July Monthly Report

August 9, 2004

Across the board, July was a very weak month for US equities. The technology sector was hit the hardest as evidenced by the NASDAQ Composite falling 7.8% during the month. The NASDAQ gave up all its gains of the last two months to slip back into negative territory to a minus 5.6% year–to-date return. During July, small and mid capitalization shares were also weak, with the Russell 2000 Index and the S&P 400 MidCap Index down 6.7% and 4.7% respectively. The North Growth US Equity Fund had a very difficult month, falling 7.2% versus minus 3.3% for the S&P 500. Year-to-date, the Fund is down 5.9% versus the S&P 500 which is flat over the same period. The Canadian/US currency exchange rates were essentially unchanged for the month. When including the weaker Canadian dollar year-to-date, the Canadian dollar returns for the Fund improve by over 2% to minus 3.6%.

We are extremely frustrated with the markets and, more specifically, the Fund's performance over the past several months. The disconnect between our interpretation of the current environment and the market's current views is reminiscent of the late 1999/early 2000 timeframe. Back then, we felt the market was interpreting everything with rose colored glasses and ignoring the fact that many stocks, particularly technology stocks, were clearly overvalued. (Please refer to our November 1999 report to review our comments from that period; http://www.northgrowth.com/resources/pdf.aspx?pdf=86-nov99) In 1999, sticking to our "Growth at a Reasonable Price" philosophy resulted in a substantial reduction in our technology holdings and a significant build up of cash.

Currently, we are experiencing levels of frustration similar to the late 1999 period, but for very different reasons. Right now, we believe the market is looking at everything as being half empty. Any company delivering negative news will be greeted by a dramatic sell-off in that specific equity and often to an entire group of companies. Meanwhile, positive news is largely ignored. Concerns regarding macro issues such as terrorism, high energy prices, and higher interest rates are outweighing the positives such as the strong US and global economy, pristine balance sheets and solid corporate earnings. We now find it relatively easy to identify attractively valued growth companies and in particular find the valuations of numerous technology stocks to be compelling. In today's environment, sticking to our discipline is keeping us fully invested and we continue to add to our technology holdings.

Dealing with this type of frustration is a key element of our job. The root of this frustration is that in the short term the markets are unpredictable and often swing to excesses of one kind or another. The key to dealing with the frustration is to remain focused on the long term, knowing that beyond the short term noise the market tends to be quite rational. Remaining committed to our "Growth at a Reasonable Price" philosophy provides the discipline necessary for successful long term equity investing.

Clearly, the positive highlight for the month was the outstanding earnings results posted for the second quarter. Earnings for the first half of 2004 have substantially exceeded all expectations going into 2004. Even with the substantial increases in earnings forecasts throughout the first half, many companies still managed to exceed estimates for the second quarter. As of July 30th, 76% of the Fund's holdings had already reported earnings, generating a weighted average year over year earnings growth rate of 38% for the quarter versus IBES expectations for 28% growth.

During July, we were quite active in the portfolio, taking advantage of the information flow and market reactions to focus our portfolio on what we consider to be currently our best "Growth at a Reasonable Price" opportunities. All of the changes made during the month were within the portfolio, resulting in an increase or decrease in the portfolio weighting of any given name. These types of decisions are quite difficult because they involve trying to determine the relative superiority of investments that you have previously determined to represent good investment opportunities.

We believe these decisions have improved the portfolio, but in July, nothing came without frustration. Two days after completing the majority of the difficult decision to sell our position in King Pharmaceuticals, it was announced that the company was being taken over at a decent premium.

Subsequent to the King debacle, we had two additional holdings, Ocular Sciences and Cox Communications, become the target of takeovers. We were happy with the Ocular Sciences transaction as it provided us with a nice "out" from a position that we already felt was close to fully valued. In the case of Cox, we had just raised our position from .9% to 2.1% two days before the acquisition was announced on August 1st.

The markets are currently sitting near their recent lows. From their respective January peaks, the S&P 500 is down almost 7% and the NASDAQ Composite is down by almost 15%. Corrections of this magnitude are not unusual in a bull market and Rudy assures us they usually represent great buying opportunities. Remember the adage, "When it's time to buy equities, you won't want to".

Yours truly,

Rory North

Performance Comparisons: Short-Term

	Year to July 31, 04	*Six months to July 31, 04*	*Three months to July 31, 04*	*Month of July 04*
North Growth US Equity Fund $CDN	**-3.55%**	**-5.54%**	**-5.12%**	**-7.50%**
North Growth US Equity Fund $US	**-5.94%**	**-5.88%**	**-2.08%**	**-7.20%**
S&P 500 $US	0.02%	-1.78%	-0.08%	-3.31%
S&P 400 MidCap $US	1.14%	-1.01%	-0.47%	-4.67%
Russell 2000 $US	-0.39%	-4.55%	-1.23%	-6.73%
NASDAQ Composite $US	-5.57%	-8.45%	-1.60%	-7.81%

Performance Comparisons: Long-Term

	1 Year	*3 Years*	*5 Years*	*10 Years*
North Growth US Equity Fund $CDN	**8.07%**	**7.52%**	**13.93%**	**16.96%**
North Growth US Equity Fund $US	**14.19%**	**12.74%**	**16.80%**	**17.46%**
S&P 500 $US	13.17%	-1.48%	-2.24%	11.09%
S&P 400 MidCap $US	17.82%	5.42%	8.46%	14.51%
Russell 2000 $US*	17.11%	5.78%	5.83%	8.48%
NASDAQ Composite $US*	9.29%	-1.92%	-6.14%	10.07%

Source: Bloomberg "Total Return Analysis" as of Aug. 1, 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 - July 31, 2004 — **16.85% CDN**, **16.19% US**

NAVPS: July 31, 2004 — $ 22.49 CDN; $ 16.92 US

Total Assets in Fund — $ 211.2 Million CDN

Canadian Money Market Fund
Net Current Yield as of July 31, 2004
1.75%