

The North Growth US Equity Fund delivered a solid performance in February, beating all the major indices we track. The Fund returned 0.4% during the month, slightly ahead of the S&P 500 Index's 0.3% gain. The S&P MidCap and SmallCap Indices, as well as the technology-centric NASDAQ Composite, declined in February in the magnitude of -0.8% to -1.0%. Year-to-date, the Fund is up 4.3% as compared to 2.9% for the S&P 500. In Canadian dollars, the Fund's year-to-date return is 2.0%.

As unitholders you have just received the Fund's 2005 Annual Report and the January Monthly Report. Together these reports give an exhaustive summary of our investment philosophy, how it was applied over the past ten years to produce industry leading US investment results, and our current evaluation of the US economy which is contrary to the public perception that the US economy is floundering. It is worth referring back to the January Monthly Report to review our commentary on the current state of the economy. February "news" merely reinforced our January commentary. To continue my tradition of always having something more to say and sometimes with great conviction, I decided to write the report this month. We are at one of those points that I feel compelled to state a position that is probably quite different from what you are reading elsewhere.

The US equity markets seem to have bored investors over the past two years. American investors are very subdued and lacking in enthusiasm while those Canadian investors who like to compare apples to oranges are downright unimpressed. As usual at such times, I tend to see things somewhat differently. Despite the vital long term position of oil, both metals and oil are commodities and have always followed a cyclical path. After three years of exceptionally strong commodity prices, main street investor enthusiasm towards the sector is complete, which is always a good time to become cautious and to start looking for alternative investments.

The above might seem an irrelevant digression in a US Equity Report but it is such a beautiful example of the opposite to what we are seeing in the US equity markets that I feel it is appropriate to mention. The American picture is much different. As we have been mentioning recently, our "growth at a reasonable price" discipline is leading us to a classic buying opportunity in the cream of large cap growth stocks. Today, we are seeing the inverse of the picture in 1998 which resulted in the Fund loading up in small and mid cap stocks even though they were completely out of favor at the time and a momentum-driven market was sending large cap stocks, technology stocks and dot-com scams to all-time record high valuations. You all know the story and the good performance of the Fund which followed.

A similar scenario, though not as extreme, is developing in US equity markets today. Small and mid cap stocks lost their valuation advantage almost 2 years ago. Nevertheless, small and mid cap stocks continue to lead the market, which is typical momentum-driven behavior of a strong sector that is becoming overvalued.

On the other hand, many of the best managed large cap growth stocks are trading at the lower end of their price/earnings range. There is no investor enthusiasm for these stocks; they have been in extended relative downtrends despite good operating results. This has resulted in a dramatic P/E adjustment downward. Again, a classic “growth at a reasonable price” situation: without investor enthusiasm, the market actions of these stocks are beginning to improve which is the way new market leadership should begin.

The Fund’s portfolio currently holds over 60% in large cap growth stocks.

This is not the beginning of a new bull market. I can’t pound the table quite as hard as I have at other key turning points for the market over the past decade. Nevertheless, we are expecting a stronger leg to the existing bull market that will be lead by large cap growth stocks.

#### **NOW IS THE TIME TO OWN LARGE CAP GROWTH STOCKS**

Yours truly,



Rudy 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 FEBRUARY 28, 2006**

	1 Month	3 Months	6 Months	YTD
<b>North Growth US Equity Fund \$CDN</b>	<b>0.23%</b>	<b>1.56%</b>	<b>1.98%</b>	<b>1.97%</b>
<b>North Growth US Equity Fund \$US</b>	<b>0.44%</b>	<b>4.27%</b>	<b>6.51%</b>	<b>4.34%</b>
S&P 500 \$US	0.27%	2.96%	5.93%	2.93%
S&P 400 MidCap \$US	-0.84%	5.73%	9.35%	5.00%
S&P 600 SmallCap \$US	-0.75%	6.57%	8.92%	7.56%
NASDAQ Composite \$US	-0.97%	2.45%	6.53%	3.66%

**ANNUALIZED RATES OF RETURN FOR PERIODS ENDING FEBRUARY 28, 2006**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>North Growth US Equity Fund \$CDN</b>	<b>1.75%</b>	<b>15.14%</b>	<b>8.23%</b>	<b>14.92%</b>	<b>16.03%</b>
<b>North Growth US Equity Fund \$US</b>	<b>10.43%</b>	<b>25.85%</b>	<b>14.95%</b>	<b>17.09%</b>	<b>16.81%</b>
S&P 500 \$US	8.40%	17.11%	2.36%	8.92%	10.98%
S&P 400 MidCap \$US	17.35%	25.36%	10.48%	14.37%	15.07%
S&P 600 SmallCap \$US	15.20%	28.24%	12.86%	12.59%	N/A
NASDAQ Composite \$US*	12.13%	20.20%	1.72%	8.01%	10.83%

Source: Bloomberg "Total Return Analysis" as of March 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: Feb. 28, 2006**      **\$ 23.29 CDN**  
**\$ 20.49 US**

**Total Assets in Fund**      **\$ 264.0 Million CDN**

**North Growth Canadian Money Market Fund**  
**Net Current Yield**  
**3.30%**