

June was a choppy month for US equities. The markets continued a fairly broad rally during the first half of June only to fizzle out and give back these early gains to finish the month basically unchanged. Some pockets of strength were evident, with the small and mid capitalization indices posting solid returns for June. The North Growth US Equity Fund fared slightly worse than the market, falling 1.2% during the month versus a gain of 0.1% for the S&P 500. At the halfway mark for the year, the Fund has delivered an acceptable 4.6% return which looks quite favorable on a relative basis when compared to the -0.8% posted by the S&P 500 and the -5.1% from the NASDAQ Composite over the same period. Year-to-date, the strength in the US dollar has boosted the Fund's return when expressed in Canadian dollars to 6.6%.

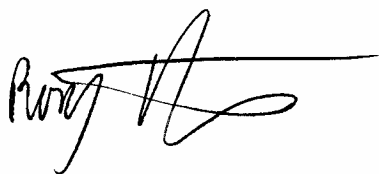
Our position on oil has been well documented in recent monthly reports. We continue to believe that we are in a very speculative environment and that there is significant downside risk to oil prices. We believe that energy stocks are currently pricing in oil prices of \$50/barrel or more for the next few years and offer limited upside even if oil stays near current levels for a considerable period of time. If we are correct, and oil prices do move back to the sub-\$40/barrel level, we would expect to see considerable downside for energy stocks. We are very happy with the returns achieved from our energy holdings over the past few years. Although it is often hard to say goodbye to an old friend, given our view of an unfavorable risk/return trade-off from these holdings, we have now sold all of our energy holdings from the Fund.

We had no problem finding a home for the 10% of the portfolio that came out of the energy shares over the past few months. We are continuing to find numerous compelling investment opportunities. Recently, most of our ideas have been large capitalization growth companies ranging from Microsoft to Wal-Mart. These recent investments are in some of the best quality American companies and are a great example of our "growth at a reasonable price" investment philosophy at work. During the late 1990s we recognized many of these companies as amongst the best managed growth companies in the world; however we did not own any of them at the time because we believed they were trading at unsustainably high valuation levels. Today, these are still amongst the greatest companies around, but they are now trading at very attractive valuation levels. For example, in 1999, Wal-Mart's shares traded at 50 times earnings. Over the past six years Wal-Mart's share price has drifted downwards while its earnings have more than doubled; as a result, Wal-Mart's shares currently trade at around 20 times earnings and are now one of our portfolio holdings.

Midway through the year, it seems appropriate to review some of our previous musings on the economic outlook to see if they are still relevant. Late in 2004 there was a great deal of consternation in the media and with some investors with regards to the US budget deficit and the US current account deficit. At the time, we countered that this was old news and that the real news was that these figures were likely to show significant improvement going forward. With one quarter remaining in the US government's fiscal year, it is clear that the federal budget deficit will come in far below official estimates and quite probably as much as 20% below last year's record \$412 billion. The evidence of an improvement in the current account deficit is more subtle but we do believe we have seen early signs of stabilization in this statistic that are likely the precursor to a meaningful improvement. We addressed these macroeconomic issues primarily in the context of currency risk and our outlook supported our decision to sell our currency hedge position last October. So far, our opinion that the US/Canadian exchange rate would be highly volatile but directionless has proven to be quite accurate.

After a little springtime drama, the foreign content restrictions for pensions, RRSPs and RRIFs are now officially history. This is great news for investors with a large proportion of their investment savings in these types of tax deferred accounts. At North Growth Management we firmly believe that most Canadians are underexposed to the US equity markets. Our recommended mix for long term investors is 80% US equities and 20% Canadian equities. We believe that with the Canadian dollar near the high end of its 30 year trading range versus the US dollar and after a three year bull market for commodities, now is a great time for Canadian investors to increase their exposure to the US equity market.

Yours truly,



Rory North

#### **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

**SHORT TERM RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2005**

	1 Month	3 Months	6 Months	YTD
<b>North Growth US Equity Fund \$CDN</b>	<b>-3.50%</b>	<b>2.67%</b>	<b>6.64%</b>	<b>6.64%</b>
<b>North Growth US Equity Fund \$US</b>	<b>-1.16%</b>	<b>1.35%</b>	<b>4.61%</b>	<b>4.61%</b>
S&P 500 \$US	0.14%	1.37%	-0.81%	-0.81%
S&P 400 MidCap \$US	2.32%	4.26%	3.85%	3.85%
S&P 600 SmallCap \$US	3.25%	3.94%	1.80%	1.80%
NASDAQ Composite \$US	-0.48%	3.07%	-5.12%	-5.12%

**ANNUALIZED RATES OF RETURN FOR PERIODS ENDING JUNE 30, 2005**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>North Growth US Equity Fund \$CDN</b>	<b>5.81%</b>	<b>16.06%</b>	<b>12.42%</b>	<b>16.44%</b>	<b>16.77%</b>
<b>North Growth US Equity Fund \$US</b>	<b>15.17%</b>	<b>24.60%</b>	<b>16.75%</b>	<b>17.76%</b>	<b>16.91%</b>
S&P 500 \$US	6.32%	8.28%	-2.37%	9.94%	10.84%
S&P 400 MidCap \$US	14.03%	13.16%	8.49%	14.66%	14.75%
S&P 600 SmallCap \$US	13.45%	13.95%	10.51%	12.93%	N/A
NASDAQ Composite \$US*	1.09%	12.58%	-11.91%	8.65%	10.52%

Source: Bloomberg "Total Return Analysis" as of July 1, 2005.

\*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: June 30, 2005**      **\$ 25.62 CDN**  
**\$ 20.91 US**

**Total Assets in Fund**      **\$ 245.1 Million CDN**

**North Growth Canadian Money Market Fund**  
**Net Current Yield**  
**2.25%**