

The summer months were not kind to the North Growth Canadian Equity Fund. During August the Fund was down 0.8% bringing the trailing three month return for the Fund to only 0.7% and resulting in an unfavorable comparison versus the S&P TSX Composite Index which gained 2.5% and 11.5% during the respective periods. Because I remain completely satisfied with the Fund's positioning, these poor short term results are particularly difficult to swallow. At some point the solid growth potential and attractive valuations of the individual holdings of the Fund will, in my opinion, generate very satisfactory investment returns.

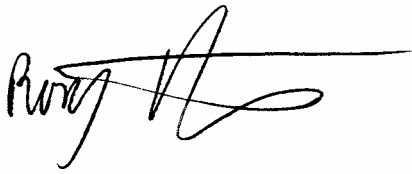
Oil and gas prices continue to dominate the market psyche, with the short term impact of Hurricane Katrina serving to intensify media coverage of this sector. Our Canadian Fund strategy is driven off of our US Fund research efforts. We have already completely eliminated all energy holdings from the North Growth US Equity Fund. The North Growth Canadian Fund's energy holdings now sit at just over 7% as compared to approximately 26% for the S&P TSX Composite Index.

We believe that both the ongoing oil supply growth and the oil demand reduction caused by current high oil prices are being underestimated by the market. We anticipate that in the near term the global oil market will be substantially oversupplied, resulting in oil prices falling to \$40 a barrel or lower. Energy stocks are currently factoring in long term oil prices of \$50 a barrel or more. Emotionally it is always difficult to sell while a stock is going up, but it is often even harder to sell after it has begun to fall. We do not believe these are sustainable long term prices and are advising clients to reduce exposure to the energy sector.

We are currently bearish on commodities in general, believing we are approaching the top of this commodity cycle — yes, commodities are cyclical. Commodity cycles are driven both by supply and demand. Throughout the latter half of the 90s with oil tumbling to \$10 a barrel and copper trading down to 60 cents a pound, there was substantial underinvestment in new production capacity. Contrary to popular opinion, we believe the current strength in commodity markets has as much and probably more to do with this period of underinvestment than growth in demand. We are now three years into the commodity up cycle and with record prices you can rest assured that underinvestment is no longer an issue.

While we believe the most attractive characteristic of the North Growth Canadian Equity Fund is its somewhat unique portfolio of growth at a reasonable price stocks, we also believe that currently what it does not own, namely financials and commodities, makes it a particularly compelling investment.

Yours truly,

A handwritten signature in black ink, appearing to read 'Rory North', with a long horizontal stroke extending to the right.

Rory North

WHERE TO FIND NGM FUND PRICES

Please visit www.northgrowth.com to view the Fund's daily prices or to be added to our e-mail list to receive daily notification of the Fund's prices. Alternatively, the Globe & Mail lists the Funds under the following headings: **Mutual Fund** - NGM US Equity Fund; **Pooled Fund** - NGM Cdn. Equity Fund; **Money Market Fund** - NGM Cdn. Money Market Fund

SHORT TERM RATES OF RETURN FOR PERIODS ENDING AUGUST 31, 2005

	1 Month	3 Months	6 Months	YTD
North Growth Canadian Equity Fund	-0.83%	0.70%	-1.26%	1.22%
S&P / TSX \$CDN	2.50%	11.54%	11.39%	16.69%
North Growth US Equity Fund \$CDN	-4.35%	-3.67%	-0.22%	6.46%
S&P 500 \$CDN	-3.91%	-2.67%	-1.52%	0.68%

ANNUALIZED RATES OF RETURN FOR PERIODS ENDING AUGUST 31, 2005

	1 Year	3 Years	5 Years	Since NGM Takeover	Since Inception
North Growth Canadian Equity Fund	11.38%	6.68%	6.19%	12.25%	6.19%
S&P / TSX \$CDN	29.66%	19.48%	0.67%	25.17%	0.67%
North Growth US Equity Fund \$CDN	17.05%	14.34%	11.25%	16.29%	16.52%
S&P 500 \$CDN	1.76%	2.30%	-6.80%	6.14%	10.53%

North Growth Management Ltd. took over the Canadian Equity Fund's management contract on May 1, 2003.

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

The inception of the US Equity Fund: October 13, 1992

NAVPS: August 31, 2005 \$ 13.05 CDN

Total Assets in Fund \$ 21.3Million CDN

North Growth Canadian Money Market Fund**Net Current Yield****2.30%**