

May was a weak month for equities across the globe, with the US being no exception. The S&P 500 Index lost 2.9% in May while the NASDAQ Composite fell 6.1% and the S&P Mid and SmallCap indices each declined around 4.5%. The North Growth US Equity Fund's monthly performance was similar to that of the NASDAQ, falling 6.2% during May, lagging the broader market. The Canadian dollar strengthened further, gaining 1.4% thereby reducing the US Fund's return in Canadian dollars to -7.6% for the month. Despite the ugly big picture for the month, we saw some encouraging signs including the breakdown in breadth which we have been anticipating and believe is the likely precursor to a rotation in market leadership towards large capitalization growth stocks.

The Canadian market as represented by the S&P/TSX Composite Index also delivered weak performance in May, declining 3.6%. Following a strong April, the North Growth Canadian Equity Fund lost 10.3% during May. The Canadian Fund's underperformance was very disappointing as we continue to believe the Fund is well positioned for a period of poor performance in the broader Canadian market.

Please refer to the US and Canadian performances tables on pages 3 and 4 respectively for more details.

Last month's report was written by Rory. He said all the things that I have been feeling increasingly strong about. This month I am getting my chance to stress the exceptionally strong fundamentals of large cap US growth stocks and the likelihood that the market leadership of the past two years is beginning to change. We are at one of those (relatively) rare points, such as the beginning of a new bull market, where it is important that investors are properly positioned to take advantage of the changing investment outlook.

As it happens, May turned out to be a rather punishing month for US and Canadian equity markets and the North Growth Funds. We are not immune to the psychological effects of a falling market – especially when it is taking place day after day. This puts us in a grumpy mood, but also, when the fundamentals are favorable, makes us increasingly enthusiastic about the outlook for equities. You will have noticed that the general market sentiment becomes quite the opposite. The fear factor takes hold, negative scenarios grab the financial headlines and some “long term” investors consider selling. This counterproductive behavior occurs as the market approaches the bottom of a correction. Although we don't invest based on market indicators but on fundamentals, we are happy when market sentiment is as negative as it is currently. Such times are buying opportunities for successful long term investing.

In Canada the most significant development is that the up trend in energy and base metal prices is breaking down. In both cases, we believe that prices have been bid up by a high level of commodity speculation. This speculation has put recent prices well above what the basic supply/demand situation would warrant. Looking forward, massive investments being made to bring on new capacity make current price levels fundamentally vulnerable. The Canadian Fund has no exposure to base metals and only a token investment in energy. The portfolio is composed of companies that fall squarely into the Fund's "growth at a reasonable price" philosophy. Holdings tend to be in the more dynamic, newer, or more specialized areas of the economy. This strategy is beginning to work and will become more significant as the change in market leadership progresses.

The US Fund is concentrated in large cap US growth stocks. The companies the Fund is invested in have world leading management, well-defined business plans with impressive product lineups, good current operating results, unprecedented balance sheet health plus the outlook for above average long term earnings growth. The strong balance sheets are driving impressive dividend increases and a large number of share buybacks.

Attractive valuations relative to earnings is the most extreme positive we are seeing. As a group, large cap US growth stocks are as inexpensive relative to small and mid cap stocks as they have ever been. On an absolute basis many of the Fund's largest holdings are at the lower end of their historical range for P/E multiples. Investments with these fundamentals are simply good holdings for long term, growth oriented investors. Despite all of the above, investors have lost interest in the group. This only happens at market extremes when leadership is about to or in the earliest stages of change.

Yours truly,

A handwritten signature in black ink that reads "Rudy North". The signature is written in a cursive, flowing style.

Rudy North, President

**NORTH GROWTH US EQUITY FUND  
SHORT TERM RATES OF RETURN FOR PERIODS ENDING MAY 31, 2006**

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>-7.55%</b>	<b>-6.11%</b>	<b>-4.64%</b>	<b>-4.26%</b>
S&P 500 \$CDN	-4.31%	-3.43%	-3.15%	-2.86%
<b>NGM US Equity Fund \$US</b>	<b>-6.17%</b>	<b>-3.11%</b>	<b>1.02%</b>	<b>1.09%</b>
S&P 500 \$US	-2.88%	-0.35%	2.60%	2.57%
S&P 400 MidCap \$US	-4.51%	-0.75%	4.94%	4.22%
S&P 600 SmallCap \$US	-4.57%	0.11%	6.68%	7.68%
NASDAQ Composite \$US	-6.10%	-4.32%	-1.98%	-0.82%

