

CANADA'S U.S. EQUITY  
SPECIALIST



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2010 ANNUAL REPORT

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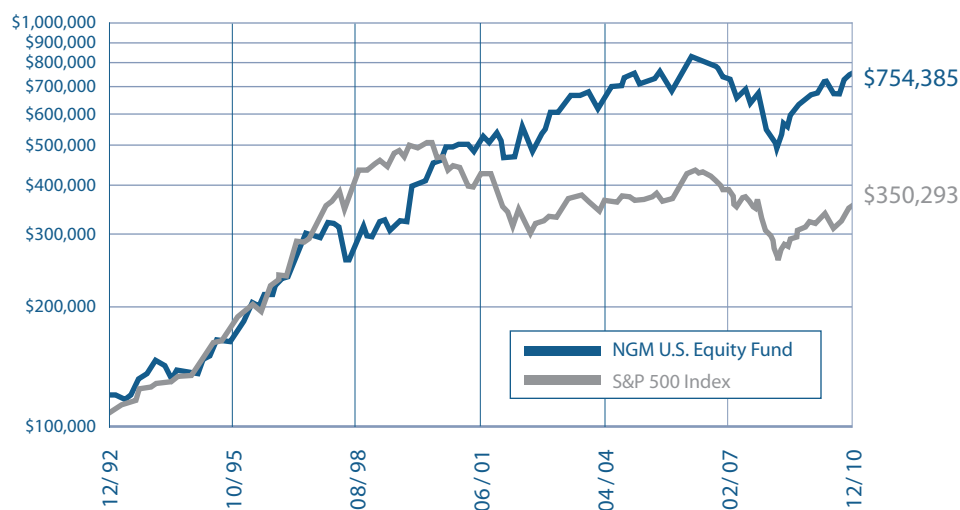
## Our Focus is Long Term Growth

No investor likes seeing their portfolio fall let alone with the magnitude witnessed in 2008. Astute investors who are committed to achieving long term results, however, recognize that bad years come along with good years and to achieve superior long term results, bad years should be viewed as opportunities rather than reasons to abandon a working investment strategy. Modern portfolio theory trains people to fear and minimize short term volatility which ironically does not fundamentally benefit long term results. Many managers can have a few good years; however, not every manager is able to put up great long term results. Therefore a key to achieving superior long term results is identifying a manager with a superior long term record. When a manager with a superior long term record suffers a “bad” year, the odds favour that the manager’s strategy, if adhered to, will continue to work over the longer term.

According to globefund.com the North Growth U.S. Equity Fund is the top U.S. Equity Fund in Canada when comparing 15-year and 10-year results and is still among the top when looking at 5-year results. This superior long term record exists despite some periods of significant short term volatility and even periods of underperformance. It is not reasonable to expect great results every single year but it is not unreasonable to expect that some managers, who have a record of superior long term results, will continue to deliver.

The most important factor contributing to our record has been the establishment of, and adherence to, our “growth at a reasonable price” investment philosophy. Another important factor is simply having a well-trained and motivated team of compatible people that practice that philosophy and continually put in our best effort at analysis and decision making.

U.S. Equity Fund Since Inception \$CDN



If you had invested \$100,000 CDN in the U.S. Equity Fund from inception to December 31, 2010, your investment value would be \$754,385—more than double the return of the benchmark S&P 500 over the same time period.

## Letter to Unit Holders

### Dear Unit Holder,

Happy New Year! We should be feeling great that both the North Growth U.S. Equity Fund and the North Growth Canadian Equity Fund have had two years of strong relative performance. The economy has moved into a new expansion cycle and there is room for continued growth despite much of the rhetoric of gloom, doom and general defeatism that is still flowing forth from many sources. I hope this is the last report I write where I feel compelled to assure nervous investors to ignore the confused observations and prognostications of those who insist on being bearish at the beginning of an expansion.

2010 was a year of solid performance for the North Growth Funds: encouraging progress at the companies the Funds hold and continued strengthening of our research and administrative capabilities. During 2010, the U.S. Equity Fund rose 17.9% versus 15.1% for the S&P 500. As has been the case over the past 9 years, the strong Canadian dollar worked against Canadian holders of U.S. assets, therefore the U.S. Fund performance in Canadian dollars was 11.6% versus 8.9% for the S&P 500 during 2010.

Our consistently applied investment philosophy delivered amazing results in the worst ever decade for U.S. equities. During the past ten years, despite a sharp setback during the 2008 bear market, the North Growth U.S. Equity Fund had +9.3% average annual gains versus +1.4% average annual losses for the S&P 500. Ironically, although we were very pleased with the extent to which our stock selection measured up to our “growth at a reasonable price” investment philosophy during 2008, going down as hard as the market that year was both surprising and disappointing.

Perhaps we were expecting too much from stock selection after our 4.8% gain versus the 47.4% drop for the S&P 500 during the March 2000–October 2002 bear market. The value aspect of our investment philosophy tends to protect the portfolio from the danger of overvalued markets. The 2008 bear market was not caused by overvaluation of the broad market, but by a banking fiasco with resulting confusion and fear that took down even the best positioned stocks.

In this context the strong performance of the U.S. Equity Fund, which saw a 115.8% gain from the March 9, 2009 beginning of a new bull market through to December 31, 2010 reinforces our confidence that the North Growth U.S.

Equity Fund will continue its long term record as a top U.S. Equity Fund in Canada.

It is also very satisfying that our “growth at a reasonable price” investment philosophy is beginning to show impressive results in Canada. The North Growth Canadian Equity Fund appreciated ██████ in 2009 versus 35.1% for S&P/TSX Composite Index. In 2010 the Canadian Equity Fund was up ██████ versus 17.6% for the same benchmark. We have assembled a portfolio of Canadian companies with a strong fit with our investment philosophy. Although the Canadian market has been strongly focused on resource and financial stocks since 2004, we are very encouraged by the increase in the number of companies that meet our investment criteria. Despite two years of strong investment results, we are still dealing with a group of stocks that are trading at low P/E multiples despite above average growth prospects.

