express, and United Express under contractual agreement with Delta Air Lines, US Airways, and United Airlines, respectively. Mesa also operates independently as Mesa Airlines and go!

Microsoft Corporation... is the largest software company in the world; it develops, manufactures, licenses, and sells a broad range of software and services. The company has a dominant franchise in desktop software through its Windows operating system and Office productivity suite. Its line of software products has expanded into related areas such as servers, the Internet, home entertainment, and embedded and mobile devices. Microsoft also makes the highly successful Xbox game console. The company recently launched its much anticipated Vista operating system software and Office 2007 productivity suite.

Nike, Inc... is the world's lead designer, marketer, and distributor of authentic athletic footwear, apparel, equipment, and accessories. Wholly-owned subsidiaries include Bauer NIKE Hockey (hockey equipment), Cole Haan (luxury shoes and handbags), Hurley International LLC (action sports, youth lifestyle footwear and apparel), and Exeter Brands Group LLC (athletic footwear and apparel for the value retail chain). The company sells its products to various retail accounts as well as through its owned retail stores and independent distributors and licensees.

Pfizer, Inc... is the world's largest research-based pharmaceutical company. It discovers, develops, manufactures, and markets leading prescription medicines which include cholesterol reduction drug Lipitor, pain management drug Celebrex, erectile dysfunction therapy Viagra, and antidepressant Zoloft. In 2006, Pfizer sold its consumer healthcare business to Johnson & Johnson.

Safeway, Inc... is one of the largest North American food and drug retailers, with 1,700 stores throughout the US and Canada. Stores operate under the Safeway, Pak 'n Save, Dominick's, Vons, Pavilions, Randall's, Tom Thumb, Carrs, and Genuardi names.

St. Jude Medical, Inc... develops, manufactures and distributes medical devices with an emphasis on cardiovascular products and services. The company's products are sold in more than 100 countries. St. Jude Medical has five major focus areas that include cardiac

rhythm management, atrial fibrillation, cardiology, cardiac surgery, and neuromodulation.

Sybase, Inc... develops software solutions for mobile and embedded computing, data warehousing, and web computing environments. The company serves the public sector as well as industries including financial services, telecommunications, health care, and media and entertainment.

Texas Instruments, Inc... is a global semiconductor company and the world's leading designer and supplier of DSP (digital signal processing) and analog solutions, the engines driving the digitization of electronics. The company continues to invest in the latest production technologies and is positioned to benefit from growth in its end markets as digital devices become more sophisticated and abundant. In addition to semiconductors, Texas Instruments is a leading supplier of business and scientific calculators.

The Timberland Company (CL A)... designs, manufactures, and markets premium-quality footwear, apparel, and accessories under the Timberland brand name and the Timberland PRO Series sub brand. Its products are sold in leading department and athletic specialty stores and Timberland retail stores throughout the world.

Wal-Mart, Inc... is the largest retailer as well as food retailer in the world. It operates under a variety of formats including: discount stores and supercenters (Wal-Mart), warehouse clubs (Sam's Club), and supermarkets (Neighborhood Markets).

Wellpoint, Inc... is the largest publicly traded managed health care company in the US. It provides health care benefits to over 34 million medical members through its licensed Blue Cross or Blue Cross Blue Shield operations in 13 states and its non-Blue branded operations in other states. The company is active in the commercial market as well as the government Medicare, Medicaid, and Federal Employee programs.

Microsoft launches
Windows Vista and
Microsoft Office 2007
to consumers worldwide.
Flagship products
available at over 39,000
retail locations and
online around the world.

Microsoft Corporation
Jan 29, 2007 Press Release

NORTH GROWTH CANADIAN EQUITY FUND PORTFOLIO

AS OF DECEMBER 31, 2006

Angiotech Pharmaceuticals, Inc... is a specialty pharmaceutical and medical device company that discovers, develops, and markets innovative technologies and medical products primarily for local diseases or for complications associated with medical device implants, surgical interventions, and acute injury.

ATS Automation Tooling Systems, Inc... is a world-leading industrial automation company dedicated to designing and manufacturing advanced factory automation systems, custom or standard automation equipment, turn-key assembly machinery, as well as high-volume precision components, sub-assemblies, solar cells, and solar modules. ATS provides services to companies in medical, health, pharmaceutical, consumer, automotive, telecommunications, semiconductor, computer, and electrical industries.

Ballard Power Systems, Inc... is recognized as the world leader in the design, development, and manufacture of zero-emission proton exchange membrane (PEM) fuel cells for automobiles, materials handling vehicles such as forklifts, and stationary power generation.

BCE, Inc... is Canada's largest communications company. It has 28 million customer connections through its wireline, wireless, data/internet, and satellite television services. BCE also holds interests in some of Canada's leading media organizations including The Globe and Mail, CTV, and TQS, a French network operating in Quebec.

Biovail Corporation... is a specialty pharmaceutical company engaged in the formulation, clinical testing, registration, manufacture, and commercialization of pharmaceutical products utilizing its advanced oral controlled-release drug-delivery technologies. The company primarily focuses on cardiovascular disease, central nervous system disorders, and pain management. Biovail applies its drug delivery technologies to drug compounds to develop both branded and generic products.

Bombardier, Inc... is a world-leading manufacturer of innovative transportation solutions such as regional jets, business jets, and rail transportation equipment.

Cognos, Inc... is a world leader in developing business intelligence software to help its customers drive, monitor, and understand corporate performance.

Compton Petroleum Corporation... is an Alberta-based independent company actively engaged in exploration, development, and production of natural gas, natural gas liquids, and crude oil in the Western Canadian Sedimentary Basin.

