

Overall market breadth was strong during May, with most equity indices posting gains after a lackluster month in April. The NGM US Equity Fund had a particularly strong month, in both absolute and relative terms. In US dollars, the Fund increased 8.5% during May compared to the S&P 500 Index's return of 3.2%. The Fund also handily beat the other equity indices that we track, including the NASDAQ Composite and the S&P SmallCap Index, which posted positive returns of 7.7% and 6.6%, respectively. Year-to-date, the Fund gained 5.8% in US dollars, outperforming the S&P 500 return of -1.0%, the NASDAQ return of -4.7% and the SmallCap return of -1.4%. The weakness in the Canadian dollar year-to-date bolstered the Fund's Canadian return to 10.5%.

While concerns of high oil prices continue to weigh heavily on market sentiment, there are a number of encouraging economic data points that reinforce our view that the US economy continues to grow at a steady rate. First quarter GDP rose 3.5%, faster than the preliminary government estimate of 3.1%, driven primarily by higher consumer spending and a smaller trade deficit but offset by slightly weaker than expected business spending. The resilience of the consumer is noteworthy given that crude oil prices averaged \$50 a barrel during the first quarter. On the trade front, an improving deficit is in line with our view that the weak US dollar has helped US corporations become more competitive globally and that we should start seeing such improving trends going forward. While there have been recent signs of weakness in the manufacturing sector, we believe that the much improved health of US corporations provides a solid foundation for sustained growth in business spending. Furthermore, it is our opinion that weakness in one industry or sector does not necessarily translate into overall weakness.

First quarter corporate earnings reports are now behind us and have largely been positive: 57% of the S&P 500 Index constituents reported positive surprises while 26% were on target. In aggregate, the magnitude of earnings surprise was 4.7% — which was similar to the upside seen in Q404 — while approximately 63% of the companies reported margin expansion! The strength of the US business sector has been the result of numerous factors, some of which include increased operational efficiencies, corporate restructurings and tax-friendly initiatives such as the “American Jobs Creation Act” that will result in US corporations repatriating as much as \$400 billion of overseas profits back to the US. From this perspective, we believe that the soft patch that the economy is currently undergoing will prove to be transitory.

We maintain our constructive outlook for US equities and remain focused on selecting stocks that fit our criteria of “growth at a reasonable price”. Our ongoing research has generated a substantial backlog of new ideas. The Fund is fully invested and we are in the comfortable position of knowing where we want to invest the proceeds from any sales of current holdings; we are equally well-positioned to rapidly invest any new money coming into the Fund.

Yours truly,



Cynthia Yen

**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 MAY 31, 2005**

	1 Month	3 Months	6 Months	YTD
<b>North Growth US Equity Fund \$CDN</b>	<b>8.26%</b>	<b>3.58%</b>	<b>15.36%</b>	<b>10.52%</b>
<b>North Growth US Equity Fund \$US</b>	<b>8.54%</b>	<b>1.79%</b>	<b>9.00%</b>	<b>5.83%</b>
S&P 500 \$US	3.18%	-0.57%	2.42%	-0.95%
S&P 400 MidCap \$US	6.02%	0.77%	5.75%	1.50%
S&P 600 SmallCap \$US	6.62%	-1.94%	0.76%	-1.41%
NASDAQ Composite \$US	7.72%	0.98%	-1.03%	-4.66%

**ANNUALIZED RATES OF RETURN FOR PERIODS ENDING MAY 31, 2005**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>North Growth US Equity Fund \$CDN</b>	<b>11.34%</b>	<b>13.44%</b>	<b>13.20%</b>	<b>17.23%</b>	<b>17.22%</b>
<b>North Growth US Equity Fund \$US</b>	<b>20.94%</b>	<b>21.12%</b>	<b>17.25%</b>	<b>18.26%</b>	<b>17.14%</b>
S&P 500 \$US	8.24%	5.60%	-1.93%	10.18%	10.91%
S&P 400 MidCap \$US	13.98%	9.49%	8.31%	14.86%	14.64%
S&P 600 SmallCap \$US	15.96%	10.76%	11.08%	13.17%	N/A
NASDAQ Composite \$US*	4.74%	9.14%	-9.07%	9.54%	10.64%

Source: Bloomberg "Total Return Analysis" as of June 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: May 31, 2005**      **\$ 26.55 CDN**  
**\$ 21.15 US**

**Total Assets in Fund**      **\$ 249.9 Million CDN**

**North Growth Canadian Money Market Fund**  
**Net Current Yield**  
**2.26%**