

GROWTH AT A
REASONABLE PRICE



2008 ANNUAL REPORT
& AUDITED FINANCIAL STATEMENTS

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Our Focus is Growth

Staying focused — 2008 was a white-knuckle year for investors. While these challenging times have made many investors lose confidence in their investments, it's now more important than ever for investors to remain focused.

At North Growth Management, as always, we continue to adhere to our disciplined long term investment approach. This simply means focusing on what we have been doing over the past years: doing our research and investing only in companies that meet our "growth at a reasonable price" standards. As our record shows, this approach has worked well for us over the long term, and we firmly believe it will work well going forward.

We've said it before, but it's worth saying again: in times like these, focusing on the long term and staying the course is critical, because as quickly as a rollercoaster can go down—it can go up!

Letter to Unit Holders



"Historically our results have always been at their relative strongest during the first years of a new bull market..."

Rudy North

Dear Unit Holder,

In view of the "once in a lifetime" significance of the 2008 bear market, banking crisis and record rates of decline in economic activity, I feel this year's message should be profound, full of confidence, and insightful or at least helpful. Some of the most important points that I can think of have been presented in our monthly reports; the last four monthly reports are worth reading over. Others are worth elaborating on....

The S&P 500 was down 51.9% from its high in October 2007 to the November 20th low in 2008 and the 10-year period to November 20, 2008 has been the worst for US equities since the decade of the '30s. What should investors expect following such depressing results?

First of all, bear markets end and the year following the bottom of the market cycle is always a most rewarding year. Usually it is the most rewarding year to own stocks in the entire cycle. Ironically, for investors who wait for the economic picture to improve, the second year of a bull market tends to record a significantly smaller gain, and of course, they entirely miss out on the year that contributes the most to the long term results of equity investing.

Second, since it is widely believed that the current economic problems are the worst that have been faced since the 1930s and the current bear market has been the worst since 1931, it seems appropriate to check on what the market did next. Following 1931, the new bull market started in mid-year 1932 and rose 121.4% in its first twelve months. In 1933 the market was up 44.1% and by the peak of the market in 1937 the gain was 324.3%. The current economic situation is nowhere near as poor as it was in

1931. After Roosevelt came to power he reversed the restrictive policies that were in place in the first years of the '30s and applied the massive stimulus of the New Deal. The current stimulus package has been put in place much quicker than in the early '30s. It doesn't seem reasonable to think it won't work.

We have just experienced an extremely severe market decline that has had several selling climaxes that have displayed all of the typical signs that emerge at the bottom of a bear market. The economic background that fueled the market decline is unique in the sense that it was caused by unimaginable recklessness, naïveté, and, in the minds of most observers, plain unchecked greed at the centre of the financial system. Hopefully, the lessons learned from this nonsense will result in a move to better business practices and a rethink of much of the school of investment theory that has led to a near breakdown of the banking system and financial industry. This little tirade possibly works against my purpose of confidence building; however, the point that I would like to make is that investors have already aggressively discounted these problems and paid the price with a near-record breaking bear market.

The current bear market has reflected a credit crisis and economic problems that are documented more succinctly in our economic commentary on page 15. This bear market is unlike the two other major bear markets in the post World War II period. The bear markets of 1973-74 and 2000-02 were reactions to the overconfidence of investors who had placed high valuations on equities as measured by record high price/earnings ratios. This bear market started with excesses in the housing sector but lacked the general euphoric mood of over-optimism that accompanies the overvaluation of

“...I do believe that the inevitable bull market will start in 2009... in hindsight it will most likely be considered as the best buying opportunity for a generation of investors...”

Rudy North

equities common to the top of market cycles. Addressing that overvaluation typically plays more of a role in the market's decline than discounting the impact of the economy. In this bear market, the entire decline of 51.9% has been directed at discounting the current economic problems.

The strong long term record of the North Growth US Equity Fund has been generated from our stock picking ability grounded in our “growth at a reasonable price” investment philosophy and fundamental company research that stresses understanding the businesses in which we invest.

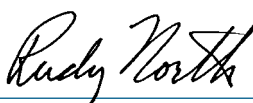
The reasons for the US Fund's current concentration in large-cap stocks in world-leading companies are strong. These companies are selling at the low end of their historic P/E range which is well below the level that their past earnings record and future earnings outlook justifies. As a group, and individually, they have industry leading products, in many cases at very early stages of their product life cycles. Recent earnings have been strong and the most current earnings, although obviously affected by the weak economy, are very good. As a group, even in the midst of a credit crisis, they have exceptional balance sheets. From an operating point of view, they are well positioned to benefit from an upturn in the economy.

I am proud of how well Rory and his investment team have positioned the Funds and how rationally they continue to actively manage the portfolios. My

money is being managed the way I always tried to manage it over my entire investment career. Historically our results have always been at their relative strongest during the first years of a new bull market which is exactly what I would expect based on my knowledge of the market cycle. We should expect little comfort from the headline economic and business news in the months ahead. Bad news will continue to keep investors nervous well into the bull market which I believe will be much better than most investors currently expect during these trying times.

Yes, I do believe that the inevitable bull market will start in 2009, possibly very soon, maybe later. Regardless, in hindsight it will most likely be considered as the best buying opportunity for a generation of investors and salvation to older investors who have been put through an emotional wringer at a most inappropriate time but have managed to stay invested in equities.

Yours truly,



Rudy North, President
North Growth Management Ltd.

This table records all the bear markets since the end of World War II

Date of Market Peak	Date of Market Trough	Return Peak to Trough	Duration of Past Bear Markets
05/29/1946	06/13/1949	-30%	36.5 mos
08/02/1956	10/22/1957	-22%	15 mos
12/12/1961	06/26/1962	-28%	6.5 mos
02/09/1966	10/07/1966	-22%	8 mos
11/29/1968	05/26/1970	-36%	18 mos
01/11/1973	10/03/1974	-48%	20.5 mos
09/21/1976	03/06/1978	-19%	17.5 mos
11/28/1980	08/12/1982	-27%	20.5 mos
08/25/1987	12/24/1987	-34%	4 mos
07/16/1990	10/11/1990	-20%	3 mos
07/17/1998	08/31/1998	-19%	1.5 mos
03/28/2000	10/09/2002	-49%	30.5 mos

This table appeared in our February 2008 monthly report.

For an overview of what happened last year, please refer to our monthly report library on our website at www.northgrowth.com/library/monthly.

Performance Results

Average Annual Compound Rates of Return

It is virtually impossible to correctly judge a 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.

Annual Rates of Return

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. This data also shows that our outstanding long term results were not achieved by having stellar results in every single year. In equity investing, it should be noted that performance results will periodically

fall below expected or desired levels and this is why we emphasize the use of longer term results in the evaluation of performance. Furthermore, a year or more of exceptionally strong performance should not give rise to unreasonably high long term expectations. A superior long term record does not mean every year was (or will be) exceptional but it does mean that despite some years of low returns we have delivered on our mandate to provide superior long term results.

North Growth (NGM) Equity Funds and Market Indices

Annualized Rates of Return (%) for Periods Ending December 31, 2008

NGM US Equity Fund	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	7 yrs	8 yrs	9 yrs	10 yrs	15 yrs	Since Inception*
US Equity Fund \$CDN	-26.7	-19.2	-9.7	-5.9	-4.1	0.3	-0.1	1.5	5.5	5.6	9.4	10.8
S&P 500 \$CDN	-22.6	-16.7	-6.9	-4.9	-3.4	-1.9	-5.2	-5.4	-5.4	-3.6	5.9	6.9
US Equity Fund \$US	-40.4	-21.0	-11.1	-6.2	-2.9	4.7	3.9	4.2	7.5	8.1	10.0	10.9
S&P 500 \$US	-37.0	-18.5	-8.4	-5.2	-2.2	2.4	-1.5	-2.9	-3.6	-1.4	6.5	7.0
S&P 400 MidCap \$US	-36.2	-17.0	-8.8	-3.8	-0.1	5.1	2.1	1.7	3.4	4.5	9.1	10.1
S&P 600 SmallCap \$US	-31.1	-17.1	-7.5	-3.9	0.9	6.4	3.1	3.5	4.4	5.2	7.8	9.4
NASDAQ Composite \$US†	-40.0	-18.4	-9.8	-7.0	-4.0	3.5	-2.3	-4.9	-9.5	-2.7	4.8	6.4
NGM Canadian Equity Fund	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	7 yrs	8 yrs	9 yrs	10 yrs	15 yrs	Since Inception**
CDN Equity Fund \$CDN									-	-	-	
S&P/TSX \$CDN	-33.0	-14.2	-4.8	1.7	4.2	7.6	4.5	2.2	-	-	-	-0.6

* NGM US Equity Fund Inception October 13, 1992

** NGM Canadian Equity Fund Inception September 1, 2000

† Return Since Inception and for the 15-year period for the NASDAQ is simple price appreciation only because Total Return data is not available on Bloomberg

North Growth (NGM) Equity Funds and Market Indices

Annual Rates of Return (%) for Calendar Years

NGM US Equity Fund	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
US Equity Fund \$CDN	-26.7	-10.9	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	-22.6	-10.3	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
US Equity Fund \$US	-40.4	4.7	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	-37.0	5.5	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	-36.2	8.0	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	-31.1	-0.3	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*	-40.0	10.7	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
NGM Canadian Equity Fund	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
CDN Equity Fund \$CDN									-	-	-	-	-	-	-	-
S&P/TSX \$CDN	-33.0	9.8	17.3	24.1	14.5	26.7	-12.4	-12.6	-	-	-	-	-	-	-	-