In case I haven't been entirely clear: 2010 was another good year for investors who remained invested in equities. Both the North Growth U.S. Equity Fund and the North Growth Canadian Equity Fund performed significantly better than their respective indices. This performance was based on attractive valuations and strong operating results of the companies that the Funds held. We have never owned portfolios that fit better with our “growth at a reasonable price” investment philosophy. Despite the seriousness of the economic problems brought about by the banking crisis of 2008, the economic recovery is becoming better established despite widespread denial by theorists who seem to think that a continuation of the policies that brought the world economy to the brink of total collapse would somehow be more desirable than continuing to pursue the policies that turned the economy around.

It is understandable that all bear markets produce excessive pessimism which results in investors being wary of the initial stages of a new recovery and prevents them from taking advantage of the buying opportunities. The greater the stock market pullback, the more pessimistic investors' views of the future and the greater the potential going forward. While we might understand this emotional response based on what we know of human nature, the historic record of equity markets clearly points out that such expectations are dead wrong. Setbacks such as those experienced in 2008 are great opportunities to buy stocks

for future gains.

It is very demoralizing to make these observations over and over. I was pleased with the insights I expressed in last year's message. They were, in hindsight, right on and entirely appropriate following the worst decade ever for U.S. stocks.

Go back and read my 2009 message. I can't keep trying to make my message clearer. Even my best observations become dull and stale with continuous repeating. The bear market is over. It's been over for more than two years. The economy is still faced with many leftover challenges and new problems like the European sovereign debt problems that dominated 2010, but the economic recovery is becoming more established and will continue.

While the recovery might have developed more slowly than most investors would have preferred, that is typical to a greater or lesser extent at the beginning of every new recovery. Why would anyone not expect a slow start given the seriousness of the 2008 banking crisis and the following period of economic free fall?

At this point the U.S. economy has significant room for long term recovery. It's time to enjoy the continued recovery. Obsessing with what went wrong over the past decade will only be counterproductive. It has seemed necessary to repeatedly counter the negativity of the past two years because it has been so loud and widespread. Two years into a new bull market and it is time that I stop wasting time countering this message. I will say no more on the subject.

Yours truly,



**Rudy North**

Senior Portfolio Advisor, President & CEO

## 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.

#### North Growth (NGM) Equity Funds and Market Indices

Annualized Rates of Return (%) for Periods Ending December 31, 2010

NGM U.S. Equity Fund	1 yr	3 yrs	5 yrs	10 yrs	15 yrs	Since Inception*
US Equity Fund \$CDN	11.6	1.6	1.0	4.9	10.4	11.7
S&P 500 \$CDN	8.9	-2.8	-0.9	-2.7	4.5	7.1
US Equity Fund \$US	17.9	1.5	4.2	9.3	12.7	13.1
S&P 500 \$US	15.1	-2.9	2.3	1.4	6.8	8.5
S&P 400 MidCap \$US	26.6	3.5	5.7	7.2	11.4	12.3
S&P 600 SmallCap \$US	26.3	3.0	4.6	7.7	9.6	11.1
NASDAQ Composite \$US†	18.2	1.0	4.7	1.4	7.0	8.7
NGM Canadian Equity Fund	1 yr	3 yrs	5 yrs	10 yrs	15 yrs	Since Inception**
CDN Equity Fund \$CDN	■	■	■	■	–	■
S&P/TSX \$CDN	17.6	2.1	6.5	6.6	–	4.1

\* NGM U.S. Equity Fund Inception October 13, 1992

\*\* NGM Canadian Equity Fund Inception September 1, 2000

Source for Index data: Bloomberg

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

## 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

#### Annual Rates of Return (%) for Calendar Years

NGM U.S. Equity Fund	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
US Equity Fund \$CDN	11.6	28.2	-26.7	-10.9	12.7	6.5	3.5	25.5	-2.0	12.9
S&P 500 \$CDN	8.9	9.1	-22.6	-10.3	16.0	1.5	2.8	5.8	-22.8	-6.4
US Equity Fund \$US	17.9	48.5	-40.4	4.7	12.5	10.0	11.6	52.7	-1.1	6.2
S&P 500 \$US	15.1	26.5	-37.0	5.5	15.8	4.9	10.9	28.7	-22.1	-11.9
S&P 400 MidCap \$US	26.6	37.4	-36.2	8.0	10.3	12.6	16.5	35.6	-14.5	-0.6
S&P 600 SmallCap \$US	26.3	25.6	-31.1	-0.3	15.1	7.7	22.7	38.8	-14.6	6.5
NASDAQ Composite \$US	18.2	45.4	-40.0	10.7	10.4	2.1	9.2	50.8	-31.3	-20.8
NGM Canadian Equity Fund	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
CDN Equity Fund \$CDN	■	■	■	■	■	■	■	■	■	■
S&P/TSX \$CDN	17.6	35.1	-33.0	9.8	17.3	24.1	14.5	26.7	-12.4	-12.6

Source: Bloomberg

NAVPS (U.S. FUND): December 31, 2010

\$ 23.67 CDN

\$ 23.80 US

NAVPS (CANADIAN FUND): December 31, 2010

\$ ■ CDN

## 2010 Performance Review

### The North Growth Family of Funds

#### NGM U.S. Equity Fund

Following strong performance in 2009, 2010 was another good year for U.S. equity markets despite much volatility. Equities rallied at the beginning of the year, gave up all their gains and more in the summer, then climbed substantially during the last four months to end the year with positive returns. The S&P 500 Index was up 15.1% in 2010 while the technology-centric NASDAQ Composite gained 18.2%. The S&P 400 MidCap and the S&P 600 Small Cap Indices delivered relatively strong

results, advancing 26.6% and 26.3% respectively.

In 2010, the North Growth U.S. Equity Fund appreciated 17.9%, outperforming the S&P 500 by 2.8% but lagging the other major indices we follow. As the Canadian dollar continued to strengthen against its U.S. counterpart during the year, the Fund gained only 11.6% in Canadian dollars versus the S&P 500 Index which was up 8.9%.