Cossette Communication Group Inc... is Canada's largest marketing communications firm and among the top fifteen in North America. Cossette has approximately 1,400 employees and offices in Quebec City, Montreal, Toronto, Vancouver, Halifax, New York, Boston, Irvine, Los Angeles, London, and Shanghai.

DataMirror Corporation... is a leading provider of real-time secure data integration software solutions that give companies the power to manage and monitor their corporate data across all heterogeneous systems and applications. DataMirror's comprehensive solutions help customers easily and cost-effectively capture, transform, and flow data throughout their enterprise. DataMirror provides the real-time secure data access, integration, and protection that companies require to gain business insight and competitive advantage.

Dorel Industries (CLB)... is a global manufacturer of consumer products. The company operates in three business segments: Juvenile, Home Furnishings, and Recreational/Leisure. Some of Dorel's brand names are Cosco, Safety 1st, Maxi-Cosy, Ameriwood, Ridgewood, Schwinn, GT Bicycle, and Mongoose.

Emergis Inc... is an information technology leader in Canada that focuses on the health and financial services sectors. It develops and manages solutions that automate transactions and the exchange of information to increase the process efficiency and quality of service of its clients. Emergis has expertise in electronic health-related claims processing, health record systems, pharmacy management solutions, cash management, and mortgage document processing and registration. In Canada, Emergis and its subsidiaries deliver solutions to the main insurance companies, top financial institutions, government agencies, hospitals, large corporations, real estate lawyers and notaries, and approximately 40% of all pharmacies.

EXFO Electro-Optical Engineering Inc... is a recognized test and measurement expert in the global telecommunications industry. The company offers a full suite of test solutions and monitoring systems to network service providers, cable TV operators, telecom system vendors, and component manufacturers in approximately 70 countries.

GSI Group, Inc... supplies precision motion products, lasers, and laser systems that are used to boost efficiency and productivity for manufacturers in the global medical, semiconductor, electronics, and industrial markets.

Jean Coutu Group (PJC) Inc... is the fourth largest drugstore chain in North America and the second largest in both the eastern United States and Canada. The company and its combined network of 2,186 corporate and franchised drugstores (under the banners of Brooks and Eckerd Pharmacy, PJC Jean Coutu, PJC Clinique and PJC Sante Beaute) employ more than 61,000 people.

MacDonald, Dettwiler & Associates, Ltd... designed and built the Canadarm and is a world leader in information and technology. Its Information Systems Group provides mission critical information systems for robotics, defense, and monitoring the planet. Its Information Products Group delivers essential land-related products and services concerning legal and asset information and geographic information.

Biovail Corporation today announced the adoption of a new dividend policy, the declaration of a special dividend and the Company's intention to retire all outstanding long-term debt in April 2007.

Biovail Corporation,
Dec 6, 2006 Press Release

AS OF DECEMBER 31, 2006

Nortel Networks Corporation... is a recognized leader in delivering network and communications equipment. Serving both service provider and enterprise customers, Nortel delivers innovative technology solutions encompassing end-to-end broadband, voice over Internet protocol, multimedia services and applications, and wireless broadband.

Saputo, Inc... is Canada's largest dairy processor and snack cake manufacturer as well as Argentina's third largest dairy processor. Saputo also has a growing presence as a cheese producer in the United States. The company's products include brand names such as Saputo, Armstrong, and Dairyland.

Sierra Wireless, Inc... is a leader in developing innovative wireless data technology. The company offers a broad product line including the AirCard® line of wireless modems embedded modules for Original Equipment Manufacturers' (OEM) wireless applications, and rugged modems for vehicle-mounted connectivity solutions.

Sobeys, Inc... is a national leader in retail food distribution. Sobeys, through subsidiaries and franchises, operates more than 1,300 stores in 10 provinces under retail banners that include Sobeys, IGA, Price Chopper, Comisso's, Bonichoix, Foodland, Needs, Lawtons Drugs, and Food Town.

Tundra Semiconductor Corporation... designs, develops, and markets standards-based system interconnect for use by the world's leading communications and storage system companies. Tundra System Interconnect is a vital technology that enables customers to connect critical system components while compressing development cycles and maximizing performance. Applications include wireless infrastructure, storage networking, network access, military technology, and industrial automation.

Viceroy Homes, Ltd. (CL A)... is a specialty designer and manufacturer of custom home packages for owner/builder clients and professional contractors. The company ships throughout North America and overseas.

WestJet Airlines, Ltd... is Canada's leading low-cost airline offering scheduled service throughout its growing North American and Caribbean network. The company strives to be the number one choice for travelers by operating a modern fleet of Boeing Next-Generation 737 aircraft with increased legroom and leather seats as well as live seatback television provided by Bell ExpressVu on most of its aircraft.

Zarlink Semiconductor, Inc... delivers semiconductor solutions that drive the capabilities of voice, enterprise, broadband, and wireless communications. The company's success is built on its technology strengths in voice and data networks, optoelectronics, and ultra low-power communications.

WestJet leads North American airline industry in earnings margin due to successful implementation of three key elements — strategic network deployment, award-winning corporate culture and guest service, and consistent alignment with low cost business model.

WestJet

Nov 16, 2006 Press Release



2006 AUDITED
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STATEMENTS OF FINANCIAL HIGHLIGHTS

AUDITORS' REPORT ON STATEMENTS OF FINANCIAL HIGHLIGHTS

To the Unitholders of:

North Growth Canadian Money Market Fund
North Growth Canadian Equity Fund
North Growth U.S. Equity Fund
(collectively referred to as the "Funds"):

We have audited the statements of financial highlights of the Funds for each of the years in the five year period ended December 31, 2006, which information has been calculated in accordance with the provisions of National Instrument 81-106. This financial information is the responsibility of the Funds' management. Our responsibility is to express an opinion on this financial information based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, the statements of financial highlights present fairly, in all material respects, the financial highlights of the Funds for each of the years in the five year period ended December 31, 2006 in accordance with the provisions of National Instrument 81-106.