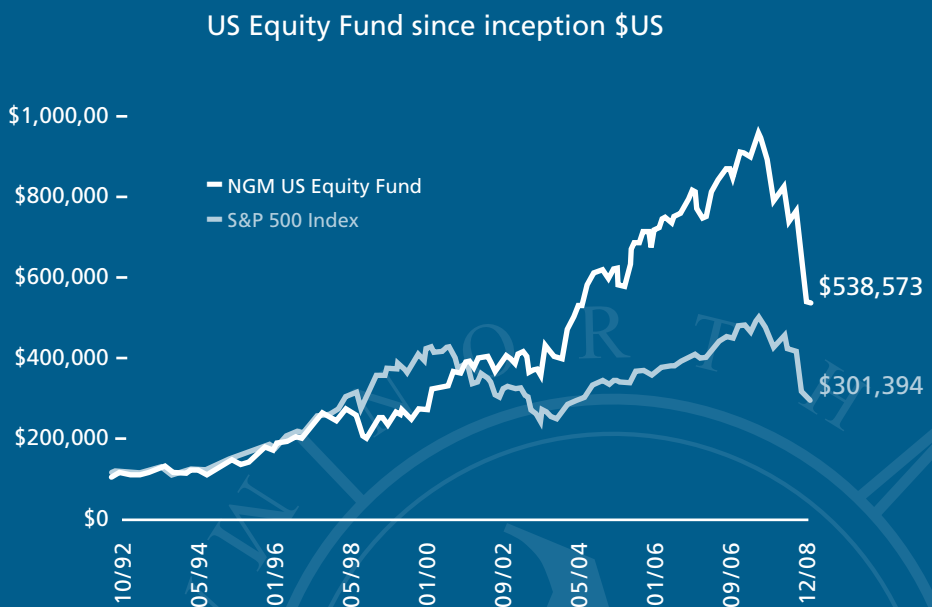
Source: Bloomberg "Total Return Analysis"

*Price appreciation only for NASDAQ in 1993 and 1994

NAVPS (US FUND): December 31, 2008 \$ 16.77 CDN
\$ 13.77 US

NAVPS (CANADIAN FUND): December 31, 2008 \$ 6.00 CDN

Performance



If you had invested \$100,000 at October 13, 1992 to December 31, 2008, your investment value would be \$538,573.

2008 Performance Review

The North Growth Family of Funds

Our Funds – Our Progress

A consistent investment philosophy is the best assurance of good long term results.

At times it is difficult to stay with this discipline. Nevertheless, that is what we are doing and we believe the time is past due for change in market leadership to our style of growth investing.

The principal reasons why investors buy our Funds:

- Our long term record
- Acceptance of our investment philosophy
- Respect for our judgment

NGM US Equity Fund

2008 ended up being the worst year in decades for the US equity markets. All the major indices fell significantly for the year as equity price declines accelerated in the last quarter. The S&P 500 Index lost 37.0% in 2008, while the S&P 400 MidCap and the S&P 600 SmallCap indices fared only slightly better with returns of -36.2% and -31.1% respectively. The NASDAQ Composite underperformed the group, declining 40.0%. In 2008, the North Growth US Equity Fund was

down 40.4% in US dollars, trailing the S&P 500 by 3.4% and closely tracking the NASDAQ. In contrast to last year, the Canadian dollar weakened against the US dollar during 2008, particularly in the latter half of the year. Consequently, in Canadian dollars, the Fund declined 26.7% versus the S&P 500 which lost 22.6%.

NGM Canadian Equity Fund

While there are a number of synonyms we could use to describe 2008, none of them would capture our disappointment in the performance of the Canadian Equity Fund in 2008. The Fund was down █████ compared to a 33.0% drop for the S&P/TSX Index. As we entered 2008 we felt the Fund was well positioned to avoid a severe correction in commodities which, after an extended bull cycle, finally came to fruition. Fears of economic and financial collapse grew,

however, and panicked and forced selling ensued leaving many equities pricing in financial Armageddon rather than a severe recession. As liquidity evaporated there were few places to hide and the Fund suffered disproportionately. Even the exposure to the US dollar that many of the holdings have failed to benefit the Fund as the US dollar gained strongly against most currencies. Following these disappointing results, the Fund's holdings are extremely compelling with many P/E ratios deep in single digit territory; some companies are valued near or below their cash

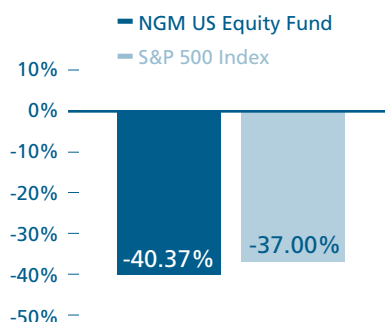
NGM Canadian Money Market Fund

The Money Market Fund's current yield at the end of 2008 was 1.48%, significantly lower than the 4.28% yield at the beginning of the year. As credit conditions continued to weaken throughout the year, the Bank of Canada, along with other central banks across the globe, aggressively cut its overnight target rate. The overnight rate began 2008 at 4.25% and ended at 1.50%. Due to the short average maturities within

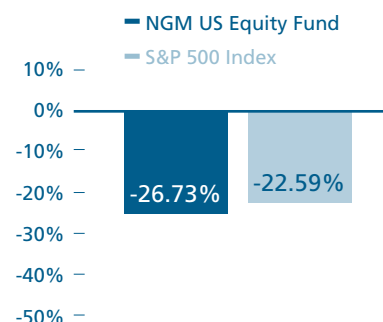
the Money Market Fund of 30 days or less, the direction of the Fund's current yield corresponds closely with the direction in Canadian short term interest rates. For the year, the Fund returned 2.92%, 0.35% above the 2.57% return for 30-day Treasury Bills. Over the past five years, the average annual return for the Fund was 3.11%, virtually reflecting the 3.12% average annual return for 30-day T-Bills.

Since the latter half of 2007, following the fallout from the subprime mortgage crisis, the short term credit markets have remained

1-Year Performance Comparison \$US



1-Year Performance Comparison \$CDN

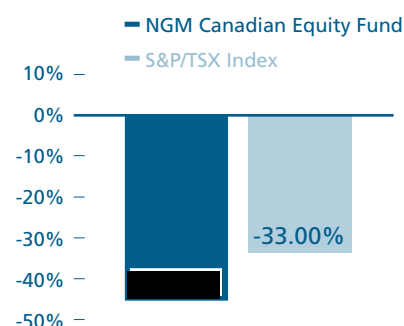


holdings. More importantly, despite the holdings being down significantly, which some investors may interpret as a negative signal of their health, we are tremendously encouraged by their bright prospects.

For the Canadian market overall, while we have seen a significant retrenchment in commodity prices, the equities still reflect expectations of considerably higher commodity prices in the not too distant future. We feel the bullishness on commodities will be relatively short-lived as demand for commodities will not likely bounce back as strongly or quickly as most

investors expect. Typically at the end of a cycle, the collapsed sector is the last thing investors want to contemplate. Given that many investors want to get back into commodities or increase their exposure, expectations are not yet washed out. We also feel Canadian financials have not yet begun to feel the real effects of a recession or the much talked about deleveraging cycle. While we are very encouraged about our portfolio, we see significant risk to the broader Canadian market especially when compared to the US market which is much further ahead in digesting its problems.

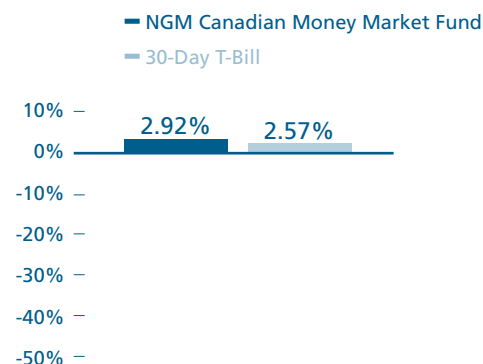
1-Year Performance Comparison



stressed as investors continue to seek the safe haven of Treasury Bills and government guaranteed notes. The safety of money market assets has been called into question following publicized problems at certain third-party asset-backed commercial paper (ABCP) programs and certain instances of money market funds in the US "breaking the buck", an occurrence when investors receive less than a dollar for each dollar invested. The Money Market Fund has always maintained a well-diversified portfolio of Canadian money market securities with an emphasis on high

credit ratings. The Fund has not held any ABCP for almost two years and has largely been unaffected by the dislocations in the credit markets. We have consistently managed the Fund for safety rather than yield and believe that the Money Market Fund is a good proxy for the risk free rate. The outperformance of the Fund relative to its peers in Canada is solely due to its very low 0.25% all-inclusive management fee.

1-Year Performance Comparison



Running Five-Year Results

North Growth US Equity Fund Running Five-Year Results: Expressed in US Dollars

The Best Long Term Perspective of a Fund's Performance

We feel this is a measure that gives a particularly good long term perspective of a Fund's performance. Five years may be a longer period than many investors focus on, but it is the minimum meaningful period for evaluating performance. It presents longer term results in a way which are 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 effectively achieves this desired balance as it provides a complete record of the range of performance over all five-year holding periods. Moreover, looking at the complete series of consecutive five-year periods also gives a good insight into the range of five-year performance that has been typical over the long term.

