

# JULY MONTHLY REPORT

*August 6, 2003*

The North Growth Canadian Equity Fund had another strong month in July, delivering a 4.65% return versus 4.01% for the S&P Toronto Stock Exchange Composite Total Return Index ("S&P TSX"). In the 3 months since North Growth took over the management of the Fund, it is up 10.27% versus 10.73% for the S&P TSX.

As we continue to work on the portfolio it has become clear that there are more significant changes than originally anticipated that need to be made to align the portfolio with North Growth's core "growth at a reasonable price" investment philosophy. During July, we moved out of two more positions, Hudson's Bay and Saskatchewan Wheat Pool. We switched from the Empire holding company to the key operating company, Sobey's. We also cut two other positions in half and eliminated the majority of a third position.

Since May 1<sup>st</sup>, we have sold out of five of the 19 Canadian names originally in the portfolio (not including the switch from Empire to Sobey's) and significantly reduced our exposure to three names. However, during this period we have also increased the number of Canadian holdings to 29 by adding 15 new names. The additional capital in the Fund also substantially changed the weightings of existing holdings.

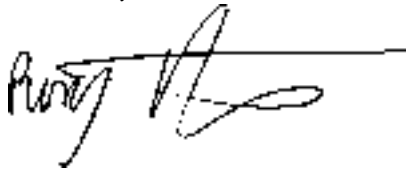
We increased the Fund's stake in the North Growth US Equity Fund during July. As of July 31<sup>st</sup>, this position represents 31.5% of the Canadian Fund's market value but only 29.7% of its book value. We will ensure that the book value of this holding does not surpass the 30% threshold. The strong performance of the US Fund combined with the weakness in the Canadian dollar, which fell from 74.21 cents to 71.18 cents during the month, were significant contributors to the July performance of the Canadian Fund.

Although we have come a long way, we are not yet fully satisfied with the portfolio, accordingly we expect higher than normal activity to continue. It is important to note that, due to the loss position we inherited with the Fund, there is no realized gain in the Fund so far this year.

We are now just a little more than halfway through the second quarter earnings season. For the most part we have been very encouraged by what appears to be the beginning of an earnings recovery cycle. This trend needs to be supported by strength in the macro economy. During the second quarter, the growth of the Canadian economy slowed considerably, prompting the Bank of Canada to cut its overnight loan rate by 25 basis points to 3.0% – still a full 200 basis points above the US rate. Right on cue, the Canadian media again started trumpeting doom and gloom for the Canadian economy, allowing many to bask in the traditional Canadian inferiority complex. We are more constructive and believe that the recent signs of strength in the US economy, and the removal of the temporary drag from the SARS scare, should provide a favourable backdrop to renewed strength in the Canadian economy as we move into 2004. Accordingly, we remain optimistic about the outlook for corporate earnings growth in Canada.

We are encouraged by the opportunities we are finding to use the North Growth investment discipline in the context of the Canadian market. Although it will be a number of years before we have a meaningful track record in Canada, we are confident that our proven investment style will also work well in the Canadian market. We are asking our US Equity Fund client base to give us the opportunity to at least manage a small portion of their Canadian equity holdings. In order to facilitate this, we have temporarily reduced the minimum initial investment level for the North Growth Canadian Equity Fund to \$25,000.

Yours truly,

A handwritten signature in black ink, appearing to read "Rory North", is written over a horizontal line.

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 July 31, 03</i>	<i>Six months to July 31, 03</i>	<i>Three months to July 31, 03</i>	<i>Month of July 03</i>
<b>North Growth CDN Equity Fund \$CDN</b>	<b>5.08%</b>	<b>6.63%</b>	<b>10.27%</b>	<b>4.65%</b>
S&P TSX \$CDN	11.01%	11.61%	10.73%	4.01%
<b>North Growth US Equity Fund \$CDN</b>	<b>12.01%</b>	<b>17.35%</b>	<b>15.25%</b>	<b>7.68%</b>
S&P 500 \$CDN	1.27%	7.83%	6.33%	6.09%

**PERFORMANCE COMPARISONS: LONG-TERM**

	<i>1 Year</i>	<i>2 Years</i>	<i>3 Years</i>	<i>Since Inception*</i>
<b>North Growth CDN Equity Fund \$CDN</b>	<b>-0.74%</b>	<b>-0.19%</b>	<b>- %</b>	<b>4.51%</b>
S&P TSX \$CDN	12.10%	-1.05%	- %	-12.48%
<b>North Growth US Equity Fund \$CDN</b>	<b>24.35%</b>	<b>7.25%</b>	<b>12.85%</b>	<b>11.71%</b>
S&P 500 \$CDN	-1.81%	-11.99%	-11.90%	-13.75%

*\* Inception of the North Growth CDN Equity Fund September 1, 2000.*

**NAVPS: JULY 31/03** **\$ 11.23** **CDN**

**TOTAL ASSETS IN FUND** **\$ 9.41** **MILLION CDN**

**CANADIAN MONEY MARKET FUND**  
**NET CURRENT YIELD AS OF JULY 31, 2003**

**2.89%**