



DECEMBER MONTHLY REPORT

January 11, 2005

In December the North Growth US Equity Fund gained 2.99% in US dollars, slightly less than the 3.40% gain for the broad market as measured by the S&P 500 Index. The year end results for all of 2004 were a respectable gain of 11.59% in US dollars for the Fund versus a gain of 10.88% for the S&P 500 Index. While not as spectacular as the previous 4 years, this is the Fund's fifth consecutive year of outperforming the market. Five consecutive years of outperforming the market is a major achievement for an equity manager. It should build confidence in our investment approach.

Due to the continued recovery in the Canadian dollar relative to the US dollar, the gain of the North Growth US Equity Fund for the year, stated in Canadian Dollars, was held back to 3.45%. We do not believe there is currency risk for Canadian investors holding US assets in the year ahead. It is interesting to note that over the past 10 years the Fund had an average annual return of 19.05% expressed in US dollars and 17.24% in Canadian dollars. Going back to the inception of the Fund on October 13, 1992 the average annual rate of return has been 17.22% in US dollars and 16.90% stated in Canadian dollars. In the intervening years the relationship has pretty much gone through a complete cycle, reinforcing our long term view that currency issues should not influence the decision of Canadians investing in the US market.

This month I want to talk about long term results. We always point out to people considering investing in the Fund that 5 years is the minimum holding period that they should contemplate. Equities are the best asset class available to long term investors interested in maximizing the growth of their assets. Obviously, this observation only applies to investors willing to stay invested for the long term.

Short term results, regardless of how much we like to get them, are meaningless if they don't add up to good performance over periods such as 5 years, 10 years, or any greater period of time. As of November 30, 2004, the North Growth US Equity Fund is currently the top performing fund of all the US Funds tracked by the Globe & Mail for the past 5 and 10 year periods. That's really good! These are the type of results that make the Fund a logical core investment for serious investors.

Poor funds do not get to be a "number one" fund over 5 or 10 years, but they can have good short term results (6,9,12 months) from time to time. Buying on strong short term results can be a very bad move if the fund in question does not have a good long term record. This seems to be the most common mistake made by mutual fund investors. The solution is to buy funds with a good record over many time periods and ignore short term results.

The North Growth US Equity Fund sits in top place over the past 5 and 10 years. This isn't a one time experience for me. I have been involved in the management of US Equity Funds that have achieved top rankings at times in the 70's, 80's, 90's, and now in the first decade of the 21st century. This is the history that I feel verifies our version of a "growth at a reasonable price" investment philosophy.



As noted earlier, this is the Fund's fifth consecutive year of above market performance with an average annual return of 19.84% in US dollars versus an average annual return of -2.30% for the S&P 500 Index! A blockbuster 5 year result is reason enough to celebrate a little but North Growth Management and our clients have an even more basic reason to be encouraged. This record was accomplished by the new generation of investment managers. The continued performance of the Fund is not dependent on the efforts of a 67 year old.

Rory North has been the Fund's manager for the past 5 years. I have been the sounding board, the historical database and sometimes report writer. Rory has been responsible for the stock selection and overall portfolio management. Rory and his most senior colleague, Erica Lau, have been working together very effectively for over 5 years. Erica has developed into a strong analyst and decision maker over the past 7 years. Two more recent additions to the team are Cynthia Yen and Jamie Kozak who are developing well. All are contributing to a highly disciplined application of the firm's "growth at a reasonable price" investment philosophy.

In case anybody is wondering, I plan to continue the same full time involvement that I have been practicing for 5 years. I actually feel that my presence is appreciated and contributes to the constructive work environment that has developed at North Growth Management.

In the annual and next month's report, we will get back to discussing in detail the issues that have been on most people's minds for most of 2004. At this point we will just say that we are more upbeat than most year end commentators. We feel that the economy will continue to grow at least moderately that many companies will report strong earnings. The low US dollar will be good for US businesses, and specific issues, such as the price of oil, will improve. There should be plenty of opportunities for us to practice our "growth at a reasonable price" investment style in the year ahead.

The annual distribution for the Fund was paid out on December 15, 2004. The distribution amounted to \$0.10 of realized capital gains per unit, equivalent to 0.42% of the pre-distribution unit value of \$24.48. This distribution was small enough that it will have no meaningful impact on the after-tax returns for the Fund. As a reminder, by default, each unitholder's total distribution amount is automatically reinvested into the Fund at the ex-distribution unit price of \$24.38; as a result the total dollar value of one's investment in the Fund remains identical before and after the distribution.

Yours truly,

Rudy North

WHERE TO FIND NGM FUND PRICES

Please visit 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 Dec. 31, 04</i>	<i>Six months to Dec. 31, 04</i>	<i>Three months to Dec. 31, 04</i>	<i>Month of Dec. 04</i>
North Growth US Equity Fund \$CDN	3.45%	-0.78%	10.48%	4.38%
North Growth US Equity Fund \$US	11.59%	10.10%	15.96%	2.99%
S&P 500 \$US	10.88%	7.19%	9.23%	3.40%
S&P 400 MidCap \$US	16.47%	9.80%	12.15%	4.19%
Russell 2000 \$US	18.42%	10.89%	14.15%	2.97%
NASDAQ Composite \$US	9.15%	6.56%	14.87%	3.82%

PERFORMANCE COMPARISONS: LONG-TERM

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>
North Growth US Equity Fund \$CDN	3.45%	8.36%	15.54%	17.24%
North Growth US Equity Fund \$US	11.59%	19.02%	19.84%	19.05%
S&P 500 \$US	10.88%	3.59%	-2.30%	12.07%
S&P 400 MidCap \$US	16.47%	10.51%	9.53%	16.07%
Russell 2000 \$US*	18.42%	11.52%	6.68%	10.03%
NASDAQ Composite \$US	9.15%	4.20%	-11.42%	11.65%

Source: Bloomberg "Total Return Analysis" as of Jan 3, 2005

** The ten year average for this index is a Simple Price Appreciation because total return data is not available on Bloomberg*

RETURN SINCE INCEPTION (ANNUALIZED), OCT. 13, 1992 - DEC. 31, 2004

**16.90% CDN
17.22% US**

NAVPS: DECEMBER 31, 2004

**\$ 24.02 CDN
\$ 19.98 US**

TOTAL ASSETS IN FUND

\$ 231.80 MILLION CDN

**CANADIAN MONEY MARKET FUND
NET CURRENT YIELD AS OF DECEMBER 31, 2004
2.27%**