

GROWTH AT A
REASONABLE PRICE



2005 ANNUAL REPORT
& AUDITED FINANCIAL STATEMENTS



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TO US, “GROWTH AT A REASONABLE PRICE” MEANS INVESTING IN SOLID, GROWING COMPANIES THAT HAVE REASONABLY PRICED STOCKS.

We steer away from stocks that are overvalued because although a company's earnings might be expected to grow over the long term, valuations based on price/earnings levels cannot be expected to grow indefinitely.

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P R E S I D E N T ' S M E S S A G E

Dear Unitholder,

I was very pleased with the progress of North Growth Management on all fronts during 2005. While 2005 was not a particularly exciting year for the US equity markets, the North Growth US Equity Fund outperformed the S&P 500 Index for the sixth consecutive year, upholding our goal of making sound investment decisions that produce a strong long term growth of assets (total return) for the Fund's unitholders. The North Growth Canadian Equity Fund became more focused on stocks that reflect our "growth at a reasonable price" investment philosophy. The firm's administrative practices and software development continued to be refined. Most important of all, the people of our young firm not only performed as a powerful team but grew in terms of expertise and experience.

Now let's talk Funds.

The Canadian Equity Fund is now fully focused on stocks based on our "growth at a reasonable price" investment style; a management style that I believe has been responsible for our exceptional performance record in the US. As a result, early in 2005, I changed my long term personal asset mix from being almost entirely invested in the US through the North Growth US Equity Fund to a 20% North Growth Canadian Equity Fund and 80% US Equity Fund portfolio. This is the asset mix that I would recommend to any long term investor.

On the US side, 2005 was the sixth consecutive year that the North Growth US Equity Fund outperformed the S&P 500 Index. Specifically, the Fund's compound average annual return for this six year period in US dollars is +18.2% versus a -1.1% compound average annual return for the S&P 500 Index. And, despite the recent strength of the Canadian dollar, the Fund's compound average annual return over the past six years when expressed in Canadian dollars was +14.0%, which is impressive especially when we consider that the "hot" Canadian market as represented by the S&P/TSX Composite Index only returned +6.8% per annum over the same period.

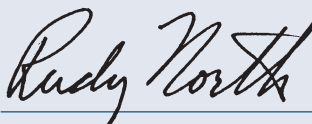
Serious investors should be as interested in how a fund's record is achieved as they are in the record itself. Each market cycle produces funds with strong 2 or 3-year performance records by riding a stock group that is rising rapidly on a wave of investor enthusiasm. For the short term investor, the longer that one of these trends lasts, the more attractive the group appears. This phenomenon always produces excessively high earnings expectations and dangerously overpriced stocks. This type of performance always ends in disaster for the investor.

We believe that the US Fund's outstanding historical record is directly attributable to our portfolio being built on a stock-by-stock basis using our "growth at a reasonable price" investment process. If we stick to this discipline and sell stocks from the portfolio that have experienced rising valuations to the point where they are no longer reasonably valued then we should avoid the record-destroying consequence of being enamored with risky, overvalued stocks. Our good performance during the 2000 to 2002 bear market was the result of putting this concept into practice. Good performance in one period need not result in poor performance down the road.

While selling stocks that have gone up significantly reduces future risk, future appreciation is dependent on being able to find new investment ideas with upside potential. In this sense 2005 was an exciting year. We are finding companies that are producing strong operating earnings growth, are developing promising business strategies, have the best balance sheets in over 30 years and, of course, are selling at reasonable valuations.

Individual stock selection is the key to our investment results. Obviously, a strong economic background is also desirable. As was stated in the December report, we believe the US economy is midway through a well-balanced economic expansion. With energy prices poised to decline and inflation already appearing to be well-contained, we expect the US Federal Reserve to soon stop raising rates at a level of 5.00% or less (versus 4.50% today). Traditionally, the end of a Fed tightening cycle has preceded a strong market move and we see no reason to believe that it will be any different this time.

