

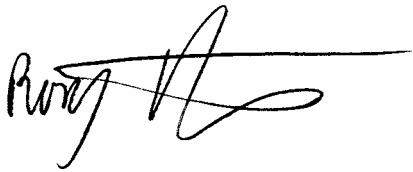
US equities gave up some of their July gains during August. The North Growth US Equity Fund slipped 1.4% during the month, which was slightly worse than the 0.9% decline for the S&P 500 Index. The Canadian dollar approached its highs again during August, reducing Canadian dollar returns of US assets by 3% and bringing the Fund's Canadian dollar performance during August to -4.4% versus the S&P 500 Canadian dollar decline of 3.9%. Year-to-date the Fund is up 7.8% versus 1.9% for the S&P 500 and slightly behind the 8.1% return of the S&P 400 MidCap Index.

Mutual fund flows can be viewed as a proxy for the average investor. The historic record of mutual fund flows shows an amazingly consistent pattern of the average investor increasing buying activity near highs and increasing selling activity near lows. The most recent examples of this behavior include the record inflows to US equity funds as the market peaked in late 1999 and early 2000 and the significant net redemptions during the summer of 2002 through to the early spring of 2003 as the market bottomed. We conclude from these observations that, while it is a terrible investment strategy, it is simply human nature to buy high and sell low. While consistently adhering to our growth at a reasonable price investment philosophy is fundamental to the management of our funds, we believe that we can further improve our clients' long term investment results by encouraging them to overcome this counterproductive human tendency.

In general, Canadians appear to have an excessive home country investment bias, which has historically translated into underexposure to US equities. During August, there were net redemptions from US focused equity mutual funds by US investors and year-to-date net purchases have been anemic. Canadian investors have been net redeemers of US equity funds throughout the year. We believe that the current mutual fund flows data reinforces our position that Canadian investors should take the recent relative strength of both Canadian equities and the Canadian dollar as an opportunity to correct their long term underweighting of US equities. We are recommending Canadian investors reduce their Canadian equity holdings, with particular emphasis on reducing exposure to the extended commodity cycle, and increase their exposure to US equities.

Our current stance is very much an out-of-consensus opinion in Canada. North Growth Management is a US focused investment manager and as such it is fair criticism when evaluating our advice to say that our focus creates an inherent bias towards US equities. However, it is equally relevant to acknowledge that the consensus views are generated by Canadian focused managers with business models that create a bias towards keeping their clients overexposed to Canadian equities.

Yours truly,

A handwritten signature in black ink, appearing to read 'Rory North', with a long horizontal flourish extending to the right.

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 AUGUST 31, 2005**

	1 Month	3 Months	6 Months	YTD
<b>North Growth US Equity Fund \$CDN</b>	<b>-4.35%</b>	<b>-3.67%</b>	<b>-0.22%</b>	<b>6.46%</b>
<b>North Growth US Equity Fund \$US</b>	<b>-1.37%</b>	<b>1.85%</b>	<b>3.68%</b>	<b>7.80%</b>
S&P 500 \$US	-0.91%	2.92%	2.33%	1.94%
S&P 400 MidCap \$US	-1.12%	6.49%	7.32%	8.08%
S&P 600 SmallCap \$US	-1.47%	7.85%	5.76%	6.33%
NASDAQ Composite \$US	-1.41%	4.23%	5.26%	-0.63%

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

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>North Growth US Equity Fund \$CDN</b>	<b>17.05%</b>	<b>14.34%</b>	<b>11.25%</b>	<b>16.19%</b>	<b>16.52%</b>
<b>North Growth US Equity Fund \$US</b>	<b>29.46%</b>	<b>25.21%</b>	<b>16.13%</b>	<b>17.64%</b>	<b>16.94%</b>
S&P 500 \$US	12.56%	12.03%	-2.71%	9.85%	10.93%
S&P 400 MidCap \$US	24.82%	18.44%	6.74%	14.33%	14.90%
S&P 600 SmallCap \$US	26.49%	21.25%	10.15%	12.35%	N/A
NASDAQ Composite \$US*	17.84%	18.46%	-12.14%	8.17%	10.76%

Source: Bloomberg "Total Return Analysis" as of September 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: August 31, 2005**      **\$ 25.57 CDN**  
**\$ 21.54 US**

**Total Assets in Fund**      **\$ 246.9 Million CDN**

**North Growth Canadian Money Market Fund**  
**Net Current Yield**  
**2.30%**