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#### NGM Canadian Equity Fund

The Canadian Equity Fund followed a strong 2009 with a strong 2010 gaining █████ compared to 17.6% for the S&P/TSX Composite Index. In some ways 2010 was much like 2009 in that the gains did not come as easily as one might think. Over the past 2 years there has been strong negative sentiment towards equities and investors were nervous as many commentators kept reiterating their predictions that we were on the verge of a double dip recession and that equity markets would return to their lows. This caused jittery corrections which kept some investors on the sidelines and scared other investors to change their strategy but it ultimately resulted in great buying opportunities.

We stuck to our conviction that equities were cheap and the economy was recovering better than perceived which we viewed as a backdrop for strong equity returns. We continue to believe, as we stated in last year's Annual Report, that many of the Fund's holdings are still meaningfully undervalued which leads us to anticipate further solid results. We also continue to view the Fund as a diversification vehicle compared to the typical Canadian portfolio with a high exposure to commodities which we feel are overvalued from momentum of the herd pouring money into the sector.

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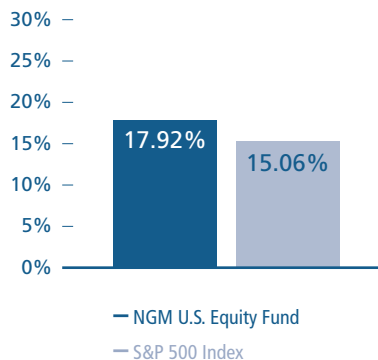
#### NGM Canadian Money Market Fund

The Money Market Fund's current yield at the end of 2010 was 0.82%, a substantial increase from the 0.07% yield at the beginning of the year. The Bank of Canada's target for the overnight rate began 2010 at 0.25% and ended the year at 1.00%. In June, the Bank increased the overnight rate by 25 basis points, or 0.25%, to 0.50%, and again in July hiked the rate by another 25 basis points to 0.75%. The rate was further raised by 25 basis points in September to 1.00% where it was left unchanged for the rest of the year. Due to the short average maturities within the Money

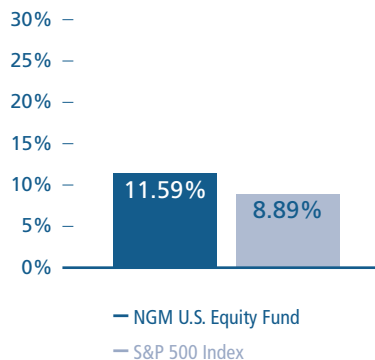
Market Fund of 30 days or less, the direction of the Fund's current yield corresponds closely with the direction in Canadian short term interest rates. In 2010, the Fund returned 0.38%, four basis points or 0.04% below the 0.42% return for 30-day Treasury Bills. Over the past five years, the average annual return for the Fund was 2.35%, five basis points or 0.05% ahead of the 2.30% average annual return for 30-day Treasury Bills. The Fund continues to invest in a well-diversified portfolio of Canadian money market securities with an emphasis on high credit ratings.



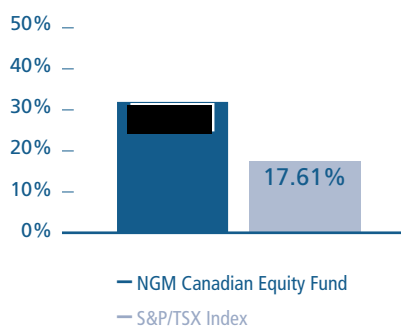
1-Year Performance  
Comparison \$U.S.



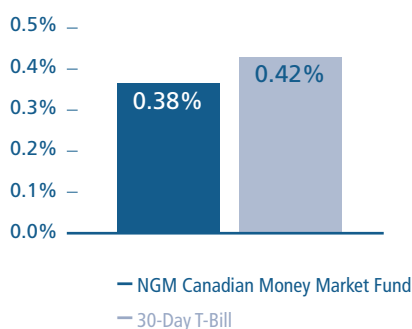
1-Year Performance  
Comparison \$CDN



1-Year Performance  
Comparison



1-Year Performance  
Comparison



## North Growth U.S. Equity Advisor Fund

Launched in October of 2009, the North Growth U.S. Equity Advisor Fund is North Growth Management Ltd's newest fund, offered pursuant to a prospectus. It is currently available to the general public in all provinces but Quebec, Newfoundland and the Territories.

The new Fund closely mirrors the firm's flagship U.S. Equity Fund and is appropriate for Canadian investors with moderate tolerance of risk, a long term investment horizon of at least five years and who seek diversification outside of Canada.

Available exclusively through registered mutual fund dealers in Canada, this low fee fund is available in two series:

Series F units have an all inclusive 1.20% MER (management expense ratio) and no trailing commission, and can be purchased through fee for service advisors or brokers.

Series D units of the Fund have a 1.70% MER which includes the 1.20% management fee and a 0.50% trailer fee.

The minimum initial investment requirement for the Fund is \$5,000 CDN and for subsequent purchases is \$1,000 CDN.