Yours truly,



Rudy North

North Growth Management Ltd.



Back row (left to right): Elena Eberlein, Cynthia Yen, Shannon Lee, Jamie Kozak, Caroline North, Erica Lau, John Jackman.

Front row (left to right): Rudy North, Rory North.

2005 PERFORMANCE REVIEW

THE NORTH GROWTH FAMILY OF FUNDS

North Growth US Equity Fund

The Fund returned 10.0% in US dollars, outperforming the S&P 500 Index for the sixth consecutive year. In 2005, all the major indices we track registered gains: 4.9% for the S&P 500, 12.6% for the S&P MidCap, 7.7% for the S&P SmallCap, and 2.1% for the NASDAQ Composite. While the Canadian dollar continued to strengthen against the US dollar in 2005, its relative gain was much smaller than in each of the previous two years. In Canadian dollars, the Fund returned 6.5% in 2005 versus the S&P 500 which was up 1.5% for the year.

North Growth Canadian Equity Fund

The North Growth Canadian Equity Fund returned █% for the year versus 24.1% for the S&P/TSX Composite Index. While we continue to be frustrated with the Fund's short term performance, our confidence in the Fund's potential continues to grow. Although on an absolute basis we are reasonably satisfied with the Fund's average annual compound return of █% since we began managing it in May 2003, these results are clearly unsatisfactory relative to the 24.6% average annual compound return delivered by the S&P/TSX Composite Index over the same period.

Looking into 2006, we are very concerned about the downside risk in the S&P/TSX Composite due to the higher than normal valuations in its largest sectors which account for 74% of the Index — Financials, Energy, and Materials. The North Growth Canadian Equity Fund, largely absent in these sectors, should provide its investors adequate protection from this downside risk in the Canadian market while providing numerous opportunities for long term growth through its many "growth at a reasonable price" holdings. As a reminder, the Fund became a pure Canadian Equity Fund in June due to the elimination of foreign content limits and as such, the relevant benchmark is the S&P/TSX Composite Index.

North Growth Canadian Money Market Fund

The Fund's current yield ended 2005 at 2.98%, 0.71% higher than the 2.27% current yield at the beginning of the year. Similarly, the Bank of Canada's overnight target rate of 3.25% at the end of the year was 0.75% above the 2.50% rate at the beginning of 2005. The Bank of Canada began raising its overnight target rate in the final quarter of the year by 0.25% each time in September, October, and December to bring it to 3.25% by year-end. Due to the relatively short average maturities within the Fund of 30 days or less, the direction of the Fund's current yield should continue to correspond with the direction in Canadian short term interest rates. Over the past five years, the average annual return for the Fund was 2.70%, just 0.18% behind the 2.88% average annual return for 30-day Treasury bills.

The Fund continues to invest in a well-diversified portfolio of Canadian money market securities with an emphasis on high credit ratings. The Fund's competitive 0.25% all-inclusive management fee helped it outperform the average of the Globe and Mail's universe of Canadian Money Market Funds by 0.76% in 2005.

North Growth Currency Hedge Limited Partnership

The Canadian dollar finished the year up approximately 3.5% to 85.98 cents on December 30, 2005. The Canadian dollar started the year on a weak note falling approximately 5.5% from January through mid-May after which it rallied to close up for the year. Throughout the year, the North Growth Currency Hedge Limited Partnership remained very inactive with a total of \$500,000 hedged. As a result of the low level of hedging and the small move in the Canadian/US dollar exchange rate, the Partnership distributed only approximately \$10,000 of net income to the Partners.

2005's trading in the Canadian dollar fits very well with our 2004 Currency Risk commentary published in last year's annual report. The small move in the exchange rate for the year is meaningless to long term investors. We are amazed at how much more press the Canadian dollar's appreciation received during 2005 versus during 2003 when the Canadian dollar appreciated 21%.