Deloitte & Touche LLP

Chartered Accountants

Vancouver, British Columbia
January 26, 2007

NORTH GROWTH CANADIAN MONEY MARKET FUND

STATEMENT OF FINANCIAL HIGHLIGHTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 2006

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited financial statements.

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Data Per Unit | | | | | |
| Net Asset Value, Beginning Of Year | \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 |
| Increase (Decrease) From Operations | | | | | |
| Total revenue | 0.41 | 0.27 | 0.24 | 0.31 | 0.26 |
| Total expenses | (0.03) | (0.03) | (0.03) | (0.03) | (0.03) |
| Net investment income | 0.38 | 0.24 | 0.21 | 0.28 | 0.23 |
| Realized gains for the period | - | - | - | - | - |
| Unrealized gains for the period | - | - | - | - | - |
| Net gains on investments for the period | - | - | - | - | - |
| Total Increase (Decrease) From Operations ¹ | 0.38 | 0.24 | 0.21 | 0.28 | 0.23 |
| Distributions | | | | | |
| From income (excluding dividends) | (0.38) | (0.24) | (0.21) | (0.28) | (0.23) |
| From dividends | - | - | - | - | - |
| From net investment income | (0.38) | (0.24) | (0.21) | (0.28) | (0.23) |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| Total Annual Distributions ² | (0.38) | (0.24) | (0.21) | (0.28) | (0.23) |
| Net Asset Value, End Of Year | \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 | \$ 10.00 |
| <p>¹ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from investment operations is based on the weighted average number of units outstanding over the financial period.</p> <p>² Distributions were paid in cash / reinvested in additional units of the Fund, or both.</p> | | | | | |
| Ratios And Supplemental Data | | | | | |
| Net assets (000's) ³ | \$ 6,338 | \$ 6,151 | \$ 8,459 | \$ 12,507 | \$ 20,685 |
| Number of units outstanding (000's) ³ | 634 | 615 | 846 | 1,251 | 2,068 |
| Management expense ratio ⁴ | 0.26% | 0.27% | 0.27% | 0.27% | 0.27% |
| Annual rate of return ⁵ | 3.84% | 2.42% | 2.03% | 2.71% | 2.25% |

³ This information is provided as at December 31 of the year shown.

⁴ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

⁵ Annual rate of return represents the historical total rate of return for the year and includes the reinvestment of all distributions.

NORTH GROWTH CANADIAN EQUITY FUND

STATEMENT OF FINANCIAL HIGHLIGHTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 2006

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited financial statements.

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Data Per Unit | | | | | |
| Net Asset Value, Beginning Of Year | \$ 12.18 | \$ 12.89 | \$ 12.37 | \$ 10.69 | \$ 11.53 |
| Increase (Decrease) From Operations | | | | | |
| Total revenue | 0.08 | 0.08 | 0.06 | 0.13 | 0.22 |
| Total expenses | (0.16) | (0.16) | (0.13) | (0.11) | (0.14) |
| Net investment (loss) income | (0.08) | (0.08) | (0.07) | 0.02 | 0.08 |
| Realized gains (losses) for the period | 0.51 | 1.77 | 0.33 | 0.24 | (0.16) |
| Unrealized (losses) gains for the period | 0.54 | (0.95) | 0.32 | 2.13 | (1.06) |
| Net gains (losses) on investments for the period | 1.05 | 0.82 | 0.65 | 2.37 | (1.22) |
| Total Increase (Decrease) From Operations ¹ | 0.97 | 0.74 | 0.58 | 2.39 | (1.14) |
| Distributions | | | | | |
| From income (excluding dividends) | - | - | - | - | - |
| From dividends | (0.08) | (0.09) | - | (0.01) | (0.04) |
| From net investment income | (0.08) | (0.09) | - | (0.01) | (0.04) |
| From capital gains | (0.51) | (1.36) | (0.15) | (0.12) | - |
| Return of capital | - | - | - | - | - |
| Total Annual Distributions ² | (0.59) | (1.45) | (0.15) | (0.13) | (0.04) |
| Net Asset Value, End Of Year | \$ 12.65 | \$ 12.18 | \$ 12.89 | \$ 12.37 | \$ 10.69 |

¹ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from investment operations is based on the weighted average number of units outstanding over the financial period.

² Distributions were paid in cash / reinvested in additional units of the Fund, or both.

Ratios And Supplemental Data

| | | | | | |
|--|-----------|-----------|-----------|-----------|----------|
| Net assets (000's) ³ | \$ 25,796 | \$ 22,406 | \$ 20,343 | \$ 12,905 | \$ 5,584 |
| Number of units outstanding (000's) ³ | 2,040 | 1,839 | 1,578 | 1,043 | 522 |
| Management expense ratio ⁴ | 1.25% | 1.30% | 1.31% | 1.24% | 1.28% |
| Management expense ratio before waivers or absorptions | 1.25% | 1.30% | 1.31% | 1.32% | 2.32% |
| Portfolio turnover rate ⁵ | 30.84% | 77.65% | 30.76% | 78.37% | 32.54% |
| Trading expense ratio ⁶ | 0.21% | 0.27% | N/A | N/A | N/A |
| Annual rate of return ⁷ | 8.80% | 5.76% | 5.38% | 16.99% | (6.87%) |

³ This information is provided as at December 31 of the year shown.

⁴ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

⁵ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

⁶ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period. This ratio is a new requirement and has been applied on a prospective basis. Therefore, prior year information has not been disclosed.

⁷ Annual rate of return represents the historical total rate of return for the year and includes the reinvestment of all distributions.

