



APRIL MONTHLY REPORT

May 5, 2004

April was generally a weak month for US equities, and ended with a pronounced sell-off across the board. All the indices that we regularly follow were down, with the worst performance coming from the Russell 2000 which declined -5.10%. The best performing index, the S&P 500, posted a negative return of -1.57% in April, beating the North Growth US Equity Fund's -4.01% decline in US dollars by 2.44%. The Fund's return in Canadian dollars for the month was 0.44% as a result of the weakening of the Canadian currency against the US dollar.

The US equity markets have been stalled since late January. Once past the strong thrust of the first year of a bull market, the short term pattern of the market becomes much less predictable. Periodic pauses in the upward advance cause a lot of anxiety and speculation about possible problems. In the past three months the worries have run from concern that the "jobless recovery" would not be sustainable to — virtually overnight and on better employment news — fear that the Fed would be raising rates to stem off inflationary pressures!

This short term correction might not be over yet, but typical of past bull markets it will most likely be less than 10% at its worst and probably not much more than 5%. It is too bad that human nature predisposes us to become frustrated by these minor setbacks. They are actually healthy since they postpone the development of the irrational optimism which ultimately creates the excesses that end a bull market.

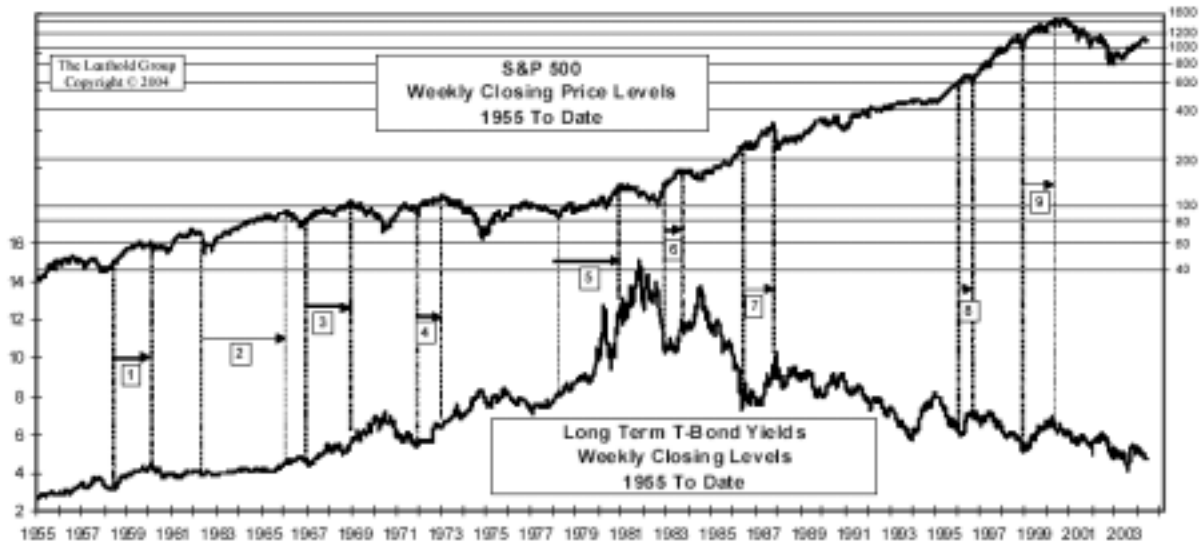
Cycle after cycle I have noticed that the market tends to start worrying about a potential problem much too early and then later on, when the concern is becoming relevant, it is often no longer seen as a problem. The current concern about the possibility of rising interest rates seems to fit this pattern. Even if interest rates do start to rise now, we feel it is too early in the economic cycle for rising interest rates to cause a downturn. Later on in the cycle it is a different story.

The current worry that the Fed will start to raise interest rates is probably largely based on the memory of the Fed unexpectedly raising rates during most of 1994 and the frustrating market this produced that year. In hindsight, 1994 was just a pause in what became to be known as the great bull market of the nineties — the longest in history.

