



DECEMBER MONTHLY REPORT

January 9, 2004

2003 was a terrific year for the North Growth US Equity Fund which delivered a US dollar return of 52.7% for the year versus 50.8% for the Nasdaq Composite, 47.3% for the Russell 2000, 35.6% for the S&P 400 MidCap and 28.7% for the S&P 500. The Fund's outstanding 2003 performance was tempered somewhat by the strength of the Canadian dollar which reduced the Fund's return in Canadian dollars to 25.5% versus the Canadian dollar gain for the S&P 500 of only 5.8%. Equity markets finished off a very strong year with a solid December performance. During December, the Fund was up 3.2%, outperforming all of the indices we follow except for the S&P 500 which rose 5.3% during the month.

The annual distribution for the Fund was paid out on December 15, 2003. The distribution amounted to \$0.12 of capital gains per unit, which is equivalent to only 0.53% of the pre-distribution unit value. The distribution was small enough that it will have no meaningful impact on the after-tax returns for the Fund. Going forward, there are significant unrealized capital gains in the Fund and, as a result, it is quite likely that we will see higher levels of distributions over the next few years.

Currency risk is a very important issue for the Fund's unitholders. We first highlighted this issue in our 2001 Annual Report which was published in March of 2002 when the Canadian dollar was trading at below 63 cents US. At the time the most widely held view as presented by the Canadian media and many mainstream economic commentators was that the Canadian dollar would continue to drop towards the 50 cent level. We did not agree with this view and put forward our opinion that the Canadian dollar was undervalued versus the US dollar. We reiterated this opinion in our 2002 Annual Report published in early 2003. After over a year of development we introduced a proprietary currency hedge product for our clients in May, 2003 when the Canadian dollar was trading at just over the 70 cent level.

Since we first published our opinions on the Canadian dollar it has appreciated by approximately 26% to 11-year highs and it seems that only now the strong Canadian dollar (or weak US dollar) is becoming a major topic of discussion. Although currency risk is always an issue which should be considered by investors when making international investments, we now believe that the significant risk we were highlighting has been substantially mitigated by the recent depreciation of the US dollar. The Canadian dollar is currently trading at something close to fair value, although recent history shows us that traders can move the currency well past fair value levels. Our hedge product is available to accredited investors with a minimum \$250,000 invested in the US Equity Fund but we are very neutral as to the need to be hedged at this point. As we stated in our October Report, clients following our advice reduced their hedge position from 90% to 50% in late October.



We continue to be quite positive on the outlook for the markets in 2004. The US economy continues to expand at a pace that is likely to exceed most expectations. Unlike last year at this time when few held our positive views, the consensus view is currently for a strong US economy and solid equity returns in 2004. For the past few years we have been very out of sync with the consensus opinions and this has served us well but we do not make a point of being contrarian just for the sake of being contrarian. We currently agree with the general opinions of many Wall Street forecasters although we believe they are still underestimating the current earnings cycle.

As always, the key to our investment success will be stock selection. The North Growth team will continue to focus on identifying good “growth at a reasonable price” investment opportunities.

North Growth Management is pleased to announce that we now offer RRSP and RRIF accounts. There are no additional fees charged on these accounts. The North Growth Canadian Equity Fund and The North Growth Canadian Money Market Fund are eligible as Canadian content and the North Growth US Equity Fund is eligible as foreign content.

We are also introducing the NGM US FOCUS RRSP. This product with a minimum initial investment of only \$85,000 is open to any British Columbian resident and to Accredited Investors in all provinces except for Quebec and New Brunswick. The minimum investment must consist of \$25,000 in the US Equity Fund and \$60,000 in the Canadian Equity Fund. Due to the 30% investment by the Canadian Fund in the US Fund this combination will permit NGM US FOCUS RRSP clients to have approximately 50% of their RRSP invested in the North Growth US Equity Fund.

Yours truly,

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.



PERFORMANCE COMPARISONS: SHORT-TERM

	<i>Year to December 31, 03</i>	<i>Six months to December 31, 03</i>	<i>Three months to December 31, 03</i>	<i>Month of December 03</i>
North Growth US Equity Fund \$CDN	25.50%	20.65%	12.83%	3.00%
North Growth US Equity Fund \$US	52.71%	25.39%	17.48%	3.21%
S&P 500 \$US	28.68%	15.15%	12.18%	5.25%
S&P 400 MidCap \$US	35.62%	20.65%	13.19%	1.69%
Russell 2000 \$US	47.29%	24.93%	14.53%	2.04%
NASDAQ Composite \$US	50.77%	23.77%	12.30%	2.25%

PERFORMANCE COMPARISONS: LONG-TERM

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>
North Growth US Equity Fund \$CDN	25.50%	11.55%	16.37%	16.88%
North Growth US Equity Fund \$US	52.71%	17.09%	20.33%	17.10%
S&P 500 \$US	28.68%	-4.04%	-0.57%	11.05%
S&P 400 MidCap \$US	35.62%	4.83%	9.20%	13.91%
Russell 2000 \$US*	47.29%	6.32%	7.21%	7.97%
NASDAQ Composite \$US*	50.77%	-6.35%	-1.45%	9.93%

Source: Bloomberg "Total Return Analysis" as of January 2, 2004

** The ten year average for these indices is a Simple Price Appreciation because total return data is not available on Bloomberg.*

RETURN SINCE INCEPTION (ANNUALIZED), OCT. 13, 1992 - DEC. 31, 2003

18.17% CDN

17.74% US

NAVPS: DEC. 31, 2003

\$ 23.32 CDN

\$ 17.98 US

TOTAL ASSETS IN FUND

\$ 199.60 MILLION CDN

**CANADIAN MONEY MARKET FUND
NET CURRENT YIELD AS OF DEC. 31, 2003
2.48%**