

October was a volatile month for US equities. The markets began on a substantially weak note, started to recover around mid-October, but still ended the month in negative territory. The North Growth US Equity Fund declined 1.9% during the month, slightly behind the S&P 500 and the NASDAQ Composite which returned -1.7% and -1.4% respectively while outperforming both the small and mid cap indices which were down in excess of 2%. The Canadian currency weakened in October, boosting the Fund's monthly return in Canadian dollars to -0.3% versus -0.1% for the S&P 500. Year-to-date, the Fund is up 5.9%, better than the S&P 500's 1.1% gain.

We are pleased with the Fund's outperformance against the market year-to-date, but are even more proud of its superior long term record. As of October 31<sup>st</sup>, the North Growth US Equity Fund is the top performing mutual fund over a 10-year period out of all the US equity funds ranked by Globefund. The Fund's average annual compounded rate of return of 16.1% in Canadian dollars over the past 10 years translates to a \$150,000 CDN investment made 10 years ago now worth \$668,587. By contrast, an equivalent \$150,000 CDN investment in the S&P 500 Index would have grown to \$321,813 over the same period.

With the third quarter earnings reporting season largely over, US corporations continue to post healthy growth in profits and maintain very strong balance sheets. The S&P 500 is on track to deliver 15.9% year-over-year earnings growth for the quarter just ended with 67% of the companies beating analysts' forecasts. The Fund's holdings reported average earnings growth of 16.8% year-over-year for the third quarter versus analysts' expectations of 13.0%.

Noteworthy news of late is the Senate banking committee's recommendation for full confirmation of Ben Bernanke to become the next chairman of the Federal Reserve effective January, 2006. The removal of the uncertainty surrounding Alan Greenspan's succession, long an overhang for the US markets, is a positive development. Bernanke is expected to lead the Fed in a direction consistent with his predecessor and to follow the current, established course of monetary policy of ensuring "long-run price stability." Where he differs from Greenspan is in his endorsement of an explicit numerical target band for inflation, a practice that has been successfully adopted by the Bank of Canada and other central banks around the world for over a decade. The use of explicit targeting by a Bernanke-led Fed and an increasingly transparent US Federal Reserve in general, we believe, would be favourable for the markets.

We are encouraged by the positive tone that the equity markets have developed so far in November, and believe that a year-end rally would be supported by attractive valuations and positive corporate earnings growth. While we have not made substantial changes to the portfolio, it is well-positioned with stocks that meet our “growth at a reasonable price” criteria and should continue to deliver excellent results in the coming months.

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 OCTOBER 31, 2005**

|  | 1 Month       | 3 Months      | 6 Months     | YTD          |
|--|---------------|---------------|--------------|--------------|
| <b>North Growth US Equity Fund \$CDN</b> | <b>-0.33%</b> | <b>-6.53%</b> | <b>1.90%</b> | <b>4.03%</b> |
| <b>North Growth US Equity Fund \$US</b>  | <b>-1.89%</b> | <b>-3.14%</b> | <b>8.57%</b> | <b>5.86%</b> |
| S&P 500 \$US                             | -1.67%        | -1.77%        | 5.27%        | 1.05%        |
| S&P 400 MidCap \$US                      | -2.15%        | -2.50%        | 11.33%       | 6.58%        |
| S&P 600 SmallCap \$US                    | -3.13%        | -3.72%        | 12.38%       | 3.91%        |
| NASDAQ Composite \$US                    | -1.38%        | -2.73%        | 10.78%       | -1.96%       |

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

|  | 1 Year        | 3 Years       | 5 Years       | 10 Years      | Since Inception |
|--|---------------|---------------|---------------|---------------|-----------------|
| <b>North Growth US Equity Fund \$CDN</b> | <b>12.89%</b> | <b>12.51%</b> | <b>8.96%</b>  | <b>16.12%</b> | <b>16.09%</b>   |
| <b>North Growth US Equity Fund \$US</b>  | <b>16.41%</b> | <b>23.37%</b> | <b>14.64%</b> | <b>17.63%</b> | <b>16.55%</b>   |
| S&P 500 \$US                             | 8.72%         | 12.85%        | -1.74%        | 9.34%         | 10.71%          |
| S&P 400 MidCap \$US                      | 17.65%        | 19.53%        | 7.32%         | 14.19%        | 14.57%          |
| S&P 600 SmallCap \$US                    | 15.27%        | 21.60%        | 10.11%        | 12.38%        | N/A             |
| NASDAQ Composite \$US*                   | 8.14%         | 17.47%        | -8.40%        | 7.85%         | 10.49%          |

Source: Bloomberg "Total Return Analysis" as of November 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: Oct. 31, 2005**      **\$ 24.99 CDN**  
**\$ 21.16 US**

**Total Assets in Fund**      **\$ 242.3 Million CDN**

**North Growth Canadian Money Market Fund**  
**Net Current Yield**  
**2.68%**