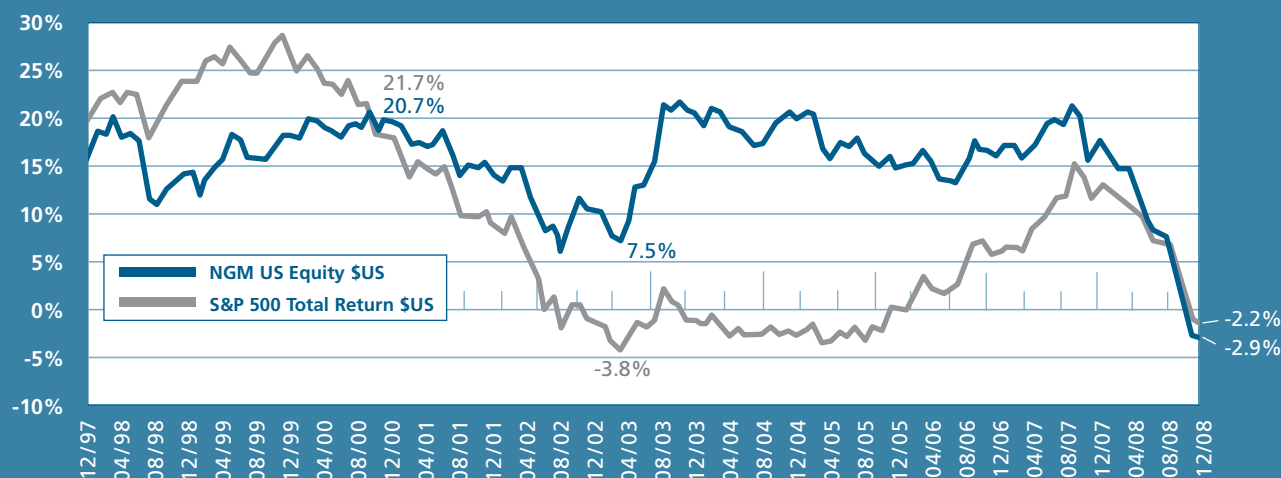
North Growth US Equity Fund Running Five-Year Results: Expressed in Canadian Dollars

As Canadian investors, it is important to understand the impact foreign exchange volatility can have on Canadian dollar denominated returns from our 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, 2008, the Fund's five-year average annual return in Canadian dollars was -4.1% versus -2.9% in US dollars. This 1.2% per annum difference contrasts to the unusually high 10.4% per annum difference witnessed last year when we stated our expectation for the Canadian dollar to trend down and the rolling five-year returns to begin to converge.

US Dollars

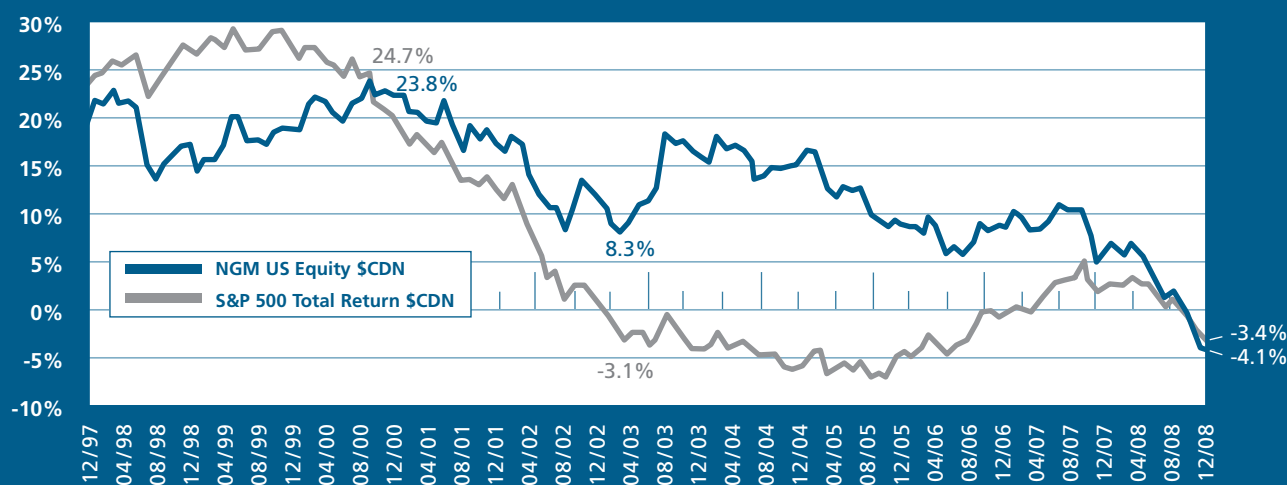
Running Five-Year Compound Average Annual Returns
The Complete Record of Every Month End Five-Year Holding Period During the Fund's Existence



This chart shows the annualized compound returns for the preceding five years from any point in time over the life of the Fund. For example, for the five-year period ending December 31, 2008, the average annual compound return for the US Equity Fund in US dollars is -2.9%.

Canadian Dollars

Running Five-Year Compound Average Annual Returns
The Complete Record of Every Month End Five-Year Holding Period During the Fund's Existence



This chart shows the annualized compound returns for the preceding five years from any point in time over the life of the Fund. For example, for the five-year period ending December 31, 2008, the average annual compound return for the US Equity Fund in CDN dollars is -4.1%.

Management Fees

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.

NGM US Equity Fund

All of North Growth's Funds have "all-inclusive" management fees. This means that each Fund's management fee is essentially equivalent to its MER or Management Expense Ratio (management fee plus other fund expenses). In 2008, the MER for the North Growth US Equity Fund was 1.20%. By comparison, the average MER for the US equity fund category was 2.61%, according to Globefund.com.

1.20%

NGM Canadian Equity Fund

In 2008, the MER for the North Growth Canadian Equity Fund was 1.25%. According to Globefund.com, the average MER for the Canadian equity fund category was 2.43%.

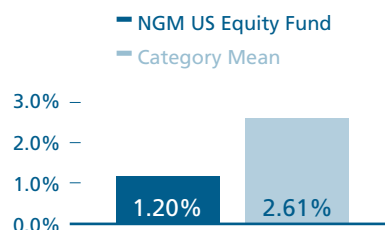
1.25%

NGM Canadian Money Market Fund

The Fund's 0.25% all-inclusive management fee is among the lowest in Canada and compares very favourably to the 1.03% average MER for the Canadian money market fund category. Due to its competitive fee, the Fund outperformed the average of the Globe and Mail's universe of Canadian money market funds by 0.9% in 2008.

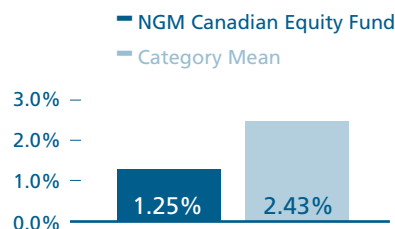
0.25%

NGM: 2008 MER
(Management Expense Ratio)
Comparison*



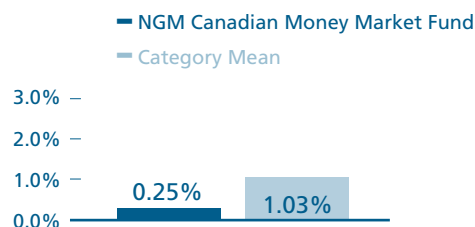
*Source: Globefund (Dec 2008)

NGM: 2008 MER
(Management Expense Ratio)
Comparison*



*Source: Globefund (Dec 2008)

NGM: 2008 MER
(Management Expense Ratio)
Comparison*



*Source: Globefund (Dec 2008)

FAQs on Fees –

Q: 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.

Q: 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.

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 (NI45-106).

Economic Commentary and Outlook for 2009

During 2007 and the first half of 2008, despite rising commodity prices, contracting home prices, and a severe credit crisis, the US economy was remarkably resilient, experiencing slow to moderate growth. This changed abruptly in September 2008 following the US government's rescue of Fannie Mae and Freddie Mac, the sale of Merrill Lynch to Bank of America, the bankruptcy of Lehman Brothers, and finally the seizure of AIG. The ensuing market turmoil further strained the global financial system to the point where a significant recession became reality.

The US economy contracted at an annual rate of 0.5% in the third quarter of 2008 and the preliminary estimate for the fourth quarter economic decline is -3.8%; excluding a buildup of inventories, the economy shrank 5.1% in the final three months of 2008. With hindsight, the National Bureau of Economic Research, which defines a recession as "a significant decline in economic activity spread across the economy lasting more than a few months", recently declared that the US has been in a recession since December 2007.

To be clear, this recession is now global, affecting not only the US, but also Europe, Japan, the emerging markets, and virtually every country including Canada. Around the world, consumers and businesses face tight credit conditions resulting in diminished spending. Commodity prices are tumbling, global trade is contracting, and economic activity across the board is falling. The current news flow is typical of a recession: declining corporate profits, lower capital budgets, increasing job cuts, worsening consumer confidence, et cetera. The problems behind the economic downturn have long been recognized and are reflected in the current market valuations.

As unprecedented as is the scale and depth of this economic malaise, so too are the stimulative measures that have been and continue to be implemented by governments and central banks everywhere. Liquidity injections to support struggling companies, bank rescues, increased government guarantees on deposits, direct purchases of "toxic" securities, in addition to massive fiscal stimulus packages that provide funds for infrastructure and investment spending are currently being enacted to relieve both the financial markets and broad economy.

