

The March sell-off in US equities carried through into April, resulting in another month of broad-based negative returns. The S&P 500 Index declined 1.9% while the SmallCap S&P 600 fell 5.6%. For the month, the North Growth US Equity Fund was down 5.5% in US dollars, underperforming all the indices we track with the exception of the S&P 600. Following a very strong start to 2005 in which it beat the major market indices by a healthy margin from January to March, the Fund is now down 2.5% year-to-date, less than the 4.0% decline in the S&P 500 and the 11.5% fall in the NASDAQ. In Canadian dollars, the Fund is up 2.1% year-to-date as a result of the weaker loonie against the US dollar.

The 2004 market correction that lasted from late January to mid-August unnerved investors much more than seems logical. Even the subsequent rally from August 12th to the end of December, which resulted in the S&P 500 gaining 10.9% for the year, did little to change the negative mood. During the first four months of 2005, the S&P 500 has slid off 4.0% leaving many investors with the impression that the market is going nowhere. Investor sentiment has fallen to levels typical of the bottom of a market cycle! This should be reassuring to seasoned investors who have experienced that it is not when the mood is black but when optimism is excessive that the market is most dangerous.


Typically, after the initial recovery surge of a new bull market, the advance is interrupted by reactions that can take the market down between 5% and 10%. In some cycles the reactions are quickly over and the market resumes its upward trend. At other times, the market enters into a series of rallies and reactions which extend over a period of approximately a year or so. There were these types of mid-cycle pauses in both the '80s and the '90s. In both cases the Federal Reserve Board was raising short-term interest rates. Each of these consolidating periods appears to have been a factor in extending both the market and the economic cycle. Nevertheless, during these periods when the market made little headway or was down slightly, investor mood turned bleak. The eventual outcome was quite different from what was generally expected.

The S&P 500 stalled in 1984, being down for the first seven months, causing much concern about the coming year even though by year-end the total return was 6.3%. The S&P 500 total return for 1985 was 32.2%. Another example of a mid-cycle consolidation was 1994, a year in which the S&P 500 managed to show a total return of only 1.3%. 1995 produced an unexpected total return of 37.4% for the S&P 500.

Although the market has actually fared much better in the past 12 months than it did in 1984 and 1994, investor perception has been much the same. There is a feeling that the market is stuck. The fact is that over the past 12 months to April 30, 2005 the North Growth US Equity Fund rose 13.3% in US dollars versus a gain of 6.3% for the S&P 500. In the previous 12-month period (April 30, 2003 to April 30, 2004), the North Growth US Equity Fund advanced 37.1% in US dollars versus a gain of 22.9% for the S&P 500.

Our performance is driven by stock selection. Over the past 5 years sticking to our “growth at a reasonable price” investment philosophy has produced good investment results in both bear market years and during years of a bull market. The Fund’s holdings are currently reporting strong operating results. These holdings are reasonably priced, some at the lower end of their normal valuation range. At the same time we are looking at new ideas where the earnings outlook is strong and valuations are also low. When we do sell a holding because it is becoming fully priced, we have more than enough new prospects that we would like to get into the portfolio. This is a good environment for stock pickers with our investment philosophy. We will remain fully invested and let others worry about the “market”.

Yours truly,



Rudy 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 APRIL 30, 2005**

	1 Month	3 Months	6 Months	YTD
<b>North Growth US Equity Fund \$CDN</b>	<b>-1.71%</b>	<b>-0.52%</b>	<b>10.79%</b>	<b>2.09%</b>
<b>North Growth US Equity Fund \$US</b>	<b>-5.53%</b>	<b>-1.89%</b>	<b>7.22%</b>	<b>-2.49%</b>
S&P 500 \$US	-1.90%	-1.61%	3.28%	-4.00%
S&P 400 MidCap \$US	-3.89%	-1.76%	5.68%	-4.27%
S&P 600 SmallCap \$US	-5.59%	-5.39%	2.57%	-7.53%
NASDAQ Composite \$US	-3.86%	-6.67%	-2.38%	-11.50%

**ANNUALIZED RATES OF RETURN FOR PERIODS ENDING APRIL 30, 2005**

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>North Growth US Equity Fund \$CDN</b>	<b>3.90%</b>	<b>9.06%</b>	<b>11.91%</b>	<b>16.77%</b>	<b>16.61%</b>
<b>North Growth US Equity Fund \$US</b>	<b>13.28%</b>	<b>17.36%</b>	<b>15.60%</b>	<b>17.65%</b>	<b>16.50%</b>
S&P 500 \$US	6.34%	4.24%	-2.94%	10.26%	10.71%
S&P 400 MidCap \$US	9.74%	6.77%	6.78%	14.46%	14.22%
S&P 600 SmallCap \$US	10.43%	6.90%	9.00%	12.62%	N/A
NASDAQ Composite \$US*	0.65%	4.94%	-12.65%	9.00%	10.07%

Source: Bloomberg "Total Return Analysis" as of May 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: April 30, 2005**      **\$ 24.52 CDN**  
**\$ 19.49 US**

**Total Assets in Fund**      **\$ 230.8 Million CDN**

**North Growth Canadian Money Market Fund**  
**Net Current Yield**  
**2.26%**