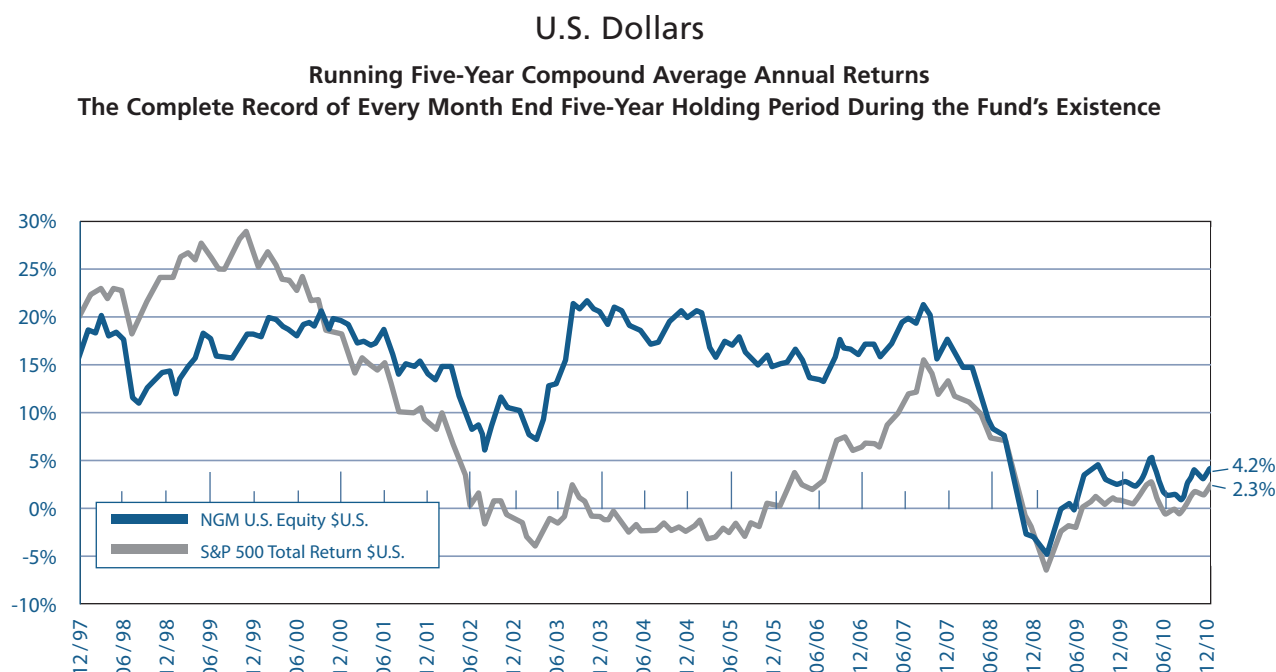
## Running Five-Year Results

### North Growth U.S. Equity Fund Running Five-Year Results: Expressed in U.S. 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 shown below 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.



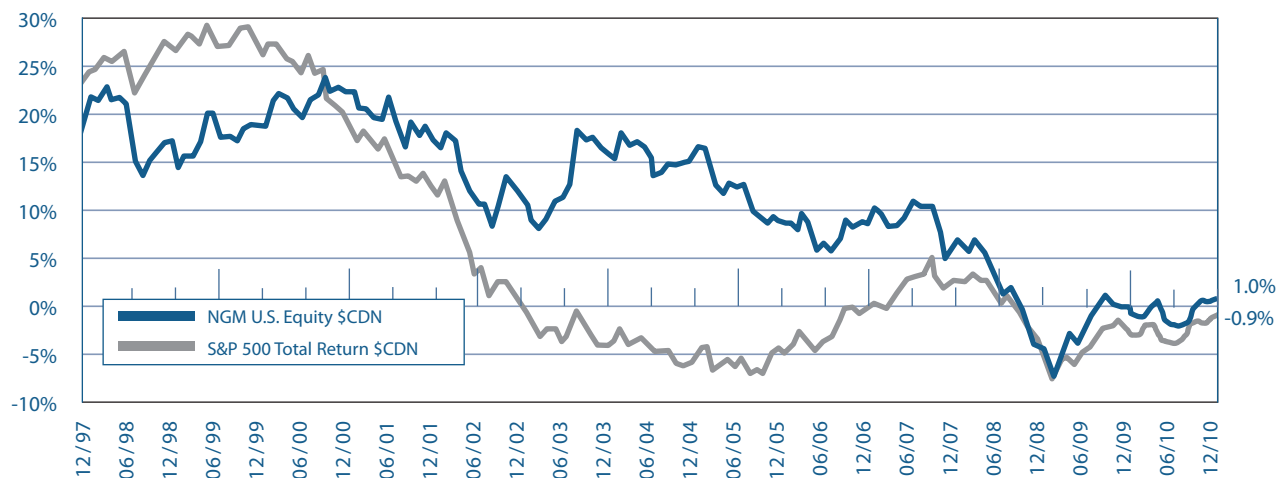
This chart shows the annualized compound returns for the preceding five years from any point in time over the life of the Fund. For example, for the five-year period ending December 31, 2010, the average annual compound return for the U.S. Equity Fund in U.S. dollars is 4.2%.

## North Growth U.S. Equity Fund Running Five-Year Results: Expressed in Canadian Dollars

As Canadian investors, it is important to understand the impact that 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 U.S. Equity Fund in both Canadian and U.S. dollars should help investors better understand the currency impact. As of December 31, 2010 the Fund's

five-year average annual return in Canadian dollars was 1.0% versus 4.2% in U.S. dollars. This 3.2% per annum difference is a bit wider than last year's 2.7% difference but is still significantly lower than the 10.4% per annum difference witnessed in 2007 when we stated our expectation for the Canadian dollar to trend down and the rolling five-year returns to begin to converge.

**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, 2010, the average annual compound return for the U.S. Equity Fund in CDN dollars is 1.0%.

## The Canadian Dollar

Forecasting the direction of the Canadian dollar versus the U.S. dollar is a hazardous occupation. Since the Canadian dollar began its recovery nine years ago, the exchange rate has obviously been an unwelcome drag on the performance of the U.S. Equity Fund. To avoid repetition and confusion, all references to the Canadian dollar are made in comparison to the U.S. dollar.

Currently, there is probably close to consensus agreement that the Canadian dollar will continue to outperform. Historically the relationship between the two currencies has fluctuated within a distinct band. This is as one would expect given the extent to which the two economies are interrelated.