Moreover, official short term interest rates are being cut dramatically across the globe. The US Federal Reserve began lowering its benchmark interest rate in September 2007 and currently maintains a target range for the federal funds rate at 0 to 0.25%. The drastic decline in the fed funds rate from 5.25% to basically nothing in 15 months illustrates the decisive and responsive monetary policy actions that have been undertaken by the Fed. Along with the fast easing of short term rates, the Fed has also employed other tools to support the credit markets and stimulate the economy, including expanding lending to financial institutions, purchasing high quality commercial paper, and purchasing longer term securities.

Undoubtedly, once banks begin to lend again making credit available to consumers and businesses, and confidence returns to the markets, an economic upturn will come about. Our opinion is that a gradual economic recovery will begin in the latter half of 2009. No one can predict precisely when the economy will grow again; however, based on history, we know that bear markets end while the economic news is still bad. So, while 2008 was the second worst bear market year in history, we look forward to 2009 being the year of a new bull market.



Portfolio Holdings



North Growth US Equity Fund Portfolio

AS OF DECEMBER 31, 2008

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*, *Dreamweaver*, *LiveCycle*, *Acrobat*, and *Creative Suite*.

American Eagle Outfitters, Inc... is a leading lifestyle retailer that designs, markets, and sells its own brand of casual clothing targeted at 15 to 25 year olds. Its collection includes modern basics like jeans, cargo pants, and graphic t-shirts as well as accessories, outerwear, and footwear. The company's newer store concepts include: *MARTIN + OSA*, which targets 28 to 40 year old women and men, and *aerie*, which offers dormwear and intimates collections for the AE girl. Its latest online initiative, *77kids*, offers durable clothing and accessories for kids ages 2 to 10.

Apple, Inc... is a leading designer, manufacturer, and marketer of personal computers and related products, portable digital music players, and mobile communication devices. Some of its popular products include the *iMac*, *MacBook*, *Mac mini*, *iPod*, *AppleTV*, and *iPhone*.

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. The company also provides equipment to produce thin film transistor liquid crystal displays (LCDs) and has recently entered the emerging solar industry by supplying solutions to produce solar cells, flexible electronics, and energy efficient glass.

Boston Scientific Corporation... is a global medical device company that provides minimally-invasive products and services across several medical specialties including interventional cardiology, cardiac rhythm management, peripheral interventions, electrophysiology, neurovascular intervention, endoscopy, urology, gynaecology, and neuromodulation.

Bristol-Myers Squibb Company... is a global biopharmaceutical company. Its prescription drugs, which cover key areas in cardiovascular, virology, oncology, and psychiatric disorders, include: *Plavix* (for heart attacks and

strokes), *Baraclude* (for hepatitis B), *Reyataz* (for HIV), *Sustiva* (for HIV), *Orencia* (for rheumatoid arthritis), *Sprycel* (for cancer), *Ixempra* (for breast cancer), *Avapro* (for hypertension), *Abilify* (for schizophrenia and bipolar disorders), and *Erbix* (for colorectal cancer).

Cerner Corporation... designs, develops, markets, installs, and supports information technology and content solutions for healthcare organizations and consumers. These solutions, which can be implemented as stand-alone, combined or enterprise-wide systems, are designed to supply the appropriate health information and knowledge to providers on a real-time basis. Cerner is among the largest healthcare information technology companies in the United States.

Cheesecake Factory, Inc... is a full-service dining concept that offers an extensive evolving menu of more than 200 menu items in an upscale, high-energy casual setting. Its second concept, *Grand Luxe Café*, is an upscale, casual dining restaurant that offers unique American and international cuisine selections in an elegant but relaxed atmosphere. The company also operates two bakery production facilities that produce over 40 varieties of cheesecakes and other baked products for its restaurants and other foodservice operators, retailers, and warehouse clubs.

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.

Citigroup, Inc... is a diversified financial services company with global operations in the U.S., Japan, Asia, Latin America, Mexico, Europe, the Middle East, and Africa. The company provides a wide range of services including consumer and corporate banking, credit cards, investment banking, wealth management, brokerage, and alternative investments. Subsequent to year end, Citigroup announced that it would combine some of its wealth management units with Morgan Stanley's Global Wealth Management Group through a joint venture.

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.

DSP Group, Inc... is a fabless semiconductor company that provides chipsets to original equipment and design manufacturers (OEMs and ODMs) for the development of consumer products targeting the short-range residential wireless communications market. The company's *Total Telephony Solutions* delivers 2.4 GHz, 5.8 GHz, DECT, and Bluetooth applications for residential, enterprise, and automotive markets. The company also develops embedded integrated silicon/software solutions for voice-over-packet applications.

General Electric Company... is one of the largest and most diversified technology, media, and financial services companies in the world. The company's products and services range from aircraft engines, power generation, water processing and security technology to medical imaging, business and consumer financing, media content, and industrial products.

Goldman Sachs Group Inc... is a leading global investment banking, securities, and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments, and high net worth individuals. Founded in 1869, it is one of the oldest and largest investment banking firms although it recently converted itself to a bank holding company. The firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong, and other major financial centers around the world.

Herman Miller, Inc... designs, manufactures, and distributes interior furnishings and provides related services primarily for workplace environments. Its products are mainly used in corporate offices, healthcare facilities, educational institutions, and residential settings. The company markets its products primarily through

a dealer base of independent businesses in the US and various countries around the world.

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 159 aircraft with over 800 daily system departures to 124 cities in 38 states, the District of Columbia, Canada, the Bahamas, and Mexico. It operates as *Delta Connection*, *US Airways Express*, and *United Express* under contractual agreements 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, hardware 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.

Nike, Inc... is the world's lead designer, marketer, and distributor of authentic athletic footwear, apparel, equipment, and accessories. Wholly-owned subsidiaries include *Converse* (athletic footwear, apparel and accessories), *Cole Haan* (luxury shoes, handbags, accessories and coats), *Hurley International LLC* (action sports, youth lifestyle footwear and apparel) and *Umbro* (soccer). The company sells its products to various retail accounts, company-owned retail stores, and independent distributors and licensees.

Pier 1 Imports, Inc... is a specialty retailer of imported decorative home furnishings, dining and kitchen goods, bath and bedding accessories, and gifts. The company currently operates more than 1,100 stores throughout the US, Canada, the United Kingdom, and Mexico.

Pfizer, Inc... is one of the world's largest research-based pharmaceutical companies. It discovers, develops, manufactures, and markets leading prescription medicines and has key franchises in cardiology, central nervous system, anti-infectives, arthritis, urology, cancer, and ophthalmology. Some of its products include *Lipitor* (cholesterol), *Lyrica* (pain, epilepsy) *Celebrex* (pain management), *Sutent* (cancer), *Geodon* (antipsychotic) *Aricept* (dementia), *Viagra* (erectile dysfunction), and *Zoloft* (antidepressant). Its Animal Health division, one of the largest in the world, develops and sells products for the prevention and treatment of diseases in livestock and companion animals.

Precision Castparts Corporation... manufactures complex metal components and products for aerospace and specialized industries. It has three main divisions: Investment Casting for aerospace and gas turbines markets, General Industrial Products for machine tools and tooling, and PCC Flow Technologies which produces pumps, valves, and fluid measuring instruments

Safeway, Inc... is one of the largest North American food and drug retailers with over 1,700 stores throughout the US and Canada. Stores operate under the *Safeway*, *Dominick's*, *Vons*, *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... is a global enterprise software company that offers data management and mobility solutions. Its products and services allow for the distribution, analysis, and management of enterprise information to the end user regardless of platform, device or network. The company serves the public sector as well as industries including financial services, telecommunications, and health care.

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. Its Education Technology division is a leading supplier of graphing handheld calculators.

Wal-Mart, Inc... is the largest retailer in the world and offers a broad assortment of merchandise and services that range from consumables, apparel, electronics, housewares, hardware, small appliances, stationary, shoes, toys, jewelry to pharmaceuticals and photo processing services at every day low prices. The company operates various retail formats which include discount stores and supercenters (*Wal-Mart*), warehouse clubs (*Sam's Club*), and supermarkets (*Neighborhood Markets*).

Wellpoint, Inc... provides health care benefits to over 35 million medical members through its licensed Blue Cross or Blue Cross Blue Shield operations in 14 states and through Unicare, for its non-Blue branded operations in other states. The company offers a broad portfolio of integrated health care plans and services, along with a wide range of specialty products such as life and disability insurance benefits, pharmacy benefit management, dental, vision, behavioral health benefit services, and long-term care insurance and flexible spending accounts. The company is active in the commercial market as well as the government Medicare, Medicaid, and Federal Employee programs.

Zimmer Holdings, Inc... designs, manufactures and markets reconstructive orthopaedic implants including joint, dental, and spinal implants, trauma products and related orthopaedic surgical products. Its products are sold in more than 100 countries and are sold directly to health care institutions, through stocking distributors, and directly to dental practices and dental laboratories.

North Growth Canadian Equity Fund Portfolio

AS OF DECEMBER 31, 2008

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. Recently the company launched *Quill*, an innovative barbed wound-closure device to be used in replacement of stitches which is growing rapidly. Another exciting product that was recently approved is a drug-coated central venous catheter that performed remarkably well in trials at preventing infections without promoting drug resistance associated with antibiotics.

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 energy, 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.

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 recently announced its new strategic focus on central nervous system disorders and acquired Prestwick Pharmaceuticals which holds the Canadian and US licensing rights to *Xenazine* for the treatment of chorea associated with Huntington's disease.