There seems to be a belief that stocks cannot go up if interest rates are rising. The following chart, prepared by the Leuthold Group, documents nine instances since 1955 when the market went up during a period of rising interest rates.

Interest rates are lowered to attract borrowers during a recession; this causes corporations to start borrowing, which results in the economy improving. Lowering interest rates is the strongest and most reliable tool the government has to stimulate the economy. What follows is that early in the economic expansion, when business prospects are getting better, the demand for capital grows causing interest rates to start rising.

Long Term Bond Rates



Source: Leuthold, S. (April 2004). Periods of Rising Interest Rates and Rising Stock Prices. *View from The North Country, 1-12.*

As you can see by the chart, good markets often follow. Later on in the market and economic cycle, late cycle imbalances and further rises in interest rates typically signal a coming bear market. Unfortunately, investors often miss this later signal of a true economic downturn. At this time, we are convinced that if interest rates do begin to rise we will be experiencing the earlier cycle pressures of better business on interest rates, which should be followed by a stronger equity market.

As of April 30, 2004, 79% of the companies in the NGM US Equity Fund have reported average first quarter earnings growth of 41% (compared to the first quarter of 2003) versus estimates of 30% and S&P 500 earnings of 23% (reported to April 28). Going into the fourth week of April, 76.3% of reporting companies, as tabulated by the First Call service, reported positive surprises. Company interviews have also been giving positive outlooks. With company results so positive we can say that things are going well despite the weak current market. Rather than causing concern, the current market nervousness should be thought of as creating the base for a significant advance in equity prices.

The combination of a stock market that has paused for three months and strong first quarter earnings is creating many interesting investment opportunities for our “growth at reasonable price” investment philosophy. In addition, many individual stocks appear to have reacted irrationally during the current reporting period. This has provided opportunities to fine tune the portfolio which remains fully invested. We expect both the economy and the market to experience continuing growth for the remainder of 2004.

Yours truly,

Rudy North



PERFORMANCE COMPARISONS: SHORT-TERM

	<i>Year to April 30, 04</i>	<i>Six months to April 30, 04</i>	<i>Three months to April 30, 04</i>	<i>Month of April 04</i>
North Growth US Equity Fund \$CDN	1.66%	6.88%	-0.45%	0.44%
North Growth US Equity Fund \$US	-3.95%	2.71%	-3.88%	-4.01%
S&P 500 \$US	0.10%	6.27%	-1.71%	-1.57%
S&P 400 MidCap \$US	1.62%	6.93%	-0.54%	-3.28%
Russell 2000 \$US	0.85%	6.56%	-3.36%	-5.10%
NASDAQ Composite \$US	-4.03%	-0.42%	-6.97%	-3.69%

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	31.27%	9.97%	17.50%	16.90%
North Growth US Equity Fund \$US	37.13%	14.20%	18.91%	16.98%
S&P 500 \$US	22.88%	-2.36%	-2.26%	11.36%
S&P 400 MidCap \$US	34.45%	5.72%	9.32%	14.44%
Russell 2000 \$US*	42.03%	6.34%	6.74%	8.28%
NASDAQ Composite \$US*	31.73%	-2.77%	-5.13%	10.08%

Source: Bloomberg "Total Return Analysis" as of May 3, 2004

** The ten year average for these indices is a Simple Price Appreciation because total return data is not available on Bloomberg.*

RETURN SINCE INCEPTION (ANNUALIZED), OCT. 13, 1992 - APR. 30, 2004

17.78% CDN

16.78% US

NAVPS: APR. 30, 2004

\$ 23.70 CDN

\$ 17.27 US

TOTAL ASSETS IN FUND

\$ 217.90 MILLION CDN

CANADIAN MONEY MARKET FUND
NET CURRENT YIELD AS OF APR. 30, 2004
1.87%