

# DECEMBER MONTHLY REPORT

*January 11, 2005*

The North Growth Canadian Equity Fund finished off the year on a solid note. For the month of December the Fund was up 3.7% versus 2.6% for the S&P TSX Index and 3.3% for the 70% TSX / 30% S&P 500 Composite. December's strong results were lead by the Fund's Canadian holdings, as evidenced by the outperformance relative to the 70/30 Composite despite slight underperformance of the North Growth US Equity Fund versus the S&P 500 during December. Although the improved near term performance was gratifying, the Fund's performance for the year was disappointing. For the year the Fund was up 5.4% lagging the S&P TSX Index by 9.1% and the 70/30 Composite by 5.6%. Rest assured, we are not satisfied by these results and are confident we will improve upon them.

On December 31<sup>st</sup> the Fund paid out its annual capital gain distribution. The distribution came in substantially below our previous estimate at only \$0.1455 per unit. Two factors contributed to the lower distribution. First, we realized a loss when we liquidated our Zarlink position and established a similar size position in Tundra Semiconductor. While we remain constructive on Zarlink's outlook we concluded that Tundra is a more compelling opportunity. Second, for the 2004 tax year the Fund was considered a pooled fund and on closing the books our auditors determined the Fund was subject to a minimum tax payment, which reduced the Fund's net income to be distributed to the unitholders.

Going into 2005 we now have over 150 unit holders which allows the Fund to be treated as a mutual fund trust so long as we maintain over 150 unit holders throughout the year. As a mutual fund trust, we will be able to match up the Fund's distribution date to the December 15<sup>th</sup> distribution date of the US Fund and the Fund will no longer be subject to the minimum tax calculations.

Throughout the year our confidence in the portfolio has been building. Late in 2004, we established our core long term equity mix of 82.5% US equities and 17.5% Canadian equities. Accordingly, we have recently adjusted in house cash accounts to a mix of 75% in the North Growth US Equity Fund and 25% in the North Growth Canadian Equity Fund. Our decision to move from our traditional 100% US exposure to this mix was based on the conclusion that at a macro level we continue to believe the US market is fundamentally a better market for equity investing; however, at a more micro level we recognize that there are some excellent investment opportunities in Canada that should not be ignored. Obviously for RRSPs and RRIFs, we cannot achieve this mix but with the Canadian Fund's 30% holding of the US Fund we can accomplish a 50/50 mix.

As a reminder North Growth Management does offer in house RRSP and RRIF accounts which of course are provided free of any fees over and above the management fees on the funds held within these accounts.

Yours truly,



Rory North



**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>
<b>North Growth CDN Equity Fund \$CDN</b>	<b>5.38%</b>	<b>-0.06%</b>	<b>6.75%</b>	<b>3.68%</b>
S&P TSX \$CDN	14.48%	9.20%	7.18%	2.64%
70% TSX / 30% S&P 500 \$CDN	10.99%	5.34%	6.27%	3.29%
<b>North Growth US Equity Fund \$CDN</b>	<b>3.45%</b>	<b>-0.78%</b>	<b>10.48%</b>	<b>4.38%</b>
S&P 500 \$CDN	2.80%	-3.40%	4.07%	4.80%

**PERFORMANCE COMPARISONS: LONG-TERM**

	<i>1 Year</i>	<i>2 Years</i>	<i>3 Years</i>	<i>4 Years</i>	<i>Since NGM Takeover*</i>
<b>North Growth CDN Equity Fund \$CDN</b>	<b>5.38%</b>	<b>11.03%</b>	<b>4.71%</b>	<b>6.72%</b>	<b>16.70%</b>
S&P TSX \$CDN	14.48%	20.45%	8.30%	2.66%	24.83%
70% TSX / 30% S&P 500 \$CDN	10.99%	15.52%	4.06%	0.15%	19.78%
<b>North Growth US Equity Fund \$CDN</b>	<b>3.45%</b>	<b>13.95%</b>	<b>8.36%</b>	<b>9.47%</b>	<b>18.98%</b>
S&P 500 \$CDN	2.80%	4.27%	-5.69%	-5.87%	8.26%

\* North Growth Management Ltd. took over the Fund's management contract on May 1, 2003.

**RETURN SINCE INCEPTION (ANNUALIZED), SEPT. 1, 2000 - DEC. 31, 2004** **6.88%**

**NAVPS: DECEMBER 31, 2004** **\$ 12.89** **CDN**

**TOTAL ASSETS IN FUND** **\$ 20.35** **MILLION CDN**

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