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

CAE, Inc... is a world leader in providing simulation and modelling technologies and integrated training solutions for the civil aviation industry and defence forces around the globe.

Certicom Corporation... is a pioneer in the development of Elliptic Curve Cryptography (ECC) which was adopted by the US National Security Agency for both mission critical and non-mission critical applications. ECC offers the most security per bit of any known public-key scheme making it ideal for small devices where processing power is limited. Early in 2009, Certicom was the subject of a bidding war of which Research In Motion will likely be the winner.

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.

Day4 Energy, Inc... is a Vancouver-based manufacturer of solar modules. Their patented Day4® Electrode technology improves the performance and life of the modules without increasing cost.

Dorel Industries, Inc... 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*, *Cannondale*, *Sugoi*, *Schwinn*, *GT Bicycle*, and *Mongoose*.

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. Recently the company acquired Excel Technology, another manufacturer of laser systems primarily for the industrial markets. This acquisition will further diversify the company's end markets and geographic presence.

Jean Coutu Group, Inc... operates a network of 343 franchised drugstores in Canada located in Quebec, New Brunswick and Ontario and employs more than 16,000 people. The company holds a significant interest in Rite Aid Corporation which is a leading drugstore chain in the US with approximately 5,100 drugstores in 31 states and the District of Columbia.

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 satellites. Its Information Products group delivers land-related products and services concerning legal, asset, and geographic information.

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. In light of a difficult economic environment the company recently announced a bankruptcy filing.

QLT, Inc... is a global biopharmaceutical company whose portfolio of drugs include *Visudyne* for the treatment of wet age-related macular degeneration and *Eligard* for the treatment of advanced prostate cancer. The company is also developing an ocular punctal plug drug-delivery system for the treatment of glaucoma.

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 broadband wireless data technology for access through cellular networks. The company offers a broad product line including the *AirCard* line of wireless modems, embedded modules that are built into laptops and other devices such as point of sale devices, and rugged modems for vehicle-mounted connectivity solutions. Recently the company announced an agreement to acquire Wavecom, a European-based provider of wireless technology for machine to machine communication.

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.

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 for medical devices.

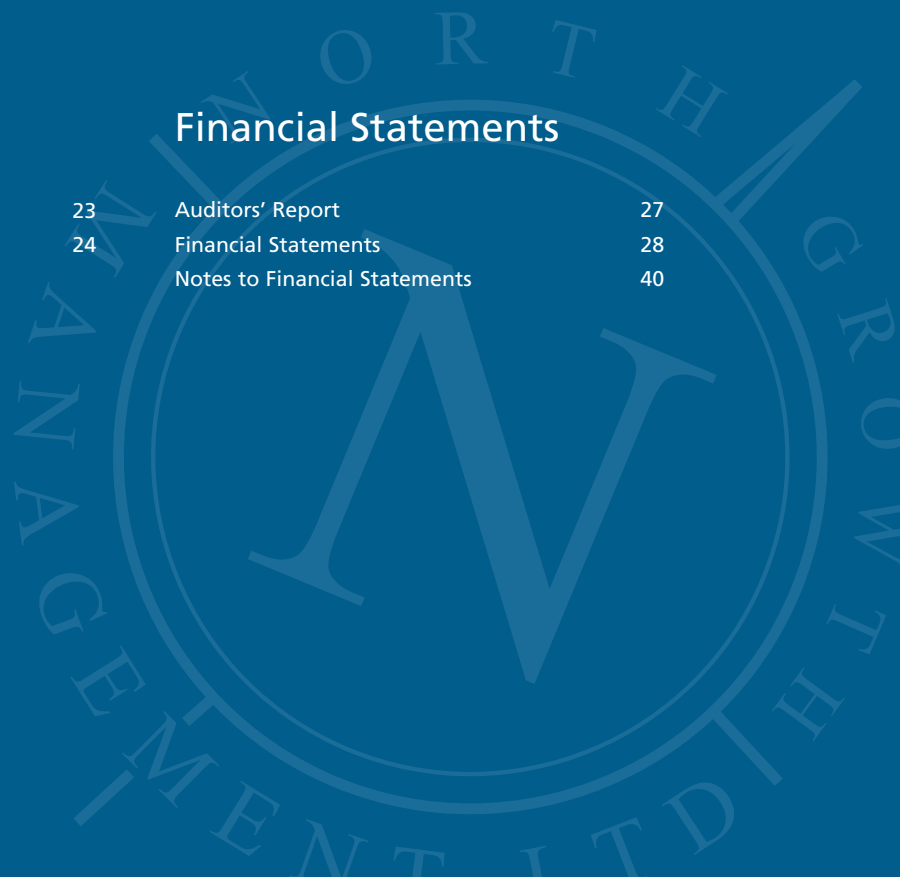
2008 Audited Financial Statements

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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, 2008, 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, 2008 in accordance with the provisions of National Instrument 81-106.

Deloitte & Touche LLP

Chartered Accountants

January 27, 2009

North Growth Canadian Money Market Fund

Statement of Financial Highlights

FOR THE FIVE YEARS ENDED DECEMBER 31, 2008

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.

	2008	2007	2006	2005	2004
Change in Net Assets Per Unit ¹					
Net Assets, Beginning of Year	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Increase (Decrease) From Operations					
Total revenue	0.32	0.45	0.41	0.27	0.24
Total expenses	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Net investment income	0.29	0.42	0.38	0.24	0.21
Realized gains for the year	—	—	—	—	—
Unrealized gains for the year	—	—	—	—	—
Net gains on investments for the year	—	—	—	—	—
Total Increase from Operations ²	0.29	0.42	0.38	0.24	0.21
Distributions					
From net investment income	(0.29)	(0.42)	(0.38)	(0.24)	(0.21)
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions ³	(0.29)	(0.42)	(0.38)	(0.24)	(0.21)
Net Assets, End of Year	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00

¹ This information is derived from the fund's audited annual financial statements as at December 31 of the year shown.

² Net assets 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.

³ Distributions were paid in cash / reinvested in additional units of the Fund, or both.

Ratios and Supplemental Data

Net asset value (000's)	\$ 6,460	\$ 6,803	\$ 6,338	\$ 6,151	\$ 8,459
Number of units outstanding (000's)	646	680	634	615	846
Management expense ratio ⁴	0.25%	0.25%	0.26%	0.27%	0.27%
Annual rate of return ⁵	2.92%	4.34%	3.84%	2.42%	2.03%
Net asset value per unit	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00

⁴ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value 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, 2008

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.

	2008	2007	2006	2005	2004
Change in Net Assets Per Unit ¹					
Net Assets, Beginning of Year	\$ 11.21	\$ 12.65	\$ 12.18	\$ 12.89	\$ 12.37
Increase (Decrease) From Operations					
Total revenue	0.11	0.13	0.08	0.08	0.06
Total expenses	(0.11)	(0.16)	(0.16)	(0.16)	(0.13)
Net investment (loss)	–	(0.03)	(0.08)	(0.08)	(0.07)
Realized (losses) gains for the year	(0.33)	0.38	0.51	1.77	0.33
Unrealized (losses) gains for the year	(5.16)	(1.59)	0.54	(0.95)	0.32
Net (losses) gains on investments for the year	(5.49)	(1.21)	1.05	0.82	0.65
Total (Decrease) Increase from Operations ²	(5.49)	(1.24)	0.97	0.74	0.58
Distributions					
From dividends	–	–	(0.08)	(0.09)	–
From net investment income	–	–	(0.08)	(0.09)	–
From capital gains	–	–	(0.51)	(1.36)	(0.15)
Return of capital	–	–	–	–	–
Total Annual Distributions ³	–	–	(0.59)	(1.45)	(0.15)
Net Assets, End of Year	\$ 5.93	\$ 11.21	\$ 12.65	\$ 12.18	\$ 12.89

1 This information is derived from the fund's audited annual financial statements as at December 31 of the year shown.

2 Net assets 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.

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

Ratios and Supplemental Data

Net asset value (000's)	\$ 11,075	\$ 19,488	\$ 25,796	\$ 22,406	\$ 20,343
Number of units outstanding (000's)	1,847	1,733	2,040	1,839	1,578
Management expense ratio ⁴	1.25%	1.25%	1.25%	1.30%	1.31%
Trading expense ratio ⁵	0.28%	0.16%	0.21%	0.27%	N/A
Portfolio turnover rate ⁶	26.43%	26.92%	30.84%	77.65%	30.76%
Annual rate of return ⁷	(46.68%)	(11.06%)	8.80%	5.76%	5.38%
Net asset value per unit	\$ 5.93	\$ 11.21	\$ 12.65	\$ 12.18	\$ 12.89

4 Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

5 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

6 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.

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, 2008

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.