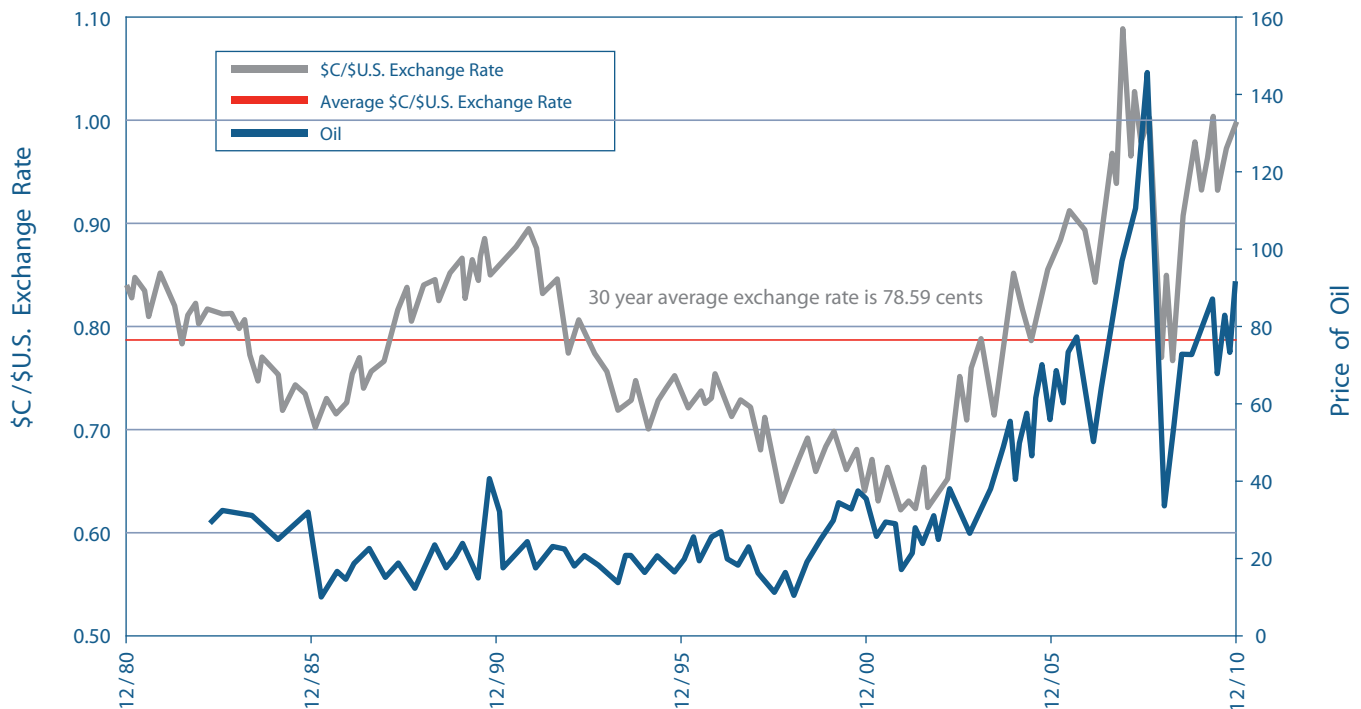
The most recent period of strength for the Canadian dollar has benefited from the strength in the price of oil.

So much so that we sometimes hear the Canadian dollar referred to as a petro dollar. Oil prices and our vast oil reserves obviously are a positive for the Canadian dollar but we doubt that will change the long term tendency of the currencies to fluctuate within the long term band of performance.

We urge investors to keep the interdependence of the Canadian and U.S. economies in mind when trying to determine how long the current consensus will hold true. If there is a turning point at some time in the future, the consensus at that time will prove to be dead wrong – the final word on the difficulty of forecasting exchange rates.

### Canadian Dollar to U.S. Dollar 30 Year Exchange Rate History

December 31, 1980 to December 31 2010

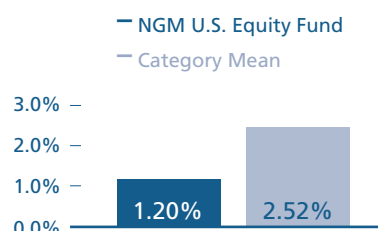


## Management Fees

### NGM U.S. 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 2010, the MER for the North Growth U.S. Equity Fund was 1.20%. By comparison, the average MER for the U.S. equity fund category was 2.52%, according to Globefund.com.

NGM: 2010 MER  
(Management Expense Ratio)  
Comparison

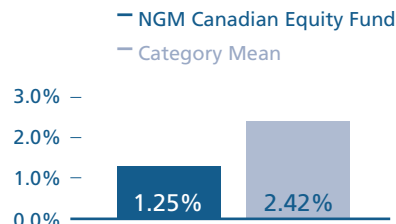


Source: Globefund.com (Dec 2010)

### NGM Canadian Equity Fund

In 2010, 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 2.42%.

NGM: 2010 MER  
(Management Expense Ratio)  
Comparison

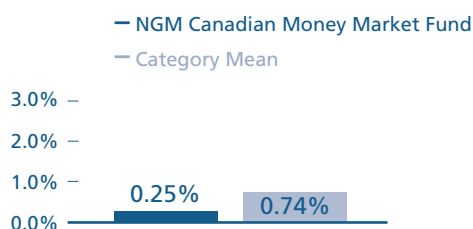


Source: Globefund.com (Dec 2010)

### NGM Canadian Money Market Fund

The Fund's 0.25% all-inclusive management fee has historically been among the lowest in Canada and compares favourably to the 0.74% average MER for the Canadian money market fund category in 2010. Due to its competitive fee, the Fund outperformed the average of the Globe and Mail's Universe of Canadian money market funds by 0.18% in 2010.

NGM: 2010 MER  
(Management Expense Ratio)  
Comparison



Source: Globefund.com (Dec 2010)

## Economic Commentary and Outlook for 2011

Volatility characterized the U.S. equity markets in 2010. In light of stronger than expected economic news from January to April, equities rallied during the beginning months of the year. Starting in May, however, and continuing through the summer, as investors focused on European sovereign debt concerns and certain economic data that pointed towards a moderation in the pace of the U.S. economic expansion, the markets sold off. A reversal of investor sentiment occurred during the last four months of the year in which stocks advanced strongly to end 2010 in positive territory.

Despite the erratic behavior of the equity markets during the year, the U.S. economy continued to recover from the 2008/2009 financial crisis-induced recession. U.S. gross domestic product or GDP grew at an annualized rate of 3.7% in the first quarter, 1.7% in the second quarter, and 2.6% in the third quarter. Most economists estimate that the U.S. economy accelerated and expanded around 3.5% in the final quarter. Near the end of 2010, numerous economic indicators strengthened: steady improvements in consumer confidence led to a six-month high in the Thomson Reuters/University of Michigan consumer sentiment index for December, the number of initial filings for unemployment benefits showed a clearly declining trend since September, and activity in the manufacturing sector as measured by the Institute for Supply Management (ISM) continued to grow with particularly strong readings in new orders and production for December.