We continue to expect a high degree of short term volatility in the Canadian/US dollar exchange rate with very little overall direction. Our bias is shifting towards potential downside risk to the Canadian dollar from a completely neutral position. Accordingly, we see very little value in using the Partnership to hedge away the currency risk. The only situation where we are advising clients to use the Partnership is for those who are using currency risk as an excuse to not buy US equities. We think now is a great time to buy US equities and if eliminating currency risk will ensure an investor gets adequate US equity exposure then by all means use the Partnership.

PERFORMANCE RESULTS

AN ASSESSMENT OF THE MANAGEMENT RECORD

Performance is the all important final word in assessing the value of an investment manager. Obviously, we enjoy presenting this data. There is, however, a serious challenge when reviewing performance to put current short term results and longer term performance into the correct perspective. The fact is, different ways of presenting a performance record give different perspectives, all of which are relevant and should be considered.

AVERAGE ANNUAL COMPOUND RATES OF RETURN

It is virtually impossible to correctly judge any long term average rate of performance from looking at a series of annual results. One needs to have some sense of average annual compound rates of return in order to make financial planning decisions and to compare alternative investments.

North Growth US Equity Fund

Annualized Rates of Return (%) for Periods Ending December 31, 2005

	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	7 yrs	8 yrs	9 yrs	10 yrs	Since Inception
North Growth US Equity Fund \$CDN	6.5	5.0	11.4	7.9	8.9	14.0	13.0	12.1	13.9	15.4	16.1
S&P 500 \$CDN	1.5	2.2	3.3	-3.9	-4.4	-4.6	-2.2	2.1	5.7	7.4	10.3
North Growth US Equity Fund \$US	10.0	10.8	23.3	16.7	14.5	18.2	17.5	15.1	16.0	17.2	16.7
S&P 500 \$US	4.9	7.9	14.4	3.9	0.5	-1.1	1.8	4.8	7.6	9.1	10.9

North Growth US Equity Fund Inception October 13, 1992

North Growth Canadian Equity Fund

Annualized Rates of Return (%) for Periods Ending December 31, 2005

	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	Since NGM Takeover	Since Inception
North Growth CDN Equity Fund \$CDN	■	■	■	■	■	■	■
S&P/TSX \$CDN	24.1	19.2	21.7	12.1	6.6	24.6	1.8

North Growth Management Assumed the Management Contract of the Canadian Equity Fund on May 1, 2003
North Growth Canadian Equity Fund Inception September 1, 2000

ANNUAL PERFORMANCE RESULTS

This data gives you insight into the typical annual variations in investment results. Annual results explain how long term results come about and will reveal whether a record is dependent largely on earlier results, more recent results, or more ideally a balance of both.

North Growth US Equity Fund Annual Rates of Return (%) for Calendar Years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
North Growth US Equity Fund \$CDN	6.5	3.5	25.5	-2.0	12.9	43.4	7.2	6.3	29.1	29.5	25.0	0.4	15.1
S&P 500 \$CDN	1.5	2.8	5.8	-22.8	-6.4	-5.6	13.9	37.8	39.2	23.6	33.9	7.5	14.5
North Growth US Equity Fund \$US	10.0	11.6	52.7	-1.1	6.2	38.0	13.9	-0.8	23.7	28.9	28.5	-5.4	10.8
S&P 500 \$US	4.9	10.9	28.7	-22.1	-11.9	-9.1	21.0	28.6	33.4	23.0	37.6	1.3	10.1
S&P 400 Mid Cap \$US	12.6	16.5	35.6	-14.5	-0.6	17.5	14.7	19.1	32.2	19.2	30.9	-3.6	13.9
S&P 600 Small Cap \$US	7.7	22.7	38.8	-14.6	6.5	11.8	12.4	-1.3	25.6	21.3	30.0	N/A	N/A
NASDAQ Composite \$US*	2.1	9.2	50.8	-31.3	-20.8	-39.2	86.1	40.2	22.2	23.0	41.0	-3.2	14.8

Source: Bloomberg "Total Return Analysis"