NORTH GROWTH U.S. EQUITY FUND

STATEMENT OF FINANCIAL HIGHLIGHTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 2006

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited financial statements.

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Data Per Unit | | | | | |
| Net Asset Value, Beginning Of Year | \$ 22.84 | \$ 24.02 | \$ 23.32 | \$ 18.68 | \$ 19.20 |
| Increase (Decrease) From Operations | | | | | |
| Total revenue | 0.32 | 0.16 | 0.22 | 0.08 | 0.13 |
| Total expenses | (0.28) | (0.31) | (0.28) | (0.25) | (0.22) |
| Net investment income | 0.04 | (0.15) | (0.06) | (0.17) | (0.09) |
| Realized gains for the period | 0.27 | 4.15 | 0.46 | 0.64 | 0.39 |
| Unrealized (losses) gains for the period | 2.58 | (2.50) | 0.39 | 4.47 | (0.46) |
| Net gains (losses) on investments for the period | 2.85 | 1.65 | 0.85 | 5.11 | (0.07) |
| Total Increase (Decrease) From Operations ¹ | 2.89 | 1.50 | 0.79 | 4.94 | (0.16) |
| Distributions | | | | | |
| From income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From net investment income | - | - | - | - | - |
| From capital gains | - | (2.76) | (0.10) | (0.12) | (0.14) |
| Return of capital | - | - | - | - | - |
| Total Annual Distributions ² | - | (2.76) | (0.10) | (0.12) | (0.14) |
| Net Asset Value, End Of Year | \$ 25.75 | \$ 22.84 | \$ 24.02 | \$ 23.32 | \$ 18.68 |
| <p>¹ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from investment operations is based on the weighted average number of units outstanding over the financial period.</p> <p>² Distributions were paid in cash / reinvested in additional units of the Fund, or both.</p> | | | | | |

Ratios And Supplemental Data

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Net assets (000's) ³ | \$ 294,147 | \$ 256,772 | \$ 231,803 | \$ 199,603 | \$ 125,931 |
| Number of units outstanding (000's) ³ | 11,425 | 11,242 | 9,650 | 8,560 | 6,742 |
| Management expense ratio ⁴ | 1.20% | 1.21% | 1.23% | 1.25% | 1.22% |
| Portfolio turnover rate ⁵ | 42.93% | 58.07% | 50.51% | 40.34% | 54.71% |
| Trading expense ratio ⁶ | 0.16% | 0.18% | N/A | N/A | N/A |
| Annual rate of return ⁷ | 12.72% | 6.47% | 3.45% | 25.50% | (2.01%) |

³ This information is provided as at December 31 of the year shown.

⁴ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

⁵ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

⁶ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period. This ratio is a new requirement and has been applied on a prospective basis. Therefore, prior year information has not been disclosed.

⁷ Annual rate of return represents the historical total rate of return for the year and includes the reinvestment of all distributions.

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AUDITORS' REPORT

To the Unitholders of:

North Growth Canadian Money Market Fund
North Growth Canadian Equity Fund
North Growth U.S. Equity Fund
(collectively referred to as the "Funds"):

We have audited the statements of net assets and of investments of the Funds as at December 31, 2006, and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2006, and the results of their operations and the changes in their net assets for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Vancouver, British Columbia
January 27, 2007

NORTH GROWTH MUTUAL FUNDS

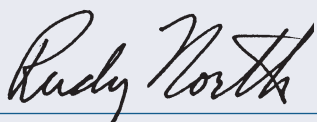
STATEMENTS OF NET ASSETS

DECEMBER 31, 2006

(in thousands of dollars except per unit amounts)

| | Canadian Money Market Fund | | Canadian Equity Fund | | U.S. Equity Fund | |
|---|----------------------------------|-----------------|-------------------------|------------------|---------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Assets | | | | | | |
| Investments - at market value | \$ 6,321 | \$ 6,130 | \$ 25,731 | \$ 21,606 | \$ 290,184 | \$ 251,373 |
| Cash | 3 | 17 | 73 | 862 | 4,019 | 5,497 |
| Due from brokers | - | - | - | - | - | 515 |
| Due from unitholders | - | - | 5 | - | 20 | - |
| Accrued interest and dividends receivable | 15 | 8 | 13 | 8 | 225 | 159 |
| | <u>18</u> | <u>25</u> | <u>91</u> | <u>870</u> | <u>4,264</u> | <u>6,171</u> |
| | <u>6,339</u> | <u>6,155</u> | <u>25,822</u> | <u>22,476</u> | <u>294,448</u> | <u>257,544</u> |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | 1 | 4 | 26 | 70 | 297 | 772 |
| Due to unitholders | - | - | - | - | 4 | - |
| | <u>1</u> | <u>4</u> | <u>26</u> | <u>70</u> | <u>301</u> | <u>772</u> |
| Net Assets - Representing | | | | | | |
| Unitholders' Equity (Note 5) | <u>\$ 6,338</u> | <u>\$ 6,151</u> | <u>\$ 25,796</u> | <u>\$ 22,406</u> | <u>\$ 294,147</u> | <u>\$ 256,772</u> |
| Number Of Units | | | | | | |
| Outstanding (000's) (Note 5) | <u>634</u> | <u>615</u> | <u>2,040</u> | <u>1,839</u> | <u>11,425</u> | <u>11,242</u> |
| Net Asset Value Per Unit (Note 2(f)) | <u>\$ 10.00</u> | <u>\$ 10.00</u> | <u>\$ 12.65</u> | <u>\$ 12.18</u> | <u>\$ 25.75</u> | <u>\$ 22.84</u> |

Approved on behalf of the Manager, North Growth Management Ltd.