	2008	2007	2006	2005	2004
Change in Net Assets Per Unit ¹					
Net Assets, Beginning of Year	\$ 22.90	\$ 25.75	\$ 22.84	\$ 24.02	\$ 23.32
Increase (Decrease) from Operations					
Total revenue	0.28	0.25	0.32	0.16	0.22
Total expenses	(0.24)	(0.30)	(0.28)	(0.31)	(0.28)
Net investment income (loss)	0.04	(0.05)	0.04	(0.15)	(0.06)
Realized (losses) gains for the year	(0.36)	0.21	0.27	4.15	0.46
Unrealized (losses) gains for the year	(5.92)	(2.95)	2.58	(2.50)	0.39
Net (losses) gains on investments for the year	(6.28)	(2.74)	2.85	1.65	0.85
Total (Decrease) Increase from Operations ²	(6.24)	(2.79)	2.89	1.50	0.79
Distributions					
From income (excluding dividends)	—	—	—	—	—
From dividends	(0.03)	—	—	—	—
From net investment income	(0.03)	—	—	—	—
From capital gains	—	—	—	(2.76)	(0.10)
Return of capital	—	—	—	—	—
Total Annual Distributions ³	(0.03)	—	—	(2.76)	(0.10)
Net Assets, End of Year	\$ 16.76	\$ 22.90	\$ 25.75	\$ 22.84	\$ 24.02

¹ This information is derived from the fund's audited annual financial statements as at December 31 of the year shown.

² Net assets 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.

³ Distributions were paid in cash / reinvested in additional units of the Fund, or both.

Ratios and Supplemental Data

Net asset value (000's)	\$180,692	\$254,630	\$294,147	\$256,772	\$ 231,803
Number of units outstanding (000's)	10,774	11,105	11,425	11,242	9,650
Management expense ratio ⁴	1.20%	1.20%	1.20%	1.21%	1.23%
Trading expense ratio ⁵	0.10%	0.06%	0.16%	0.18%	N/A
Portfolio turnover rate ⁶	23.93%	17.07%	42.93%	58.07%	50.51%
Annual rate of return ⁷	(26.73%)	(10.94%)	12.72%	6.47%	3.45%
Net asset value per unit	\$ 16.76	\$ 22.90	\$ 25.75	\$ 22.84	\$ 24.02

⁴ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁵ 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.

⁶ 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.

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

Financial Statements

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, 2008, 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, 2008, 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, B.C.
January 26, 2009

North Growth Mutual Funds

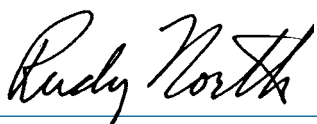
Statements of Net Assets

DECEMBER 31, 2008

(in thousands of dollars except per unit amounts)

	Canadian Money Market Fund		Canadian Equity Fund		U.S. Equity Fund	
	2008	2007	2008	2007	2008	2007
Assets						
Investments - at fair value (Note 2)	\$ 6,411	\$ 6,762	\$ 10,909	\$ 19,214	\$179,852	\$251,505
Cash	42	22	24	80	579	2,859
Due from brokers	—	—	—	408	—	—
Accrued interest and dividends receivable	8	20	28	10	410	248
	50	42	52	498	989	3,107
	6,461	6,804	10,961	19,712	180,841	254,612
Liabilities						
Accounts payable and accrued liabilities	1	1	11	21	184	265
Due to brokers	—	—	—	262	—	—
Due to unitholders	—	—	—	—	85	5
	1	1	11	283	269	270
Net Assets - Representing Unitholders' Equity (Note 5)	\$ 6,460	\$ 6,803	\$ 10,950	\$ 19,429	\$180,572	\$254,342
Number of Units Outstanding (000's) (Note 5)	646	680	1,847	1,733	10,774	11,105
Net Assets Per Unit (Note 2(g))	\$ 10.00	\$ 10.00	\$ 5.93	\$ 11.21	\$ 16.76	\$ 22.90

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



Rudy North, President

North Growth Mutual Funds

Statements of Operations

YEAR ENDED DECEMBER 31, 2008

(in thousands of dollars except per unit amounts)

	Canadian Money Market Fund		Canadian Equity Fund		U.S. Equity Fund	
	2008	2007	2008	2007	2008	2007
Investment Income						
Dividends (1)	\$ –	\$ –	\$ 211	\$ 254	\$ 3,110	\$ 2,758
Interest	208	264	1	1	3	4
	208	264	212	255	3,113	2,762
Expenses						
Management fees (Note 6)	17	15	212	313	2,634	3,325
	17	15	212	313	2,634	3,325
Net Investment Income (Loss) (Note 3)	191	249	–	(58)	479	(563)
Realized and Unrealized Gains (Losses) on Investments and Transaction Costs						
Proceeds from sale of investments	79,079	61,311	4,453	10,519	55,585	55,119
Investments at average cost, beginning of year	6,762	6,321	21,281	24,516	228,330	234,303
Cost of investments purchased	78,728	61,752	6,254	6,546	52,341	46,835
	85,490	68,073	27,535	31,062	280,671	281,138
Investments at average cost, end of year	(6,411)	(6,762)	(22,471)	(21,281)	(221,195)	(228,330)
Cost of investments sold	79,079	61,311	5,064	9,781	59,476	52,808
Net realized gains (losses) on sale of investments (Note 7)	–	–	(611)	738	(3,891)	2,311
Change in unrealized appreciation (depreciation) of investments	–	–	(9,495)	(3,036)	(64,594)	(32,528)
Transaction costs (Note 2(d))	–	–	(48)	(40)	(228)	(167)
Net (Losses) Gains on Investments (Note 3)	–	–	(10,154)	(2,338)	(68,713)	(30,384)
Increase (Decrease) in Net Assets from Operations	\$ 191	\$ 249	\$ (10,154)	\$ (2,396)	\$ (68,234)	\$ (30,947)
Earnings Per Unit (Note 2(g))	\$ 0.29	\$ 0.42	\$ (5.49)	\$ (1.24)	\$ (6.24)	\$ (2.78)
Average Number of Units Outstanding During the Year (000's)	659	586	1,848	1,934	10,929	11,116

(1) Net of withholding taxes, where applicable.

North Growth Mutual Funds

Statements of Changes in Net Assets

YEARS ENDED DECEMBER 31, 2008

(in thousands of dollars)

	Canadian Money Market Fund		Canadian Equity Fund		U.S. Equity Fund	
	2008	2007	2008	2007	2008	2007
Total Increase (Decrease) in Net Assets from Operations	\$ 191	\$ 249	\$ (10,154)	\$ (2,396)	\$ (68,234)	\$ (30,947)
Distributions to Unitholders						
From net investment income	(191)	(249)	–	–	(295)	–
Capital Unit Transactions						
Units issued on sales	2,719	2,372	3,168	230	14,460	11,842
Units issued on reinvestment of distributions	191	249	–	–	292	–
Units redeemed	(3,253)	(2,156)	(1,493)	(3,954)	(19,993)	(20,436)
	(343)	465	1,675	(3,724)	(5,241)	(8,594)
Increase (Decrease) in Net Assets	(343)	465	(8,479)	(6,120)	(73,770)	(39,541)
Fair Value Adjustment						
From December 31, 2006 closing prices to bid prices (Note 2)	–	–	–	(247)	–	(264)
Net Assets, Beginning of Year	6,803	6,338	19,429	25,796	254,342	294,147
Net Assets, End of Year	\$ 6,460	\$ 6,803	\$ 10,950	\$ 19,429	\$ 180,572	\$ 254,342

North Growth Canadian Money Market Fund

Statement of Investments

DECEMBER 31, 2008

(in thousands of dollars)

Face Value	Security	Average Cost and Fair Value	% of Net Assets
\$ 200	Canadian Wheat Board, 1.51%, January 5, 2009	\$ 200	3.10
100	Province of Ontario, 1.38%, January 7, 2009	100	1.55
200	Enbridge Inc., 2.60%, January 8, 2009	199	3.08
150	Government of Canada, 1.75%, January 8, 2009	150	2.32
250	Government of Canada, 1.65%, January 8, 2009	249	3.85
200	Government of Canada, 1.32%, January 8, 2009	200	3.10
200	TransCanada PipeLines Limited, 2.53%, January 9, 2009	199	3.08
200	Alberta Treasury Branch, 1.40%, January 12, 2009	200	3.10
300	GE Capital Canada Funding Company, 2.20%, January 12, 2009	299	4.63
200	Province of British Columbia, 1.25%, January 12, 2009	200	3.10
300	Province of British Columbia, 0.70%, January 12, 2009	300	4.64
200	Province of Ontario, 1.25%, January 12, 2009	200	3.10
200	Suncor Energy Inc., 2.09%, January 12, 2009	200	3.10
200	Bank of Nova Scotia, 1.50%, January 13, 2009	200	3.10
200	Honda Canada Finance Inc., 2.50%, January 13, 2009	199	3.08
250	Bank of Montreal, 1.50%, January 14, 2009	250	3.86
200	John Deere Ltd., 2.83%, January 14, 2009	199	3.08
200	Province of Quebec, 1.90%, January 14, 2009	199	3.08
300	PSP Capital Inc., 2.23%, January 14, 2009	299	4.63
250	Toyota Credit Canada Inc., 2.45%, January 16, 2009	249	3.85
200	Royal Bank of Canada, 1.50%, January 19, 2009	200	3.10
200	OMERS Realty Corporation, 1.63%, January 20, 2009	200	3.10
200	EnCana Corporation, 1.80%, January 21, 2009	200	3.10
149	Caterpillar Financial Services Inc., 2.25%, January 22, 2009	149	2.31
300	Government of Canada, 0.85%, January 22, 2009	299	4.63
175	Province of New Brunswick, 0.85%, January 22, 2009	175	2.70
250	Shoppers Drug Mart Corporation, 1.68%, January 23, 2009	250	3.86
250	Paccar Financial Services Inc., 2.85%, January 26, 2009	249	3.85
200	Cn Rail Co., 2.00%, January 30, 2009	199	3.08
200	Total Capital Canada Ltd., 1.60%, February 11, 2009	199	3.08
	Total investments	6,411	99.24
	Other assets less liabilities	49	0.76
	Net assets	\$ 6,460	100.00

North Growth Canadian Money Market Fund

DECEMBER 31, 2008

(in thousands of dollars)

Financial Instruments

Assets	\$
Investments and cash	6,453
Loans and receivables	8
Total Assets	6,461
Liabilities	
Financial liabilities at cost	1
Total Liabilities	1

Accrued interest and dividends receivable and amounts due from brokers are deemed to be loans and receivables and are recorded at cost. Similarly, amounts due to brokers, amounts due to unitholders, and accounts payable and accrued liabilities are deemed to be financial liabilities and are reported at cost.