*Price appreciation only for NASDAQ in 1993 and 1994

NAVPS: December 31, 2005 \$22.84 CDN
\$19.64 US

North Growth Canadian Equity Fund Annual Rates of Return (%) for Calendar Years

	2005	2004	2003	2002	2001
North Growth CDN Equity Fund \$CDN	■	■	■	■	■
S&P/TSX \$CDN	24.1	14.5	26.7	-12.4	-12.6
North Growth US Equity Fund \$CDN	6.5	3.5	25.5	-2.0	12.9
S&P 500 \$CDN	1.5	2.8	5.8	-22.8	-6.4

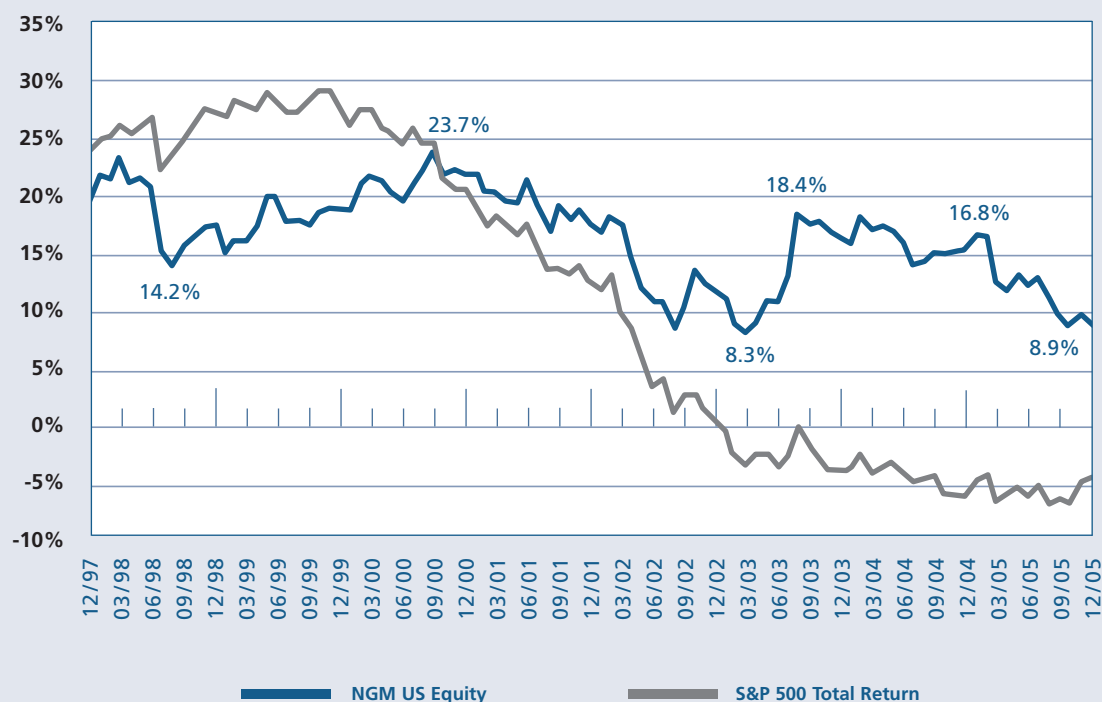
NAVPS: December 31, 2005 \$12.18 CDN

RUNNING 5-YEAR RESULTS

NORTH GROWTH US EQUITY FUND RUNNING 5-YEAR RESULTS: THE BEST LONG TERM PERSPECTIVE OF A FUND'S PERFORMANCE

We feel this is the measure that gives the best long term perspective of a Fund's performance. It presents longer term results in a way which is neither overly influenced by long past periods of good performance, nor by strong short term results (end date sensitivity). The running 5-year average return chart shown below effectively achieves this desired balance as it provides a complete record of the range of performance for any given 5-year holding period.