Rudy North, President

NORTH GROWTH MUTUAL FUNDS

STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2006
(in thousands of dollars except per unit amounts)

| | Canadian Money Market Fund | | Canadian Equity Fund | | U.S. Equity Fund | |
|--|----------------------------------|----------------|-------------------------|-----------------|---------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Investment Income | | | | | | |
| Dividends (1) | \$ - | \$ - | \$ 155 | \$ 147 | \$ 3,629 | \$ 1,529 |
| Interest | 264 | 199 | 1 | 1 | 5 | 6 |
| | <u>264</u> | <u>199</u> | <u>156</u> | <u>148</u> | <u>3,634</u> | <u>1,535</u> |
| Expenses | | | | | | |
| Management fees (Note 6) | 17 | 20 | 316 | 279 | 3,207 | 2,947 |
| | <u>17</u> | <u>20</u> | <u>316</u> | <u>279</u> | <u>3,207</u> | <u>2,947</u> |
| Alternative Minimum Tax | - | - | - | 5 | - | - |
| Net Investment Income (Loss) (Note 3) | <u>247</u> | <u>179</u> | <u>(160)</u> | <u>(136)</u> | <u>427</u> | <u>(1,412)</u> |
| Realized And Unrealized Gains On Investments | | | | | | |
| Proceeds from sale of investments | 71,704 | 86,517 | 7,773 | 17,664 | 113,920 | 140,250 |
| Investments at average cost, beginning of year | 6,130 | 8,448 | 21,466 | 17,815 | 224,918 | 177,764 |
| Cost of investments purchased | 71,895 | 84,199 | 9,808 | 18,142 | 120,197 | 147,492 |
| | <u>78,025</u> | <u>92,647</u> | <u>31,274</u> | <u>35,957</u> | <u>345,115</u> | <u>325,256</u> |
| Investments at average cost, end of year | (6,321) | (6,130) | (24,516) | (21,466) | (234,303) | (224,918) |
| Cost of investments sold | 71,704 | 86,517 | 6,758 | 14,491 | 110,812 | 100,338 |
| Net realized gains on sale of investments (Note 7) | - | - | 1,015 | 3,173 | 3,108 | 39,912 |
| Change in unrealized appreciation (depreciation) of investments | - | - | 1,076 | (1,703) | 29,487 | (24,045) |
| Net Gain On Investments (Note 3) | <u>-</u> | <u>-</u> | <u>2,091</u> | <u>1,470</u> | <u>32,595</u> | <u>15,867</u> |
| Increase In Net Assets From Operations | <u>\$ 247</u> | <u>\$ 179</u> | <u>\$ 1,931</u> | <u>\$ 1,334</u> | <u>\$ 33,022</u> | <u>\$ 14,455</u> |
| Earnings Per Unit (Note 2(f)) | <u>\$ 0.38</u> | <u>\$ 0.24</u> | <u>\$ 0.97</u> | <u>\$ 0.74</u> | <u>\$ 2.89</u> | <u>\$ 1.50</u> |
| Average Number Of Units Outstanding During The Year (000's) | <u>656</u> | <u>74</u> | <u>1,999</u> | <u>1,789</u> | <u>11,443</u> | <u>9,614</u> |

(1) Net of withholding taxes, where applicable.

NORTH GROWTH MUTUAL FUNDS

STATEMENTS OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2006
(in thousands of dollars)

| | Canadian Money Market Fund | | Canadian Equity Fund | | U.S. Equity Fund | |
|---|----------------------------------|----------|-------------------------|-----------|---------------------|------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Increase In Net Assets From Operations | \$ 247 | \$ 179 | \$ 1,931 | \$ 1,334 | \$ 33,022 | \$ 14,455 |
| Distributions To Unitholders | | | | | | |
| From net investment income | (247) | (179) | - | - | - | - |
| From net realized gain on investments | - | - | (1,150) | (2,347) | - | (27,315) |
| | (247) | (179) | (1,150) | (2,347) | - | (27,315) |
| Capital Unit Transactions | | | | | | |
| Units issued on sales | 2,303 | 1,948 | 3,436 | 6,759 | 67,191 | 33,317 |
| Units issued on reinvestment of distributions | 247 | 179 | 1,150 | 2,347 | - | 27,240 |
| Units redeemed | (2,363) | (4,435) | (1,977) | (6,030) | (62,838) | (22,728) |
| | 187 | (2,308) | 2,609 | 3,076 | 4,353 | 37,829 |
| Increase (Decrease) In Net Assets | 187 | (2,308) | 3,390 | 2,063 | 37,375 | 24,969 |
| Net Assets, Beginning Of Year | 6,151 | 8,459 | 22,406 | 20,343 | 256,772 | 231,803 |
| Net Assets, End Of Year | \$ 6,338 | \$ 6,151 | \$ 25,796 | \$ 22,406 | \$ 294,147 | \$ 256,772 |

NORTH GROWTH CANADIAN MONEY MARKET FUND

STATEMENT OF INVESTMENTS

DECEMBER 31, 2006
(in thousands of dollars)