Financial Risk Management

Investment Strategy

The objective of the Fund is to conserve capital while maintaining liquidity and earning regular income. The Fund invests in highly-rated short-term money market instruments such as treasury bills, commercial paper and bankers' acceptances issued by governments, financial institutions and major corporations. The average duration of the portfolio is less than 30 days. The portfolio is monitored on a daily basis.

The Fund's activities expose it to a variety of financial risks including market risk, liquidity risk, credit risk and interest rate risk. The Fund's overall risk management program seeks to minimize the potential adverse effects of these risks on the Fund's financial performance. The maximum risk resulting from investing in financial instruments is the fair value of the financial instruments.

Market Risk

At December 31, 2008, the overall market exposures were as follows:

	Fair Value \$	Net Assets %
Investments	6,411	99.24

Management's best estimate of the impact on net assets due to a reasonably possible change in indices, with all other variables held constant, is as follows:

Benchmark	Change in Price %	Impact on Net Assets \$
30 Day Treasury Bills	+/- 1.00	+/- 65

The benchmark selected represents the exposure of the Fund's investments to the asset class. The 30 Day Treasury Bill index is based upon the average daily yield of 30 day Government of Canada treasury bills.

North Growth Canadian Money Market Fund

DECEMBER 31, 2008

(in thousands of dollars)

Liquidity Risk

Liquidity risk represents the potential loss stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly.

The Fund's financial liabilities at December 31, 2008 of \$1 are all due within 30 days.

Credit Risk

Credit risk represents the potential loss that the Fund would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Fund. The Fund invests in financial assets which have an investment grade as rated by a well-known rating agency.

Portfolio by rating category, as a percentage of total portfolio, as at December 31, 2008:

Rating	Portfolio %
AAA	5
R-1 (high)	61
R-1 (middle)	8
R-1 (low)	26
	<u>100</u>

The ratings R-1 (high), R-1 (middle), and R-1 (low) are ratings assigned to short-term debt by Dominion Bond Rating Service and represent highest credit quality, superior credit quality, and satisfactory credit quality, respectively.

Interest Rate Risk

Interest rate risk represents the potential loss resulting from fluctuations in interest rates and has the greatest impact on longer term debt instruments. The Fund invests only in short-term notes maintaining an average maturity of less than 30 days and accordingly has minimal exposure to interest rate risk.

North Growth Canadian Equity Fund

Statement of Investments

DECEMBER 31, 2008

(in thousands of dollars)

Number of Shares	Security	Average Cost	Fair Value	% of Net Assets
260,000	Bombardier Inc., Class B	\$ 749	\$ 1,149	10.49
84,000	WestJet Airlines Ltd.	1,004	1,100	10.04
222,300	EXFO Electro-Optical Engineering Inc.	1,247	840	7.67
30,000	Dorel Industries Inc., Class B	1,024	813	7.42
105,000	Sierra Wireless Inc.	1,610	739	6.74
60,000	Biovail Corporation	1,390	691	6.31
185,400	Tundra Semiconductor Corporation	910	593	5.42
72,000	Jean Coutu Group (PJC) Inc., Class A	1,564	590	5.39
107,025	ATS Automation Tooling Systems Inc.	1,033	535	4.89
278,400	Certicom Corporation	718	507	4.63
23,100	MacDonald, Dettwiler and Associates Ltd.	648	498	4.55
170,600	QLT Inc.	654	478	4.37
57,800	CAE Inc.	592	466	4.26
18,000	Saputo Inc.	317	397	3.63
1,059,800	Zarlink Semiconductor Inc.	1,633	323	2.95
78,200	Cossette Communication Group Inc.	577	314	2.87
205,500	Ballard Power Systems Inc.	1,064	271	2.47
296,200	Day4 Energy Inc.	994	258	2.36
336,300	GSI Group Inc.	2,314	225	2.05
260,800	Angiotech Pharmaceuticals Inc.	1,534	94	0.86
87,500	Nortel Networks Corporation	895	28	0.26
	Total investments	<u>\$ 22,471</u>	<u>10,909</u>	99.63
	Other assets less liabilities		41	0.37
	Net assets		<u>\$ 10,950</u>	100.00

North Growth Canadian Equity Fund

DECEMBER 31, 2008

(in thousands of dollars)

Financial Instruments

Assets	\$
Investments and cash	10,933
Loans and receivables	28
Total Assets	10,961
Liabilities	
Financial liabilities at cost	11
Total Liabilities	11

Accrued interest and dividends receivable and amounts due from brokers are deemed to be loans and receivables and are recorded at cost. Similarly, amounts due to brokers, amounts due to unitholders, and accounts payable and accrued liabilities are deemed to be financial liabilities and are reported at cost.

Financial Risk Management

Investment Strategy

The Fund aims to achieve long-term capital growth by investing primarily in equity securities of Canadian issuers. All equity securities are subject to normal market fluctuations and present a risk of loss of capital. The Fund manager manages this risk through a careful selection of securities. Securities are screened for key fundamental characteristics such as price earnings ratio, earnings growth and revenue growth. The goal is to identify securities of quality companies with financial strength and strong earnings growth that can be purchased at a reasonable price. The portfolio is monitored on a daily basis.

The Fund's activities expose it to a variety of financial risks including market risk, liquidity risk, credit risk and interest rate risk. The Fund's overall risk management program seeks to minimize the potential adverse effects of these risks on the Fund's financial performance. The maximum risk resulting from investing in financial instruments is the fair value of the financial instruments.

Market Risk

At December 31, 2008, the overall market exposures were as follows:

	Fair Value	Net Assets
	\$	%
Investments	10,909	99.63

Management's best estimate of the impact on net assets due to a reasonably possible change in indices, with all other variables held constant, is as follows:

Benchmark	Change in Price	Impact on Net Assets
	%	\$
S&P/TSX	+/- 20.00	+/- 2,190

The benchmark selected represents a general view of the Fund's investable universe. The S&P/TSX is a capitalization-weighted index that measures the performance of stocks traded on the Toronto Stock Exchange. The Fund is in no way managed to mimic this benchmark.

North Growth Canadian Equity Fund

DECEMBER 31, 2008

(in thousands of dollars)

Liquidity Risk

Liquidity risk represents the potential loss stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly.

The Fund's financial liabilities at December 31, 2008 of \$11 were all due within 30 days.

Credit Risk

Credit risk represents the potential loss that the Fund would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Fund.

Payments to brokers for securities purchased are only made upon delivery of the securities to the Fund. Delivery to brokers for securities sold is only made once the Fund has received payment from the broker. Therefore the risk of default is considered minimal.

Credit risk is generally associated with derivative contracts and debt securities, such as bonds. The Fund does not invest in any derivatives or debt securities.

Interest Rate Risk

Interest rate risk represents the potential loss resulting from fluctuations in interest rates and has the greatest impact on longer term debt instruments. The Fund does not have any direct exposure to this risk factor with cash balances invested in overnight deposits or short-term treasury notes.

North Growth U.S. Equity Fund

Statement of Investments

DECEMBER 31, 2008

(in thousands of dollars)

Number of Shares	Security	Average Cost	Fair Value	% of Net Assets
913,260	Cisco Systems Inc.	\$ 19,340	\$ 18,109	10.02
127,000	Apple Inc.	6,556	13,202	7.31
417,500	Bristol-Myers Squibb Company	11,126	11,813	6.54
612,300	Intel Corporation	13,186	10,941	6.06
528,710	General Electric Company	19,862	10,413	5.77
393,400	Microsoft Corporation	11,837	9,315	5.16
126,000	Wal-Mart Stores Inc.	7,127	8,596	4.76
209,100	St. Jude Medical Inc.	8,185	8,377	4.64
355,000	Pfizer Inc.	9,302	7,658	4.24
264,000	Citrix Systems Inc.	7,088	7,579	4.20
584,600	Applied Materials Inc.	11,578	7,213	3.99
226,900	Sybase Inc.	4,995	6,840	3.79
223,000	Safeway Inc.	6,697	6,456	3.58
113,000	Zimmer Holdings Inc.	10,137	5,563	3.08
72,500	Precision Castparts Corp.	6,694	5,248	2.91
537,303	DSP Group Inc.	11,961	5,235	2.90
194,800	Adobe Systems Inc.	4,723	5,051	2.80
500,500	Boston Scientific Corporation	5,600	4,712	2.61
243,900	Texas Instruments Inc.	7,000	4,608	2.55
95,000	Cerner Corporation	3,888	4,441	2.46
212,000	Herman Miller Inc.	6,066	3,362	1.86
64,200	WellPoint Inc.	3,508	3,294	1.82
52,000	NIKE Inc., Class B	2,523	3,228	1.79
241,000	Cheesecake Factory Inc.	6,777	2,962	1.64
234,923	American Eagle Outfitters Inc.	4,765	2,678	1.48
14,500	Goldman Sachs Group Inc.	2,043	1,490	0.83
129,000	Citigroup Inc.	3,995	1,053	0.58
501,900	Pier 1 Imports Inc.	2,269	226	0.13
601,100	Mesa Air Group Inc.	2,367	189	0.10
	Total investments	<u>\$221,195</u>	<u>179,852</u>	99.60
	Other assets less liabilities		<u>720</u>	0.40
	Net assets		<u>\$ 180,572</u>	100.00

North Growth U.S. Equity Fund

DECEMBER 31, 2008

(in thousands of dollars)

Financial Instruments

Assets	\$
Investments and cash	180,431
Loans and receivables	410
Total Assets	180,841
Liabilities	
Financial liabilities at cost	269
Total Liabilities	269

Accrued interest and dividends receivable and amounts due from brokers are deemed to be loans and receivables and are recorded at cost. Similarly, amounts due to brokers, amounts due to unitholders, and accounts payable and accrued liabilities are deemed to be financial liabilities and are reported at cost.