Running 5-Year Compound Average Annual Returns, Canadian Dollars
The Complete Record of Every Month End 5-Year Holding Period During the Fund's Existence



While the adjacent chart is self-explanatory, we have highlighted the 5-year average annual returns that correspond to some significant points of the market cycle:

14.2%: This was the low point at the 1998 bottom of a bear market for small cap stocks.

23.7%: The highest 5-year average annual return for the Fund occurred in September 2000. This was roughly the peak of the great bull market of the 90s.

8.3%: This 5-year average annual rate of return is perhaps the most significant point on the chart. It was noted at the secondary bottom of the 2000-2002 bear market during which the S&P 500 dropped approximately 50%.

18.4% and 16.8%: The higher 5-year average annual returns recorded in 2003 and 2004 reflect the Fund's strong performance in 2003 and continued growth in 2004.

8.9%: The December 31, 2005 number may seem strange after 3 years of rising markets, however, in calculating the 5-year average annual rate of return, it is not only the most recent year that counts, but also the performance of the year being dropped. In 2005, the year that was dropped from the calculation was 2000, a year during which the Fund rose 43.4% in Canadian dollar terms.

MANAGEMENT FEES

North Growth Management's mission is to achieve superior long term results for our investors by focusing exclusively on the management of our Funds and assisting our clients with their overall investment programs. We believe that our objectives, and in turn our clients' objectives, are facilitated by our competitive, simple and transparent fee structure.

North Growth Funds	Management Fee (%)	Management Expense Ratio (MER) (%)
US Equity	1.20	1.21
Canadian Equity	1.25	1.30
Canadian Money Market	0.25	0.27
Currency Hedge Limited Partnership	0.50	N/A

The fees that North Growth Management charges for its Family of Funds, as set out in the table above, are among the lowest in the Canadian mutual fund industry. According to Globefund.com, the average management expense ratio (management fee plus other fund expenses such as accounting and legal expenses) in 2005 for the US equity fund category was 2.73%. For the Canadian equity fund category, the average MER was 2.85%. By comparison, the MER was 1.21% for the North Growth US Equity Fund and 1.30% for the North Growth Canadian Equity Fund.

The difference of approximately 1.50% per annum has a significant impact on the long term performance of an investment. To put this into perspective, consider a \$150,000 investment in an equity fund with an average annual return of 10% net of fees over ten years. At the end of the ten-year horizon, the initial \$150,000 investment would be worth \$389,061. Now, if the same equity fund lowered its annual fees by 1.50%, the net return to the investor would be 11.50% per year over 10 years. Under this scenario, the initial \$150,000 investment would grow to \$445,492 after ten years—an additional \$56,431! Clearly, all else being equal, low fees meaningfully enhance investment results over the long run.

Aside from the all-inclusive management fee, there are no additional charges involved in investing in any North Growth Fund. Our Funds are all no load, meaning that there is no purchase fee (front-end load) or redemption fee (back-end load). Furthermore, North Growth Management does not pay any trailer fees on the sale of its Funds. A common feature in the mutual fund industry, trailer fees are annual service commissions paid by mutual fund companies to sales representatives.

We are often asked about the tax deductibility of our management fees. North Growth management fees are tax deductible. The tax deduction occurs “at source”, which means that the T3 slip that you receive from us just after year-end already reflects the fee tax deduction.

New Minimum Initial Purchase Amount

At the end of 2005, we changed the minimum initial investment for the North Growth US Equity Fund and the North Growth Canadian Equity Fund to \$150,000 CDN in order to correspond with the minimum amount investment exemptions from registration and prospectus requirements contained in the new National Instrument 45-106 (NI45-106). This instrument harmonizes rules for exempt purchases across Canada.

North Growth Funds	Minimum Initial Investment (\$CDN)	Subsequent Investment (\$CDN)
US Equity	\$ 150,000	\$ 10,000
Canadian Equity	\$ 150,000	\$ 10,000
Canadian Money Market	\$ 150,000	\$ 10,000

North Growth Management also offers in-house RRSP and RRIF accounts with no additional fees or charges. The North Growth US Equity Fund, North Growth Canadian Equity Fund, and the North Growth Canadian Money Market Fund are all eligible investments.

