

During September US equities recovered some of their losses from August. The S&P 500 gained 0.8% while the technology-focused NASDAQ Composite underperformed the broader market, remaining flat for the month. The North Growth US Equity Fund returned 0.1% during September, lagging the S&P 500 and the mid and small cap indices by about 0.7%. The Canadian dollar continued to strengthen during the month, reducing the Fund's monthly return in Canadian dollars to -2.0% versus the S&P 500 Canadian dollar decline of 1.3% for the month. On a year-to-date basis, the Fund is up 7.9% in US dollars, 5.1 percentage points better than the S&P 500 Index; in Canadian dollars the gain was reduced to 4.4%. The Fund's current one-year return in US dollars is 25.1% or 15.3% in Canadian dollars.

The Fund has had exceptional performance over every multiple year holding period (i.e.: 1 year, 2 years...9 years) for the past 10 years through to the most recent 12 month period. The short term year to date performance is good with the Fund outperforming the market by 5.1 percentage points. Nevertheless, it seems that no matter how good a fund's record has been over the years, most investors find short term corrections very disturbing. Maybe it's just human nature, but it causes a lot of unnecessary stress and may even lead to bad investment decisions.

The first point that investors need to remember is that the equity markets produce the best long term results for investors — much better than fixed income — but equities can be volatile over the short term. If an investor has any faith in their decision to invest in equities, then they must accept that even in bull markets, the market is going to pull back from time to time — it's normal. It is even desirable since it postpones the over-optimism that comes at the end of a bull market.

With the problems of rising short term interest rates and high energy prices, is the current correction going to be different and result in a premature bear market? We have consistently addressed these issues in recent monthly reports but our commentary doesn't seem to resonate well in the current atmosphere of uncertainty, declining stock prices, and in some cases, extreme anxiety. There are always ample problems that can be trotted out during a correction. This is true at the present time, and most don't warrant comment. Nevertheless, the two main concerns are important and should be considered carefully.

Rising short term interest rates:

At some time the Fed will stop its initial tranche of rate hikes for this economic cycle. Any slowing of the economy will hasten the point at which rates stop going up. Although it will come as a surprise when it happens, there is good precedent that the stock market will experience a vigorous advance at that time. This will be reinforced when it becomes generally recognized that the Fed is really through with rate hikes for the time being. When short term rates level out, the economy will shake free of its mid-cycle slowdown. From that point the stock market and the economy will continue to improve until late cycle imbalances cause the rate of inflation to accelerate. Ironically it is at that time when the market is actually vulnerable, that excessive optimism will develop around the extended market leaders. The bottom line is that over the immediate term US equity markets have significant upside potential.

High oil prices:

We have been expecting oil prices to peak soon for a number of reasons mentioned in previous reports. We feel the peak was postponed by the disastrous hurricane season in the Gulf of Mexico. As expected, recent reports show oil demand weakening and production strengthening. Other recent reports show inventories building well above expectations. With the end of the hurricane season we expect further price declines. It appears that the price of oil peaked on August 30, 2005.

The Fund's growth at a reasonable price investment philosophy is the basis for the Fund's good ongoing results. The current outlook for the Fund is particularly attractive. For the market as a whole, P/E multiples have contracted significantly during the present market cycle. One measure of this is that current multiples are below the median levels of the 80s and 90s and approximately the same as the 60s. Only the 70s experienced lower median multiples which are well explained by the rapidly rising inflation rates and interest rates during that decade. P/E rates are currently at attractive levels despite what some market commentators might say. This is particularly true for many large cap stocks and some of the highest quality technology stocks. Moreover, our company specific fundamental analysis confirms that the earning progress and outlook is very good for the Fund's holdings. There is no shortage of attractive new investment opportunities. We continue to actively manage the portfolio, selling stocks that are no longer attractively priced and adding new holdings that are and which also have good earnings potential. The stocks in the portfolio have all the characteristics that we associate with good money making investments.

Yours truly,



Rudy North

SHORT TERM RATES OF RETURN FOR PERIODS ENDING SEPTEMBER 30, 2005

	1 Month	3 Months	6 Months	YTD
North Growth US Equity Fund \$CDN	-1.96%	-2.13%	0.49%	4.38%
North Growth US Equity Fund \$US	0.10%	3.15%	4.54%	7.91%
S&P 500 \$US	0.81%	3.60%	5.02%	2.77%
S&P 400 MidCap \$US	0.77%	4.88%	9.35%	8.92%
S&P 600 SmallCap \$US	0.88%	5.38%	9.53%	7.27%
NASDAQ Composite \$US	0.04%	4.78%	8.00%	-0.59%

ANNUALIZED RATES OF RETURN FOR PERIODS ENDING SEPTEMBER 30, 2005

	1 Year	3 Years	5 Years	10 Years	Since Inception
North Growth US Equity Fund \$CDN	15.32%	15.35%	9.71%	15.77%	16.23%
North Growth US Equity Fund \$US	25.13%	27.96%	15.49%	17.43%	16.83%
S&P 500 \$US	12.25%	16.72%	-1.49%	9.49%	10.92%
S&P 400 MidCap \$US	22.16%	22.11%	7.05%	14.14%	14.86%
S&P 600 SmallCap \$US	21.22%	24.19%	10.95%	12.17%	N/A
NASDAQ Composite \$US*	14.19%	23.09%	-9.71%	7.92%	10.69%

Source: Bloomberg "Total Return Analysis" as of October 3, 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: Sept. 30, 2005 **\$ 25.07 CDN**
\$ 21.56 US

Total Assets in Fund **\$ 242.4 Million CDN**

North Growth Canadian Money Market Fund
Net Current Yield
2.48%