**NORTH GROWTH US EQUITY FUND  
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING MAY 31, 2006**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>-7.76%</b>	<b>8.80%</b>	<b>6.24%</b>	<b>12.87%</b>	<b>15.18%</b>
S&P 500 \$CDN	-4.67%	3.85%	-4.63%	6.02%	9.76%
<b>NGM US Equity Fund \$US</b>	<b>5.11%</b>	<b>16.96%</b>	<b>13.58%</b>	<b>15.35%</b>	<b>16.21%</b>
S&P 500 \$US	8.64%	11.64%	1.96%	8.35%	10.74%
S&P 400 MidCap \$US	15.57%	18.63%	9.21%	13.65%	14.71%
S&P 600 SmallCap \$US	17.60%	21.49%	11.86%	11.35%	N/A
NASDAQ Composite \$US*	6.24%	11.63%	1.20%	6.22%	10.25%

Source: Bloomberg "Total Return Analysis" as of June 1, 2006.

\*The return since inception for this index is a Simple Price Appreciation because total return data is not available on Bloomberg.

The inception of the Fund: October 13, 1992.

**NAVPS: May 31, 2006 \$ 21.87 CDN  
\$ 19.85 US**

**Total Assets in Fund \$ 251.7 Million CDN**

**NORTH GROWTH CANADIAN EQUITY FUND  
SHORT TERM RATES OF RETURN FOR PERIODS ENDING MAY 31, 2006**

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>-10.29%</b>	<b>-1.28%</b>	<b>7.13%</b>	<b>5.58%</b>
S&P / TSX \$CDN	-3.56%	1.09%	9.69%	5.05%

**NORTH GROWTH CANADIAN EQUITY FUND  
ANNUALIZED RATES OF RETURN FOR PERIODS ENDING MAY 31, 2006**

	1 Year	3 Years	5 Years	*Since Takeover	**Since Inception
<b>NGM Canadian Equity Fund</b>	<b>11.09%</b>	<b>12.34%</b>	<b>5.12%</b>	<b>12.67%</b>	<b>7.18%</b>
S&P / TSX \$CDN	24.65%	21.84%	9.54%	22.87%	2.54%

\*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.

**NAVPS: May 31, 2006 \$ 12.86 CDN**

**Total Assets in Fund \$ 26.3 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND  
ANNUALIZED RATES OF RETURNS FOR PERIODS ENDING MAY 31, 2006**

	* CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>3.90%</b>	<b>2.91%</b>	<b>2.49%</b>	<b>2.57%</b>
30 Day T-Bill	4.12%	3.05%	2.67%	2.74%

*\* The Current Yield for the Money Market Fund is the average of the annualized daily yield for the most recent seven day period.*

The North Growth Canadian Money Market Fund is consistently one of the highest yielding money market funds in Canada – not because we waste any time searching for basis points along the yield curve but because at **0.25%** the Fund's management fee is one of the **lowest in Canada**. We manage the Fund simply by creating a well-diversified portfolio of very short term, top credit quality notes and believe the product is a good proxy for the risk free rate\*. We maintain the average maturity of the Fund at near 15 days, meaning that we essentially roll over the entire portfolio every 30 days. As a result, the Fund's current yield will rapidly follow any changes (up or down) in the Bank of Canada's overnight rate, as evidenced in the 120 basis point increase in the Fund's current yield over the past six months versus a 125 basis point increase in the overnight rate over the same period.

The accountant's fees for the annual audit are greater than the annual management fees, so North Growth Management takes a small loss on the product. We don't mind because we offer the product as a service to our clients. We also believe an inflation protected liquidity product, such as our money market fund is an underutilized asset class that could improve the overall financial planning of many of our clients. This may seem strange coming from a firm notorious for its opinion that bonds are essentially an inferior asset class that offer inadequate returns for their inherent risk, but we can lay out a strong theoretical argument that you can create a superior portfolio using equities and money market than you can using equities and mid to long term bonds.

For retirees living off their financial assets, we believe that using a client's own personal cash requirements and risk tolerance to determine their appropriate mix of money market and equities, can, in most instances, create a superior portfolio to the all too pervasive industry staple 60/40 equity/bond split. For clients seeking a truly personalized retirement plan we encourage you to make an appointment to come in and get a fresh look at your plan from the North Growth Management investment professionals.

\*The risk free rate is the theoretical rate of return of an investment with zero risk. The North Growth Canadian Money Market is not a risk free investment and is not covered by the CDIC (Canadian Deposit Insurance Corporation).

**INVESTING WITH NORTH GROWTH MANAGEMENT:**

North Growth Management is a focused firm. Our objective is consistent, superior, long term returns on our equity funds based on our “growth at a reasonable price” investment philosophy.

**CONDUCTING TRANSACTIONS:**

The cut-off time for same-day transactions is 4 p.m. Eastern time or 1 p.m. 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

**WHERE TO FIND NGM FUND PRICES**

Please visit [www.northgrowth.com](http://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.