CURRENCY RISK COMMENTARY

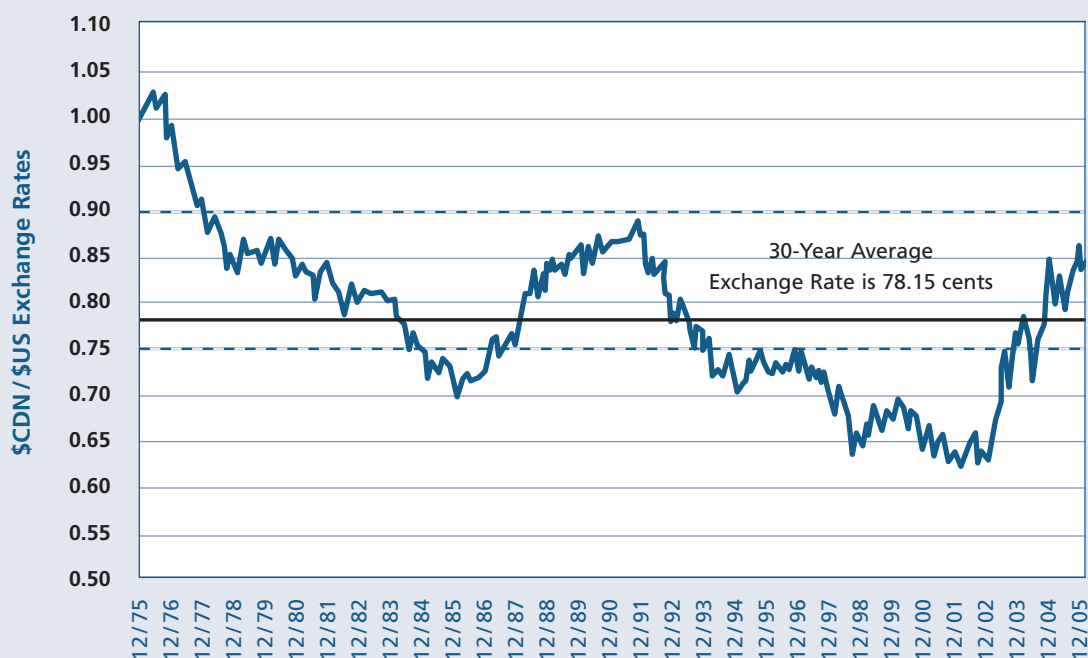
At December 30, 2005, the Bank of Canada Canadian/US dollar closing exchange rate was 85.98 cents, up 38.7% from its January 18, 2002 low of 61.98 cents. It is important to remember that only 4.5% of the Canadian dollar move off of its 2002 low occurred in 2005. During 2005 there continued to be a lot of talk about the soaring Canadian dollar despite the fact that the strength in the loonie really was a 2003 and 2004 story and the 2005 move in the exchange rate was minimal.

During 2005 our views on the Canadian/US exchange rate risk did not change. We continue to expect a high degree of short term volatility in Canadian to US dollar exchange rates. In the short term, we could easily see the dollar trade anywhere from 90 cents to 75 cents but we would expect any sudden moves to either of these extremes to be fairly short-lived. Although this type of volatile but directionless trading will likely capture a lot of media attention, it should not be considered as anything much other than background noise. We believe long term equity investors would be best served to ignore the currency babble and focus on the fact that US equities have proven to be the best asset class for long term growth. We believe that, historically, Canadians have placed too much emphasis on currency risk and that this partially explains why, in aggregate, Canadians are inadequately invested in US equities.

