



# SEPTEMBER MONTHLY REPORT

October 8, 2004

September proved to be a welcome respite from the weak equity markets of the summer. For the month of September, the North Growth US Equity Fund delivered solid absolute and relative returns of +3.6% versus +1.1% for the S&P 500 Index and +3.2% for the Nasdaq Composite. Of the indices we regularly report, only the small capitalization Russell 2000 Index outperformed the Fund during the month with a +4.7% return. The strength of the Canadian dollar during the month more than offset the strong equity returns as the Fund's performance in Canadian dollar terms was -0.5%. On a year-to-date basis, the Fund's performance is -3.8%, lagging the S&P 500's positive 1.5% year-to-date performance by 5.3%, but modestly ahead of the Nasdaq which is down 5.0%. In Canadian dollar terms, the Fund's year-to-date performance is -6.4%, with the difference from the US dollar return of -3.8% being the result of the strength in the Canadian dollar.

The Canadian dollar is now approaching 12 year highs and is attracting a significant amount of media coverage. Most economists now expect the Canadian dollar to continue to appreciate, commonly using an 85 cent one year target. In this context I believe it is worthwhile to note that it was only a few years ago when the media coverage concentrated on the plight of the plummeting loonie, often quoting economists who were predicting a 50 cent dollar. There does appear to be a tendency for commentators to become emboldened by a well established trend.

Currently, I believe the Canadian/US dollar exchange rate is at something very close to fair value. While there is an outside chance that the US dollar could depreciate substantially from current levels, I do not believe it is a likely event. I believe the US federal deficit has already peaked and going forward it is quite likely that the federal deficit will shrink much more rapidly than current estimates. In addition, I believe that the approximate 25% reduction in the trade weighted value of the US dollar over the past two years is substantial enough to generate a meaningful reduction in the US current account deficit.

In late October of last year, with the exchange rate at approximately 76 cents, I reduced the Canadian dollar hedge position on accounts that were following my advice from approximately 90% to 50%. With the Canadian dollar now approaching 80 cents I am seriously considering a further reduction of these hedged positions.

High oil prices also continue to grab headlines. With oil prices at over 50 dollars a barrel this is a legitimate concern. Already there is substantial evidence that high energy prices are slowing the pace of the global economic expansion, although the US economy is still expected to grow at a healthy 3% rate or better this year. If oil prices continue to climb or remain at these elevated levels over the next few quarters we would expect the economy to decelerate further and force us to rethink our positioning. However, we are still of the opinion that currently there is no shortage of oil, and anticipate that as more evidence mounts to substantiate this position oil prices will ease back to more sustainable levels.



Despite the lack of positive news the equity markets have developed a positive tone. September's momentum has followed through into the early days of October supported by attractive valuations, increased trading volume and substantial market breadth. We have made no substantial changes to the portfolio and anticipate that it will deliver improved results in the coming months.

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.



**PERFORMANCE COMPARISONS: SHORT-TERM**

	<i>Year to Sept 30, 04</i>	<i>Six months to Sept 30, 04</i>	<i>Three months to Sept 30, 04</i>	<i>Month of Sept 04</i>
<b>North Growth US Equity Fund \$CDN</b>	<b>-6.36%</b>	<b>-7.48%</b>	<b>-10.20%</b>	<b>-0.49%</b>
<b>North Growth US Equity Fund \$US</b>	<b>-3.77%</b>	<b>-3.83%</b>	<b>-5.06%</b>	<b>3.57%</b>
S&P 500 \$US	1.51%	-0.18%	-1.87%	1.08%
S&P 400 MidCap \$US	3.86%	-1.15%	-2.10%	2.96%
Russell 2000 \$US	3.75%	-2.37%	-2.86%	4.69%
NASDAQ Composite \$US	-4.98%	-4.64%	-7.24%	3.24%

**PERFORMANCE COMPARISONS: LONG-TERM**

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>
<b>North Growth US Equity Fund \$CDN</b>	<b>5.66%</b>	<b>8.91%</b>	<b>15.00%</b>	<b>16.45%</b>
<b>North Growth US Equity Fund \$US</b>	<b>13.05%</b>	<b>17.35%</b>	<b>18.53%</b>	<b>17.18%</b>
S&P 500 \$US	13.87%	4.03%	-1.31%	11.07%
S&P 400 MidCap \$US	17.56%	12.37%	10.49%	14.45%
Russell 2000 \$US*	18.82%	13.71%	7.50%	8.38%
NASDAQ Composite \$US*	6.71%	8.64%	-6.78%	9.51%

*Source: Bloomberg "Total Return Analysis" as of Sept. 30, 2004*  
 \* The ten year average for these indices is a Simple Price Appreciation because total return data is not available on Bloomberg

**RETURN SINCE INCEPTION (ANNUALIZED), OCT. 13, 1992 - SEPT. 30, 2004** **16.31% CDN**  
**16.17% US**

**NAVPS: SEPT. 30, 2004** **\$ 21.83** CDN  
**\$ 17.31** US

**TOTAL ASSETS IN FUND** **\$ 205.9** MILLION CDN

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**CANADIAN MONEY MARKET FUND**  
**NET CURRENT YIELD AS OF SEPT. 30, 2004**  
**1.95%**