| Face Value | Short-term Notes | Average Cost and Market Value | % of Net Assets |
|------------|---|-------------------------------|-----------------|
| \$ 300 | Shell Canada Ltd., 4.30%, January 3, 2007 | \$ 299 | 4.72 |
| 250 | Vancouver City Savings Credit Union, 4.32%, January 4, 2007 | 249 | 3.92 |
| 250 | Bear Stearns Companies Inc., 4.30%, January 5, 2007 | 249 | 3.92 |
| 300 | Pure Trust, 4.33%, January 5, 2007 | 299 | 4.72 |
| 300 | Caterpillar Financial Services Inc., 4.30%, January 8, 2007 | 299 | 4.72 |
| 300 | Citigroup Finance Canada Ltd., 4.30%, January 8, 2007 | 299 | 4.72 |
| 300 | PSP Capital, 4.29%, January 8, 2007 | 298 | 4.70 |
| 300 | Stars Trust, 4.30%, January 8, 2007 | 299 | 4.72 |
| 300 | GE Capital Canada Funding Company, 4.31%, January 9, 2007 | 299 | 4.72 |
| 300 | Britannia Building Society, 4.30%, January 11, 2007 | 299 | 4.72 |
| 300 | CDP Financial Inc., 4.30%, January 11, 2007 | 299 | 4.72 |
| 100 | Depfa Bank, 4.30%, January 11, 2007 | 100 | 1.58 |
| 275 | FB Funding Company, 4.30%, January 11, 2007 | 274 | 4.32 |
| 200 | Paccar Financial Services Inc., 4.30%, January 12, 2007 | 199 | 3.14 |
| 150 | Plaza Trust, 4.33%, January 12, 2007 | 149 | 2.35 |
| 300 | Honda Canada Finance Inc., 4.30%, January 15, 2007 | 299 | 4.72 |
| 300 | Caisse Centrale Desjardins, 4.30%, January 17, 2007 | 299 | 4.72 |
| 300 | Credit Union Central of British Columbia, 4.30%, January 17, 2007 | 299 | 4.72 |
| 300 | Goldman Sachs Canada Finance Co., 4.29%, January 22, 2007 | 299 | 4.72 |
| 300 | Storm King Funding Trust, 4.34%, January 23, 2007 | 299 | 4.72 |
| 270 | HSBC Bank of Canada, 4.30%, January 24, 2007 | 269 | 4.24 |
| 100 | Max Recovery Canada Company, 4.30%, January 24, 2007 | 99 | 1.56 |
| 300 | US Bank NA Canada Branch, 4.30%, January 24, 2007 | 299 | 4.72 |
| 250 | Wells Fargo Financial Canada Corporation, 4.31%, January 24, 2007 | 249 | 3.92 |
| | Total investments | <u>6,321</u> | 99.73 |
| | Other assets less liabilities | <u>17</u> | 0.27 |
| | Net assets | <u>\$ 6,338</u> | 100.00 |

NORTH GROWTH CANADIAN EQUITY FUND

STATEMENT OF INVESTMENTS

DECEMBER 31, 2006
(in thousands of dollars)

| Number of Shares | Canadian Common Shares | Average Cost | Market Value | % of Net Assets |
|---------------------|--|------------------|------------------|--------------------|
| 82,800 | Biovail Corporation | \$ 2,203 | \$ 2,036 | 7.89 |
| 34,000 | Cognos Inc. | 1,508 | 1,684 | 6.53 |
| 100,900 | Sierra Wireless Inc. | 1,352 | 1,655 | 6.42 |
| 106,000 | WestJet Airlines Ltd. | 1,286 | 1,583 | 6.14 |
| 140,100 | GSI Group Inc. | 1,555 | 1,582 | 6.13 |
| 162,300 | Tundra Semiconductor Corporation | 2,091 | 1,550 | 6.01 |
| 159,700 | Angiotech Pharmaceuticals Inc. | 2,243 | 1,532 | 5.94 |
| 117,000 | ATS Automation Tooling Systems Inc. | 1,337 | 1,306 | 5.06 |
| 325,000 | Bombardier Inc., Class B | 921 | 1,284 | 4.98 |
| 39,436 | BCE Inc. | 1,087 | 1,238 | 4.80 |
| 39,200 | Dorel Industries Inc., Class B | 1,342 | 1,236 | 4.79 |
| 416,300 | Zarlink Semiconductor Inc. | 901 | 1,053 | 4.08 |
| 62,700 | DataMirror Corporation | 619 | 1,028 | 3.99 |
| 23,400 | Sobeys Inc. | 816 | 958 | 3.71 |
| 22,800 | Saputo Inc. | 807 | 843 | 3.27 |
| 157,500 | Emergis Inc. | 759 | 832 | 3.23 |
| 18,100 | MacDonald, Dettwiler and Associates Ltd. | 446 | 775 | 3.00 |
| 110,700 | EXFO Electro-Optical Engineering Inc. | 734 | 731 | 2.83 |
| 22,500 | Nortel Networks Corporation | 546 | 704 | 2.73 |
| 47,500 | Jean Coutu Group (PJC) Inc., Class A | 553 | 653 | 2.53 |
| 70,000 | Ballard Power Systems Inc. | 394 | 466 | 1.81 |
| 34,700 | Compton Petroleum Corporation | 391 | 370 | 1.43 |
| 33,200 | Cossette Communication Group Inc. | 325 | 360 | 1.40 |
| 63,600 | Viceroy Homes Limited, Class A | 300 | 272 | 1.05 |
| | Total investments | <u>\$ 24,516</u> | <u>25,731</u> | 99.75 |
| | Other assets less liabilities | | <u>65</u> | 0.25 |
| | Net assets | | <u>\$ 25,796</u> | 100.00 |