In last year's currency risk commentary we discussed the US current account deficit in terms of the J-curve. At the time, we expected that the US current account deficit would continue to grow for a few quarters before the lagged reaction to the US dollar depreciation took hold to change the trend to one of decreasing current account deficits. To date, the US current account deficit has continued its growth trend. A significant portion of the recent deficit growth is directly caused by the higher cost of energy imports, which may in fact be masking some modest improvement in trade patterns. With Europe and Japan showing signs of improved economic growth, and our belief that energy prices are poised to decline, we expect to see the US current account deficit begin to trend lower during 2006.

Also in last year's commentary we pointed out that, on February 2, 2005, Canadian/US short term interest rates had moved to parity after a four-year period during which Canadian short term rates had been at a premium to US short term rates. As we expected, during 2005, US short term interest rates increased faster than Canadian rates. Currently, US short term rates are 100 basis points, or 1%, higher than their Canadian counterparts and recent economic indicators suggest that this US premium is likely to remain in place for at least the next few quarters. The current short term interest rate differentials generate incremental demand for the US dollar versus the Canadian dollar, increasing the likelihood of some depreciation in the Canadian dollar from current levels.

Canadian Dollar to US Dollar 30-Year Exchange Rate History to December 2005



The chart above clearly shows that the dollar is trading at historically high levels, well above the 78.15 cent average of the past 30 years. At current levels, we believe the Canadian dollar is on the high side of fair value relative to the US dollar. Accordingly, we see very little currency risk for long term investors and believe that Canadians should view the strength in the Canadian dollar as an opportunity to ensure that they are adequately exposed to US equities.

From 2002 through to 2004, North Growth Management Ltd. warned of the currency risk to which Canadians investing in US equities were exposed. Originally, we simply advised clients on how to set up a currency hedge. In May of 2003, we introduced a proprietary currency hedge overlay product for our US Equity Fund investors called the North Growth Currency Hedge Limited Partnership. Clients who followed our advice and/or used our currency hedge product were able to participate fully in the strong North Growth US Equity Fund performance while being largely protected from the Canadian dollar's appreciation. In late 2003, we reduced our recommended hedge to 50%, and in late 2004, we concluded that a currency hedge was no longer necessary.

Currently, we believe that establishing a currency hedge is unnecessary; however, we are still operating the North Growth Currency Hedge Limited Partnership. Although North Growth Management believes there is minimal risk of any significant Canadian dollar appreciation from current levels, the ability to hedge away currency risk is still important to any investor who is reluctant to purchase US equities at this time because of a fear that the Canadian dollar may appreciate further. Currency risk is easily managed and should not be used as an excuse for having inadequate US equity exposure.

MARKET OUTLOOK

This year I am going to frame our market outlook with direct reference and undeniable plagiarism of Rudy's 1998 semi-annual report in which he laid the framework that ultimately generated our record of outperforming the S&P 500 Index for the past six consecutive years and delivering an aggregate outperformance over that period of 191.3%. In contrast to 1998 when large capitalization growth stocks were clearly overvalued on both an absolute and relative basis but were outperforming the broader market, we are now in a market where the largest capitalization stocks are attractively valued on both an absolute and relative basis and have been underperforming the broader market for over five years.

Since opening its doors as an independent portfolio manager in 1998, North Growth Management has successfully steered the North Growth US Equity Fund through a series of notably different market environments. Initially, as the technology bubble inflated, we had the hollow feeling that the good times were over and that there needed to be a lot of pain before any good values develop. During this period, which spanned through 1999 to early 2000, we positioned the US Equity Fund for what we felt was an inevitable correction of excessive market optimism. This was accomplished by exiting existing positions in market darling stocks while the fundamentals were still exceptional and their stock prices were still soaring. We expanded the portfolio into a more numerous holding list of smaller companies that, although not as exciting as the market darlings, still offered good long term growth potential and traded at very reasonable valuation levels. During this period our selling of overvalued stocks outpaced our ability to identify good investment opportunities, resulting in cash levels within the Fund swelling to over 30% during 1999 and eventually peaking at 42% in August of 2001.