While the economic news oscillated throughout the year, at times fueling fears of a double dip recession, corporate earnings and associated management commentary across a broad array of industries unequivocally reflected strength and improvement. Company profit reports consistently came in better than expected. Management outlook in general was constructive and upbeat, providing clear evidence that the U.S. economic expansion was being led and sustained by business capital spending. As corporate earnings grew and hit record highs in 2010, corporate financial health continued to strengthen with company cash balances accumulated at record levels.

S&P 500 corporations ended the year with close to \$2 trillion of cash on their balance sheets, the most ever compared with the value of their assets. Corporate cash flow in the third quarter increased to \$1.9 trillion, well above the 2007 peak and up 38% from the recession low\*. In 2010, many companies began to take advantage of their

financial strength, increasing spending on equipment as signs of improved demand became visible. Companies also made plans to boost hiring, suggesting an ongoing albeit very gradual improvement in the labour market.

Citing concerns over the stubbornly high unemployment rate, and in consideration of low and falling inflation, the U.S. Federal Reserve maintained a highly accommodative monetary policy throughout the year. The federal funds rate remained in the target range of 0 to 0.25%. Furthermore, on November 3rd, the Fed announced additional stimulus to promote economic growth; a second round of quantitative easing or purchase of Treasury securities, amounting to \$600 billion by mid-2011, is being employed. Easier financial conditions as a result of Fed policy actions should spur further investment, which, in a virtuous cycle, would lead to continued growth in corporate profits.

Throughout most of the year, investor sentiment had a negative bias with the markets focused primarily on negative news and paying little attention to spectacular earnings growth or doubting the sustainability of the growth trend. Consequently, equities have been trading at extremely attractive valuation levels. Stock valuations stayed below their historical averages during 2010, and if adjusted for the exceptional balance sheet strength of many companies, became more compelling as corporate earnings growth accelerated and the long term prospects of U.S. businesses improved.

Heading into 2011, against an accommodative monetary backdrop and strengthening economy, sound fundamentals and low valuations provide tremendous investment opportunities in U.S. equities. Throughout 2010, we pounded the table, urging long term investors to increase their exposure to the leading global companies that have been trading at historically attractive prices. We remain convinced that further gains are in store for U.S. stocks in the coming year as corporate earnings continue to surprise on the upside. Hence, our outlook for 2011 is essentially the same as that from last year: "For [2011], we look forward to continued appreciation in U.S. equities as the global economic upturn accelerates, confidence returns to the markets, and most importantly, company earnings come in better than expected."

(\* Ref: ISI Group, Weekly Economic Report, Dec. 13, 2010.)

## In Memoriam

John Jackman (December 8, 1956 - March 30, 2010)

While in most respects 2010 was a year to celebrate, it was the year in which we lost our dear friend and colleague, John Jackman.

John joined North Growth Management in 2002 as Accounting Manager and although he worked behind the scenes, invisible to unit holders, he was instrumental in the administration of the Funds and your accounts.

We will miss John's friendship and his ever present cheerful personality but his legacy will continue on at North Growth; he was deeply involved in the development of our back office system which we have named Jackman Investment Funds System.



## North Growth U.S. Equity Fund Portfolio

AS OF DECEMBER 31, 2010

**Adobe Systems, Inc...** is a leading software company that offers a line of creative, business, Web and mobile software and services targeted to consumers, creative professionals, developers, enterprises and original equipment manufacturers (OEMs). The company's products and services allow users to create, manage, deliver and optimize content across multiple operating systems, devices and media. Several of its key products include *Photoshop*, *Creative Suite*, *Dreamweaver*, *LiveCycle*, *Acrobat*, and *Flash*.

**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 *aerie*, which offers dormwear and intimates collections for the AE girl and *77kids*, which offers clothing and accessories for kids aged 2 to 10. The company recently closed down its *MARTIN + OSA* store concept.

**Apple, Inc...** is a leading designer, manufacturer, and marketer of personal computers and related products, portable digital music and video players, and mobile communication devices. Some of its popular products include the *iMac*, *MacBook*, *Mac mini*, *iPod*, *Apple TV*, *iPhone* and *iPad*. Its *iTunes* application is also very popular for downloading, playing and organizing digital audio and video files as well as third party applications. The company's products are sold online and through its retail stores, direct sales force and third party wholesalers, resellers and value added resellers.

**Applied Materials, Inc...** is the world's largest supplier of products and services to the global semiconductor, flat panel display, and solar photovoltaic industries. In its Silicon Systems Group, the company provides manufacturing equipment that performs most of the many steps in the chip fabrication process. In its Display segment, it provides equipment that makes liquid crystal displays (LCDs) commonly found in notebook computers, desktop monitors and televisions. Its Energy and Environmental Solutions segment supplies solutions to produce solar photovoltaic panels.

**Bristol-Myers Squibb Company...** is a global biopharmaceutical company. Its prescription drugs, which cover key areas in cardiovascular, virology, oncology, immunoscience 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), *Onglyza* (for diabetes), and *Erbitux* (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 Lux 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 *RockSugar Pan Asian Kitchen* and 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 and services. The company's broad portfolio of products consists of its core routers and switches as well as solutions in advanced technologies which range from home networking and video systems to security and unified communications. Cisco sells its products to a wide range of customers, including large and small businesses, internet service providers, public sector entities and governments as well as consumers.

**Citigroup, Inc...** is a diversified financial services company with operations across the globe. The company provides a wide range of financial products and services and is organized into two major segments – Citicorp and Citi Holdings. Citicorp includes its Regional Consumer Banking operations as well as its Transaction Services and Securities and Banking units. The Citi Holdings segment consists of businesses and assets that are not core to the company's long term strategy and are being managed to optimize their value over time.



**Citrix Systems, Inc...** is a leading supplier of software and services that enable enterprise applications to be managed and delivered securely through its virtual computing infrastructure on demand, without regard to location, network connection, or device. The company markets and licenses its products primarily to enterprise customers.

**DSP Group, Inc...** is a fabless semiconductor company that provides a broad portfolio of chipset solutions that integrate DECT, Wi-Fi, PTSN and VoIP/CoIP technologies with application processors. These products compete in the home telephony market and enable converged voice, audio, video and data connectivity across diverse consumer products such as cordless and VoIP phones, home gateways and infotainment centers.