NORTH GROWTH U.S. EQUITY FUND

STATEMENT OF INVESTMENTS

DECEMBER 31, 2006
(in thousands of dollars)

| Number of Shares | Foreign Common Shares | Average Cost | Market Value | % of Net Assets |
|---------------------|--------------------------------|-------------------|-------------------|--------------------|
| 945,260 | Cisco Systems Inc. | \$ 19,764 | \$ 30,106 | 10.24 |
| 585,400 | Microsoft Corporation | 17,674 | 20,371 | 6.93 |
| 461,910 | General Electric Company | 17,785 | 20,031 | 6.81 |
| 724,600 | Applied Materials Inc. | 14,398 | 15,580 | 5.30 |
| 133,000 | Apple Computer Inc. | 2,296 | 13,150 | 4.47 |
| 306,000 | St. Jude Medical Inc. | 12,116 | 13,038 | 4.43 |
| 430,000 | Pfizer Inc. | 11,492 | 12,979 | 4.41 |
| 379,000 | Citrix Systems Inc. | 10,226 | 11,948 | 4.06 |
| 189,000 | Bank of America Corporation | 9,738 | 11,760 | 4.00 |
| 380,000 | Bristol-Myers Squibb Company | 10,464 | 11,656 | 3.96 |
| 445,403 | DSP Group Inc. | 11,237 | 11,264 | 3.83 |
| 210,000 | Biomet Inc. | 8,698 | 10,100 | 3.43 |
| 82,500 | NIKE Inc., Class B | 8,022 | 9,521 | 3.24 |
| 261,000 | American Eagle Outfitters Inc. | 4,709 | 9,493 | 3.23 |
| 323,900 | Sybase Inc. | 7,168 | 9,324 | 3.17 |
| 230,500 | Safeway Inc. | 6,855 | 9,284 | 3.16 |
| 243,900 | Texas Instruments Inc. | 7,032 | 8,186 | 2.78 |
| 151,000 | Wal-Mart Stores Inc. | 8,552 | 8,127 | 2.76 |
| 154,800 | Adobe Systems Inc. | 3,690 | 7,418 | 2.52 |
| 158,200 | Ethan Allen Interiors Inc. | 6,996 | 6,657 | 2.26 |
| 220,000 | Dell Inc. | 5,013 | 6,433 | 2.19 |
| 64,200 | WellPoint Inc. | 3,653 | 5,887 | 2.00 |
| 219,500 | Chico's FAS Inc. | 5,901 | 5,293 | 1.80 |
| 210,000 | Intel Corporation | 4,161 | 4,956 | 1.68 |
| 132,500 | Timberland Company, Class A | 4,654 | 4,876 | 1.66 |
| 170,000 | Cheesecake Factory Inc. | 5,364 | 4,874 | 1.66 |
| 46,300 | Dionex Corporation | 1,960 | 3,060 | 1.04 |
| 150,000 | Federal Signal Corporation | 2,763 | 2,804 | 0.95 |
| 201,100 | Mesa Air Group Inc. | 1,922 | 2,008 | 0.68 |
| | Total investments | <u>\$ 234,303</u> | <u>290,184</u> | 98.65 |
| | Other assets less liabilities | | <u>3,963</u> | 1.35 |
| | Net assets | | <u>\$ 294,147</u> | 100.00 |

NORTH GROWTH MUTUAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. The Funds

The North Growth Canadian Money Market Fund (the “Canadian Money Market Fund”), the North Growth Canadian Equity Fund (the “Canadian Equity Fund”), and the North Growth U.S. Equity Fund (the “U.S. Equity Fund”) are open-ended mutual funds established under the laws of the Province of British Columbia. The fiscal year end of the Funds is December 31.

These financial statements are denominated in Canadian dollars. Also, for purposes of these financial statements:

- (a) reference herein to “Fund” or “Funds” refers individually or collectively, respectively, to the above-mentioned funds;
- (b) reference to “year” or “years” includes, where applicable, “period” or “periods”.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

(a) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in these financial statements. Actual results may differ from those estimates.

(b) Basis of determining market value

Each investment security, other than short term notes, is valued at the closing sales price thereof as reported by the principal securities exchange on which the security is traded or the closing net asset value of the respective mutual fund. If no sale is reported, the average of the latest bid and ask price is used, or the securities

are valued at their fair value as determined by North Growth Management Ltd. on the basis of the latest reported information available. Short term notes are valued at cost which, together with accrued interest, approximates market value.

(c) Investment transactions and income

Investment transactions are accounted for on the day that a buy or sell order is executed. Dividend income, including stock dividends, is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Realized gains and losses on investment transactions and the unrealized appreciation or depreciation of investments are computed on an average cost basis.

The average cost of mutual fund units includes the original cost of purchases plus the reinvestment of distributions received. The Funds recognize as investment income that portion of the distributions relating to dividends and interest income. The balance of any distributions relating to the net realized gain on sale of investments is included in unitholders' equity.

(d) Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing on the year-end date except for the historical costs of investments which are translated at the rate of exchange prevailing on the date of purchase. The proceeds from sale of investments and investment income in foreign currencies are translated into Canadian dollars at the approximate rate of exchange prevailing on the dates of such transactions. Gains and losses from transactions in and the translation of foreign currencies are considered to be investment transactions and accordingly, are included in the net gain or loss on investments.

2. Significant Accounting Policies, continued

- (e) Unrealized appreciation or depreciation of investments

The unrealized appreciation or depreciation of investments represents the aggregate of the difference between their average cost and market value at the year-end date.

- (f) Per unit amounts

The net asset value per unit is calculated based on the number of units outstanding post-distribution at the end of the year.

Earnings per unit in the Statement of Operations represents the increase (decrease) in net assets from operations, divided by the average number of units outstanding during the year.

3. Income Taxes

The Canadian Money Market Fund is classified as a “Unit Trust” under the Income Tax Act. The Fund distributes to its unitholders all of its annual taxable income, including its taxable net realized capital gains, with the result that the Fund is not liable for any income taxes.

The Canadian Equity Fund and the U.S. Equity Fund are classified as “Mutual Fund Trusts” under the Income Tax Act. The Funds distribute to their unitholders all of their annual taxable income, including such portion of their taxable net realized capital gains, as will result in the Funds not being liable for any income taxes.

Income tax legislation currently allows a qualifying Mutual Fund Trust to elect to have a taxation year-end of December 15 instead of December 31. The Canadian Equity Fund and the U.S. Equity Fund have made such an election.