Financial Risk Management

Investment Strategy

The Fund aims to achieve long-term capital growth by investing primarily in equity securities of United States issuers. All equity securities are subject to normal market fluctuations and present a risk of loss of capital. The Fund manager manages this risk through a careful selection of securities. Securities are screened for key fundamental characteristics such as price earnings ratio, earnings growth and revenue growth. The goal is to identify securities of quality companies with financial strength and strong earnings growth that can be purchased at a reasonable price. The portfolio is monitored on a daily basis.

The Fund's activities expose it to a variety of financial risks including market risk, liquidity risk, credit risk, currency risk and interest rate risk. The Fund's overall risk management program seeks to minimize the potential adverse effects of these risks on the Fund's financial performance. The maximum risk resulting from investing in financial instruments is the fair value of the financial instruments.

Market Risk

At December 31, 2008, the overall market exposures were as follows:

	Fair Value	Net Assets
	\$	%
Investments	179,852	99.60

Management's best estimate of the impact on net assets due to a reasonably possible change in indices, with all other variables held constant, is as follows:

Benchmark	Change in Price	Impact on Net Assets
	%	\$
S&P 500	+/- 20.00	+/- 36,114

The benchmark selected represents a general view of the Fund's investable universe. The S&P 500 index tracks the common share price of 500 leading United States companies. The Fund is in no way managed to mimic this benchmark.

North Growth U.S. Equity Fund

DECEMBER 31, 2008

(in thousands of dollars)

Liquidity Risk

Liquidity risk represents the potential loss stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly.

The Fund's financial liabilities at December 31, 2008 of \$269 were all due within 30 days.

Credit Risk

Credit risk represents the potential loss that the Fund would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Fund.

Payments to brokers for securities purchased are only made upon delivery of the securities to the Fund. Delivery to brokers for securities sold is only made once the Fund has received payment from the broker. Therefore the risk of default is considered minimal.

Credit risk is generally associated with derivative contracts and debt securities, such as bonds. The Fund does not invest in any derivatives or debt securities.

Currency Risk

Currency risk represents the potential loss that the Fund could incur from fluctuations in the Canadian dollar versus the U.S. dollar exchange rate. The assets of the Fund are generally held in U.S. dollars and accordingly any appreciation of the Canadian dollar versus the U.S. dollar will result in a currency related loss. The Fund does not attempt to manage this risk.

The Fund's exposure to currency risk at December 31, 2008 was as follows:

	Investments CD\$	Cash CD\$	Reveivables CD\$	Total CD\$
U.S. Dollar	179,852	312	410	180,574

As at December 31, 2008, had the Canadian Dollar strengthened or weakened by 3% in relation to the U.S. Dollar, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$5,417.

Interest Rate Risk

Interest rate risk represents the potential loss resulting from fluctuations in interest rates and has the greatest impact on longer term debt instruments. The Fund does not have any direct exposure to this risk factor with cash balances invested in overnight deposits or short-term treasury notes.

Notes to Financial Statements



North Growth Mutual Funds

Notes to the Financial Statements

DECEMBER 31, 2008

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.

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”.
- (c) GAAP NAV is the Funds’ net asset value for financial statement presentation calculated using the bid price for the Fund’s investments.
- (d) Transactional NAV is the Funds’ net asset value for capital transactions such as purchases and redemptions calculated using the closing price for the Funds’ investments.

2. Significant Accounting Policies

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

- (a) Impact of the adoption of new financial instrument standards

In December, 2006 the CICA issued Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation” which are applicable for the year ended December 31, 2008. These presentation and disclosure sections for financial instruments replace Section 3861, “Financial Instruments – Disclosure and Presentation”. The new presentation and disclosure standards modify and increase requirements pertaining to disclosures and substantially maintain existing presentation requirements. These new sections give greater importance to disclosures in terms of the nature and scope of the risks associated with financial instruments, and the way entities manage these risks.

Funds’ specific risk disclosures are presented in a schedule to the Investment Portfolio. The adoption of the new disclosure requirements does not impact GAAP NAV or the Transactional NAV. The new disclosures are presented after the statement of investments for each Fund.

CICA Section 1535, “Capital Disclosure”, became applicable to the Funds in 2008. This section specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The adoption of Section 1535 did not have a significant impact on the Funds’ disclosures as: (i) each of the Fund’s objectives, policies and processes are described in the Offering Memorandum and Trust Agreement; (ii) information on the Funds’ unitholders’ equity is described in the statement of changes in net assets and Note 5; and (iii) the Funds do not have any externally imposed capital requirements.

- b) 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.

- c) Basis of determining fair market value for investments

Each investment security is valued at fair value, which is determined by the closing bid price for securities purchased long and closing ask price for securities sold short, thereof as reported by the principal securities exchange on which the security is traded. The principal amounts of short-term notes are valued at cost which, together with accrued interest, approximates fair market value. If no bid prices are available securities traded in an active market are valued at the closing sale price 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.

d) Investment transactions, income and transaction costs

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.

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities by the Funds, are recognized in the Statement of Operations in the period incurred. Transaction costs are incremental costs that are directly paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

(e) 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.

(f) 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.

(g) 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 and the Canadian Equity Fund are classified as “Unit Trusts” under the Income Tax Act. The Funds distribute to their unitholders all of their annual taxable income, including their taxable net realized capital gains, with the result that the Funds are not liable for any income taxes.

The U.S. Equity Fund is classified as a “Mutual Fund Trust” under the Income Tax Act. The Fund distributes to its unitholders all of its annual taxable income, including such portion of its taxable net realized capital gains, as will result in the Fund 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. In the case of the Canadian Equity Fund, this election was made in a previous year when the Fund was classified as a “Mutual Fund Trust”.

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.

North Growth Mutual Funds

Notes to the Financial Statements...

DECEMBER 31, 2008

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:

Canadian Money Market Fund	2008	2007
Balance, beginning of the year	680,251.638	633,794.118
Issued during the year		
Sales	271,879.873	237,119.442
On reinvestment of distributions	19,079.205	24,932.077
	290,959.078	262,051.519
	971,210.716	895,845.637
Redeemed during the year	325,234.142	215,593.999
Balance, end of the year	645,976.574	680,251.638
Canadian Equity Fund	2008	2007
Balance, beginning of the year	1,732,682.154	2,039,936.831
Issued during the year		
Sales	295,476.903	17,619.601
On reinvestment of distributions	0.000	0.000
	295,476.903	17,619.601
	2,028,159.057	2,057,556.432
Redeemed during the year	181,253.357	324,874.278
Balance, end of the year	1,846,905.700	1,732,682.154
U.S. Equity Fund	2008	2007
Balance, beginning of the year	11,105,260.618	11,425,204.351
Issued during the year		
Sales	672,720.048	487,196.681
On reinvestment of distributions	17,623.000	0.000
	690,343.048	487,196.681
	11,795,603.666	11,912,401.032
Redeemed during the year	1,021,676.348	807,140.414
Balance, end of the year	10,773,927.318	11,105,260.618

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 1.20% 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 U.S. Equity Fund includes gains from foreign currencies of \$256,000 in 2008 and losses from foreign currencies of \$28,000 in 2007.

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:

Fund	2008	2007
Canadian Equity Fund	\$ 48,000	\$ 40,000
U.S. Equity Fund	228,000	167,000

9. Related Party Transactions

The Manager, and related parties, own a significant share of the units in the Canadian Equity Fund and U.S. Equity Fund.

10. Future Accounting Changes

In February, 2008, the Canadian Institute of Chartered Accountants announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The Manager has presently determined that there will be no impact on the net asset value per unit as a result of the changeover to IFRS.

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. In-house RRSP/RRIFs are also available. We would be happy to discuss the role our Funds could play in your investment portfolio.

Distributions

The North Growth US Equity Fund and the North Growth Canadian Equity Fund make distributions of capital gains and/or income if there is any to distribute on December 15th of the year. The amount is announced in the November monthly report and, if there is a distribution, the T3 is sent out early in the new year. Please note that if there is a distribution it will be reflected in the unit price on the first business day after December 15.

On December 15th, 2008 the North Growth US Equity Fund distributed 3 cents of income per unit. The income distribution is due to the fact that the increasing dividend yields of the US Fund's holdings has reached the point that management fee expenses are now less than total income within the Fund. There was no distribution from the North Growth Canadian Equity Fund.

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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2008 ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

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