**Electronic Arts, Inc...** is a leading global interactive entertainment software company. The company develops, publishes and distributes video game software and content for various video game consoles, personal computers, handheld gaming devices and mobile devices

**First Solar, Inc...** designs and manufactures solar modules to convert sunlight into electricity using a proprietary thin film semiconductor technology. The company's use of the semiconductor material cadmium telluride differs from its silicon-based peers and has allowed it to achieve industry leading manufacturing cost advantages. The company has manufacturing sites in North America, Europe and Asia.

**Flow International Corporation...** develops and manufactures waterjet cutting and cleaning tools. Its products, which include ultrahigh-pressure water pumps that generate pressures from 40,000 to over 94,000 pounds per square inch (PSI), are sold in over 45 countries and are used by various industries including aerospace, metalworking, automotive, stone and tile, job shop and industrial surface preparation and cleaning.

**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.

**Guess?, Inc...** designs, markets, distributes and licenses

a lifestyle collection of contemporary apparel, denim, handbags, watches, footwear and other related consumer products for men, women and children. Its products are sold through retail, wholesale, e-commerce and licensing distribution channels. In retail, its store concepts include *GUESS?*, *GUESS by MARCIANO*, *G by GUESS* and *Guess? Accessories*.

**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 U.S. and various countries around the world.

**Intel Corporation...** is the world's largest semiconductor chip maker whose major products include: microprocessors and chipsets for desktop PCs, notebooks, netbooks and servers; NAND flash memory and embedded processors for wireless handsets; and other components for wireline communications applications. During 2010, the company entered definitive agreements to acquire McAfee, Inc., a provider of security solutions, and Infineon Technologies' Wireless Solutions business unit.

**Johnson Controls, Inc...** is a global leader in automotive interior systems, automotive batteries and commercial building management systems. The company's automotive interior systems division primarily sells seating and overhead systems. While its batteries division primarily sells lead-acid automotive batteries to both original equipment manufacturers and the aftermarket industry, the company also offers other technologies, such as lithium-ion batteries to power hybrid vehicles. Its division focused on building management systems sells a variety of products and services such as heating, ventilating and air condition (HVAC) systems, controls and security solutions.

**Microsoft Corporation...** is the largest software company in the world; it develops, 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.

**Micron, Inc...** is one of the world's leading semiconductor companies, specializing in memory products. The company's DRAM, NAND, and NOR Flash memory are used in computing, networking, server, mobile, embedded, consumer, automotive, and industrial applications.

**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* (athletic and casual footwear, apparel and equipment primarily for the sport of soccer). The company sells its products through 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 1,000 stores in North America.

**Pfizer, Inc...** is one of the world's largest research-based pharmaceutical companies. Its global healthcare portfolio includes human and animal biologic and small molecule medicines and vaccines, as well as nutritional and consumer health care products. Products within its Biopharmaceutical segment include those that prevent and treat cardiovascular and metabolic diseases, central nervous system disorders, arthritis and pain, infectious and respiratory diseases, urogenital conditions, cancer, eye disease and endocrine disorders, among others. 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. The company recently made an offer to acquire King Pharmaceuticals.

**Precision Castparts Corporation...** is a manufacturer of complex metal components and products and provides high quality investment castings, forgings, fasteners and fastener systems for a wide variety of industrial, power generation and aerospace applications.

**Safeway, Inc...** is one of the largest North American food and drug retailers with over 1,700 stores throughout the U.S. 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. St. Jude has four major focus areas that include cardiac rhythm management, atrial fibrillation, cardiovascular, and neuromodulation. The company's products are sold in more than 100 countries and include implantable cardioverter defibrillators (ICDs), cardiac resynchronization therapy (CRT) devices, pacemakers, electrophysiology catheters, mapping and visualization systems, vascular closure devices, heart valve replacement and repair products, and neurostimulation devices.

**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. Texas Instruments is also a leading supplier of handheld graphing and scientific calculators.

"We see a tremendous capital franchise, accelerating industrial growth and innovation and lots of financial flexibility to create long-term shareowner value."

*General Electric Company*

Dec 14, 2010 Chairman and CEO Jeffrey Immelt

**Varian Medical Systems, Inc...** is the world's leading manufacturer of medical devices and software for treating cancer and other medical conditions with radiotherapy, radiosurgery, proton therapy and brachytherapy. The company supplies informatics software for managing comprehensive cancer clinics, radiotherapy centers and medical oncology practices. Varian is a premier supplier of tubes and digital detectors for X-ray imaging in medical, scientific and industrial applications and also supplies X-ray imaging products for cargo screening and industrial inspection.

**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, and jewellery to pharmaceuticals and photo processing services at every day low prices. The company operates various retail formats around the world which include discount stores and supercenters (*Wal-Mart*), warehouse clubs (*Sam's Club*), and supermarkets (*Neighborhood Markets*).

**Wellpoint, Inc...** provides health care benefits to approximately 33 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, 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 orthopaedic reconstructive, spinal and trauma devices, dental implants and related surgical products. Its products are sold in more than 100 countries and are sold directly to health care institutions, distributors, and dental facilities.

## Top 10 Holdings (%)

1. Apple Inc.	10.68
2. Cisco Systems Inc.	9.34
3. Intel Corporation	5.10
4. Bristol-Myers Squibb Company	4.57
5. St. Jude Medical Inc.	4.57
6. Pier 1 Imports Inc.	4.45
7. Applied Materials Inc.	4.29
8. Texas Instruments Inc.	4.13
9. Microsoft Corporation	4.07
10. Precision Castparts Corp.	4.02

## Sector Mix (%)

Technology	50.1
Healthcare	19.6
Retail	10.3
Capital Goods	9.7
Consumer Cyclical	3.4
Consumer Durables	3.0
Energy	2.7
Financial	0.2
Other Net Assets	0.9

## North Growth Canadian Equity Fund Portfolio

AS OF DECEMBER 31, 2010

**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. The company continues to expand its products portfolio and has a number of new products in its pipeline.

**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 industries such as energy, medical, consumer, automotive, computer, and electrical.

