

Against the backdrop of broad-based US equity market weakness in March, the North Growth US Equity Fund delivered good relative performance results, beating all the major indices we track. The Fund declined 0.73% in US dollars versus a drop of 1.77% for the S&P 500. Small capitalization and technology shares fared worse than the overall market, as reflected by the S&P 600 SmallCap and the NASDAQ Composite indices which were down 2.59% and 2.50% respectively for the month. Year-to-date, the Fund is up 3.22% in US dollars, outperforming the S&P 500 by over 5% and the NASDAQ by over 11%! We are pleased that our stock selection efforts have resulted in such superior returns over the short term, but as always, we emphasize that investors should focus on results over longer time periods. The Fund's long term record, as highlighted in the "Annualized Rates of Return" performance table on page 3, continues to trounce those of the major market indices.

Oil remains the predominant discussion topic of late as crude prices sustained their upward trend in March, frustrating both us and the equity markets. The general market worry is that near-record oil prices will slow economic growth by crimping business and consumer spending. Certainly, consumers are seeing rising gasoline prices at the pump as refiners have passed on higher oil costs.

While we recognize the dampening effect that rising oil prices have on the economy, we maintain our stance that the currently high price of crude is not justified by fundamentals. Crude oil inventories, which have been building consistently since September of last year, have continued to grow substantially in March. Inventories are now 8.50% higher than they were a year ago, and are almost at the top of their 5-year range. Gasoline inventories are presently 6% above last year and 4% above their 10-year average. There is increasing evidence that the market is very well supplied and that refiners will have more than sufficient supply of oil to make gasoline during the peak demand months of summer. Additionally, OPEC has recently indicated that if prices stay high it may raise its output further, adding to the already growing supply of crude.

In light of the compelling support for lower oil prices in the near term, the strong increase in the price of crude since January is baffling. It seems that the oil markets have been driven more by speculation than fundamentals. Oil bulls, such as the analyst who recently predicted that crude oil could spike to \$105 a barrel, cite concerns over whether the longer term supply of oil may be adequate to meet the growing global demand. Although there is more ambiguity in making projections further out, we believe that most market participants are overestimating the demand growth and underestimating the supply reaction from a sustained period of greater than \$40/barrel oil.

Should prices remain high, oil producers would have a greater incentive to ramp up exploration and production. Conversely, consumers would be inclined to decrease their consumption of energy—drive fewer gas-guzzling SUVs and trucks, or opt for fuel-economic hybrid vehicles to save on gasoline costs. In fact, car manufacturers have committed to introduce more popular models featuring the hybrid technology in the coming months, and Toyota, leading the charge, plans to use gasoline-electric hybrid engines in all its vehicles by 2012. Governments have also created tax incentives to encourage purchases of such fuel-efficient cars.

In the meantime, oil traders may finally be paying attention to the inventory data. We welcome the decline in oil prices over the past week and hope that it may be the beginning of a trend that we believe to be rational.

We are eagerly anticipating strong earnings growth to be reported for the quarter just ended. With current market expectations for just 8% year-over-year earnings growth this quarter following 20% growth in the fourth quarter of 2004, it is very likely that many earnings reports will again surprise on the upside.

The North Growth US Equity Fund is fully invested, and we are encouraged by the various “growth at a reasonable price” investment ideas that are being generated by our stock picking process. We are taking advantage of the erratic behaviour of certain share prices to fine-tune the portfolio, and look forward to continued strong earnings and higher equity returns.

Yours truly,



Erica Lau

#### **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 MARCH 31, 2005**

	1 Month	3 Months	6 Months	YTD
<b>North Growth US Equity Fund \$CDN</b>	<b>-2.65%</b>	<b>3.87%</b>	<b>14.76%</b>	<b>3.87%</b>
<b>North Growth US Equity Fund \$US</b>	<b>-0.73%</b>	<b>3.22%</b>	<b>19.69%</b>	<b>3.22%</b>
S&P 500 \$US	-1.77%	-2.15%	6.88%	-2.15%
S&P 400 MidCap \$US	-1.11%	-0.40%	11.71%	-0.40%
S&P 600 SmallCap \$US	-2.59%	-2.06%	10.67%	-2.06%
NASDAQ Composite \$US	-2.50%	-7.95%	5.73%	-7.95%

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

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>North Growth US Equity Fund \$CDN</b>	<b>6.17%</b>	<b>9.37%</b>	<b>12.65%</b>	<b>16.82%</b>	<b>16.89%</b>
<b>North Growth US Equity Fund \$US</b>	<b>15.10%</b>	<b>19.92%</b>	<b>16.80%</b>	<b>18.53%</b>	<b>17.15%</b>
S&P 500 \$US	6.69%	2.75%	-3.16%	10.79%	10.95%
S&P 400 MidCap \$US	10.43%	8.02%	6.87%	15.14%	14.68%
S&P 600 SmallCap \$US	13.08%	9.99%	9.88%	13.52%	N/A
NASDAQ Composite \$US*	0.82%	3.22%	-14.89%	9.79%	10.49%

Source: Bloomberg "Total Return Analysis" as of April 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: March 31, 2005**      **\$ 24.95 CDN**  
    **\$ 20.63 US**

**Total Assets in Fund**      **\$ 235.2 Million CDN**

**North Growth Canadian Money Market Fund**  
**Net Current Yield**  
**2.27%**