4. Distributions To Unitholders

The Canadian Money Market Fund allocates its taxable net investment income to its unitholders on a daily basis and distributes that amount on a monthly basis.

The Canadian Equity Fund and the U.S. Equity Fund make annual distributions to unitholders of their taxable net investment income and the net realized capital gains on sale of investments.

The distributions are reinvested in additional units of the Funds unless a unitholder elects to receive his or her proportionate share of any distributions in cash.

5. Unitholders' Equity

Unitholders' equity includes the Fund units outstanding, retained net investment income and net realized gains or losses on sale of investments, and the unrealized appreciation or depreciation of investments.

There is one class of authorized units and the number of units that may be issued is unlimited. Fund units are sold, and are redeemable at the holder's option, in accordance with the provisions of the Trust Agreement at the prevailing net asset value per unit.

The number of units issued and redeemed during the year were as follows:

NORTH GROWTH MUTUAL FUNDS
NOTES TO THE FINANCIAL STATEMENTS...

DECEMBER 31, 2006

5. Unitholders' Equity, continued

| | 2006 | 2005 |
|-----------------------------------|--------------------|--------------------|
| Canadian Money Market Fund | | |
| Balance, beginning of the year | 615,131.998 | 845,914.495 |
| Issued during the year | | |
| Sales | 230,220.697 | 194,797.877 |
| On reinvestment of distributions | 24,746.163 | 17,938.582 |
| | <u>254,966.860</u> | <u>212,736.459</u> |
| | 870,098.858 | 1,058,650.954 |
| Redeemed during the year | <u>236,304.740</u> | <u>443,518.956</u> |
| Balance, end of the year | <u>633,794.118</u> | <u>615,131.998</u> |

| | 2006 | 2005 |
|----------------------------------|----------------------|----------------------|
| Canadian Equity Fund | | |
| Balance, beginning of the year | 1,839,042.651 | 1,578,019.113 |
| Issued during the year | | |
| Sales | 266,228.142 | 530,724.690 |
| On reinvestment of distributions | 93,860.455 | 193,085.314 |
| | <u>360,088.597</u> | <u>723,810.004</u> |
| | 2,199,131.248 | 2,301,829.117 |
| Redeemed during the year | <u>159,194.417</u> | <u>462,786.466</u> |
| Balance, end of the year | <u>2,039,936.831</u> | <u>1,839,042.651</u> |

| | 2006 | 2005 |
|----------------------------------|-----------------------|-----------------------|
| U.S. Equity Fund | | |
| Balance, beginning of the year | 11,242,201.827 | 9,649,724.630 |
| Issued during the year | | |
| Sales | 2,730,861.505 | 1,326,300.177 |
| On reinvestment of distributions | - | 1,180,629.157 |
| | <u>2,730,861.505</u> | <u>2,506,929.334</u> |
| | 13,973,063.332 | 12,156,653.964 |
| Redeemed during the year | <u>2,547,858.981</u> | <u>914,452.137</u> |
| Balance, end of the year | <u>11,425,204.351</u> | <u>11,242,201.827</u> |

6. Management Fees and Other Expenses

North Growth Management Ltd. is the Manager of the Funds and provides research, accounting, sales and management services, and acts as investment advisor. Management fees are calculated and payable by the Funds as follows:

Canadian Money Market Fund

Management fees are calculated daily and payable monthly at an annual rate of 0.25% of the net asset value of the Fund. The Manager has absorbed all other expenses of the Fund.

Canadian Equity Fund

Management fees are calculated daily and payable monthly at an annual rate of 1.25% of the net asset value (excluding investments in other mutual funds) of the Fund. The Manager has absorbed all other expenses of the Fund.

U.S. Equity Fund

Management fees are calculated daily and payable monthly at an annual rate of 1.2% of the net asset value of the Fund. The Manager has absorbed all other expenses of the Fund.

7. Foreign Currencies

The net realized gain on sale of investments in the US Equity Fund includes gains from foreign currencies of \$74,000 in 2006 and losses from foreign currencies of \$248,000 in 2005.

8. Portfolio Transactions

Information (unaudited) as to portfolio transactions is available to unitholders without charge on request to the head office of the Funds, 830 - 505 Burrard Street, Vancouver, British Columbia, V7X 1M4.

Commissions paid or payable to investment dealers and brokers during each of the last two years in connection with portfolio transactions for the Funds were as follows:

| <u>Fund</u> | <u>2006</u> | <u>2005</u> |
|----------------------|-------------|-------------|
| Canadian Equity Fund | \$ 54,000 | \$ 63,000 |
| U.S. Equity Fund | 439,000 | 429,000 |

9. Adoption of Future Accounting Standards

On April 1, 2005, the Canadian Institute of Chartered Accountants issued Section 3855, Financial Instruments – Recognition and Measurement, of the CICA Handbook – Accounting, which establishes GAAP for financial reporting purposes. Section 3855 applies to fiscal years beginning on or after October 1, 2006. The adoption of this section will impact the valuation of the net asset value of an investment fund for financial reporting purposes.

INVESTING WITH NORTH GROWTH MANAGEMENT

Investment Management Services

Our primary products are our equity funds; the North Growth US Equity Fund and the North Growth Canadian Equity Fund. We provide a high quality money market fund for the liquidity needs of our clients as well as a currency hedge product for those investors concerned about currency fluctuations. In-house RRSP/RRIFs are also available. We would be happy to discuss the role our funds could play in your investment portfolio.

Conducting Transactions

The cut-off time for same-day transactions is 4pm Eastern time or 1pm 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

www.northgrowth.com

Please visit our website to view Fund performance and current Fund reports.



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2006 ANNUAL REPORT
& AUDITED FINANCIAL STATEMENTS

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For more about North Growth Management the Company,
please refer to our People + Philosophy brochure that is attached to the back cover of this report.