**Azure Dynamics Corporation...** is a world leader in the development and production of hybrid electric and electric components and powertrain systems for commercial vehicles. Azure is strategically targeting the commercial delivery vehicle and shuttle bus markets and is currently working internationally with various partners and customers including Ford, Johnson Controls-Saft, Purolator, Federal Express, and the U.S. Postal Service.

**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.

**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 defense forces around the globe.

**Celestica, Inc...** is a global electronics manufacturing services company whose solutions span the entire product lifecycle – from design to supply chain management and aftermarket support. The company has a diverse customer base from industries such as enterprise, communications, consumer, aerospace and defense, industrial, alternative energy, and healthcare.

**COM DEV International, Ltd...** is a leading global designer and manufacturer of space hardware subsystems. With facilities in Canada, the United Kingdom and the United States, the company manufactures advanced products and subsystems that are sold to major satellite prime contractors for use in communications, space science, remote sensing and military satellites. Through its subsidiary, *exactEarth*, the company is developing a global space-based Automatic Identification System for marine traffic for government and commercial purposes.

**Day4 Energy, Inc...** is a Vancouver-based manufacturer of solar modules whose 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 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.

**Gennum Corporation...** designs innovative semiconductor solutions and intellectual property (IP) cores for the world's most advanced consumer connectivity, enterprise, video broadcast, and data communications products.

**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. The company emerged from bankruptcy with existing shareholders retaining a significant portion of the company.

**Jean Coutu Group (PJC), Inc...** operates a network of 378 franchised drugstores in Canada located in Quebec, New Brunswick and Ontario and employs more than 17,000 people. The company holds a significant interest in Rite Aid Corporation, a leading US drugstore chain with over 4,700 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. The company recently divested its Information Products group that delivers land-related products and services concerning legal and asset information although the company retained its geospatial business.

**Miranda Technologies, Inc...** develops, manufactures and markets high-performance hardware and software for the television broadcast industry. Its solutions are purchased by content creators, broadcasters, specialty channels, and television service providers to enable and enhance the transition to a complex multi-channel digital and HD broadcast environment.

**QLT, Inc...** is a pharmaceutical company dedicated to the development and commercialization of innovative therapies for the eye. The company is focused on its commercial product *Visudyne* for the treatment of wet AMD (age-related macular degeneration), and the development of drugs to be delivered in its proprietary punctal plug devices.

**Research in Motion, Ltd...** is the designer and manufacturer of the iconic *BlackBerry* smartphone which is in use by over 55 million people around the world.

**Sandvine Corporation...** is focused on protecting and improving the quality of experience on the Internet. The company's award-winning network solutions help network operators better understand network traffic, increase customer satisfaction, mitigate the proliferation of malicious traffic, manage network congestion, and prioritize the delivery of multimedia services while maintaining a high quality of service.

"We are successfully targeting key trends in the communications market, including the evolution of mobile Internet services, broadband network upgrades and the migration to new packet-based technologies. Our implanted wireless radio platform continues to earn design-ins with established medical device manufacturers."

*Zarlink Semiconductor Inc.*

Oct 28, 2010 Press Release, Kirk Mandy CEO



**Saputo, Inc...** is a leading manufacturer of cheese, fluid milk, yogurt, dairy ingredients and snack-cakes. Saputo is the 12th largest dairy processor in the world, the largest in Canada, the third largest in Argentina, among the top 3 cheese producers in the United States, and the largest snack-cake manufacturer in Canada. The company's products include brand names such as *Saputo*, *Armstrong*, *Dairyland*, and *Neilson*.

**Sierra Wireless, Inc...** offers industry-leading mobile computing and machine-to-machine communications products and solutions that connect people, devices, and applications over cellular networks. The company has successfully integrated Wavecom and is now the market leader in machine-to-machine communication products.

**TELUS Corporation...** is a leading Canadian telecommunications company that provides wireline, wireless, internet, entertainment and video services.

**Valeant Pharmaceuticals International, Inc...** is the product of the merger between Biovail Corporation and Valeant Pharmaceuticals International which completed in September 2010. Valeant is a specialty pharmaceutical company that focuses in neurology and dermatology primarily in the United States, Canada, Mexico, Brazil, Europe, and Australia.

**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 TV*.

**Zarlink Semiconductor, Inc...** delivers world-leading, mixed-signal chip technology for a broad range of communications and medical applications. The company's core capabilities are in network timing, voice over cable and broadband, and ultra low-power wireless communication. Serving the world's largest equipment manufacturers, Zarlink's highly integrated chip solutions help customers simplify design, lower costs, and reach their markets quickly.

## Top 10 Holdings (%)

1. Zarlink Semiconductor Inc.	10.51
2. Sierra Wireless Inc.	7.89
3. EXFO Inc.	6.81
4. Bombardier Inc., Class B	6.20
5. Valeant Pharmaceuticals Int'l Inc.	5.72
6. WestJet Airlines Ltd.	4.62
7. QLT Inc.	4.54
8. Dorel Industries Inc., Class B	4.36
9. ATS Automation Tooling Systems Inc.	4.34
10. Miranda Technologies Inc.	4.09

## Sector Mix (%)

Technology	56.6
Healthcare	11.1
Industrials	9.6
Transportation	4.6
Consumer Products	4.9
Consumer Durables	4.4
Capital Goods	4.3
Communications & Media	1.9
Other Net Assets	2.6

## How to buy our funds

### Direct

The North Growth U.S. Equity Fund, Canadian Equity Fund and Money Market Fund are available directly from us. The minimum initial investment is \$150,000 CDN, subsequent investments \$10,000 CDN.

### Through your advisor

The North Growth U.S. Equity Advisor Fund is available through your regular full service broker, fee for service advisor or discount brokerage.

### Registered dealers

Registered dealers with clients interested in purchasing units of the U.S. Equity Advisor Fund can do so through FundSERV under the fund manufacturer code NGM.

#### THE FUTURE BELONGS TO US –

Together through use of Forest Stewardship Council (FSC) certified paper in this brochure, we are taking steps to ensure our forests are protected. This brochure is produced from forests that are responsibly managed according to set environmental standards. Our goal is to support environmentally appropriate, socially beneficial, and economically viable management of the earth's resources. This brochure contains 100% post-consumer fiber.



## 2010 ANNUAL REPORT

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