During the following year the portfolio positioning only changed slightly as the market sentiment slowly shifted from a hope that the good times would return to fear and trepidation that we were on the brink of the next great depression. Finally, by the summer of 2002, things got so bad that we started to get excited, knowing that new bull markets start when the current news seems irrecoverably disastrous. Fortunately, our research process supported our nascent optimism, as on a stock-by-stock basis we began to find numerous names that had had their excessive valuations of the late 1990s sufficiently purged to transform them into exciting "growth at a reasonable price" investment opportunities. We were somewhat surprised by how easily our large cash reserves flowed back into the market.

As the market stumbled through a triple bottom, Rudy's excitement mounted to such an extreme that he did not deem his November 2002 proclamation that "NOW IS THE TIME TO BUY EQUITIES!" to be sufficient so he penned his spring 2003 essay titled "A RARE OPPORTUNITY" in which he laid out his reasoning as to why March of 2003 was "as clear a time to be bullish as investors ever see".

From spring 2003 to the present, the broader US market has delivered very solid share price appreciation. Despite outstanding fundamentals, however, large cap growth stocks have underperformed, delivering only modest share price appreciation and, as a result, we are currently in a market situation that is very similar to the 1998 situation except that the relative valuations have inverted.

We are now of the opinion that the market is neither in an obvious state of overvaluation or presenting an extreme oversold buying opportunity, although we do believe we are seeing unbridled optimism towards an extended commodity cycle. In this intermediate phase both the bulls and the bears can present compelling arguments. We are in the bullish camp, feeling increasingly positive about the long term appreciation potential offered by many of the best known and largest US based corporations. There are some very significant points backing up this positive view:

- Common stocks are the best long term investment available to investors and US-based large capitalization multinationals provide the best exposure to both the developed world's economic growth and the more rapid growth of the emerging economies of the world.
- In a historical context there have been numerous extended periods where large capitalization stocks underperform small capitalization stocks. The current period of such underperformance has been taking place since early 2000.
- The P/E ratios of large cap growth stocks have fallen to the low end of their historic levels both on an absolute basis and relative to the P/Es of small cap stocks.
- Small cap stocks have the law of large numbers in their favor, making it easier for them to have higher long term growth rates than those of more mature companies; however, the lower relative values of large cap stocks in combination with their ability to provide excellent exposure to both developed and developing economies currently make them a more compelling long term investment opportunity.
- Historically, the strength of large cap and small cap stocks have gone through clear alternating periods of relative strength.

All of the preceding points are consistent with our opinion that, after a six-year period of small cap outperformance, US large cap stocks are now due for a period of meaningful outperformance. A significant deterioration of the market breadth will likely occur simultaneously with the emergence of large cap market leadership.

Since December 2000, we have gradually shifted the positioning of the North Growth US Equity Fund from 5.2% large cap to 60.3% large cap today. Clearly, we believe it is essential that the Fund is well-positioned in reasonably priced larger capitalization growth stocks before the change in market leadership takes place.

PORTFOLIO HOLDINGS

NORTH GROWTH US EQUITY FUND PORTFOLIO

AS OF DECEMBER 31, 2005

Adobe Systems, Inc... is a leading provider of software for digital imaging, design, and document technology platforms for consumers, creative professionals, and enterprises. Adobe offers several key products, including Photoshop, Illustrator, and Acrobat as well as a bundled package, Creative Suite. The recent merger between Adobe and Macromedia will combine Adobe's expertise in digital imaging and design for document platforms with Macromedia's toolsets for Internet, wireless, and digital devices.

Advent Software, Inc... is a provider of software solutions and related services focused on investment management. The company's Advent Office Essentials integrated suite of products addresses a variety of investment management functions such as portfolio management, client relationship management, trade order management, and reconciliation processing. Geneva, Advent's real-time portfolio accounting system, facilitates the complex accounting processes associated with large international portfolios.

American Eagle Outfitters, Inc... is a leading lifestyle retailer that designs, markets, and sells its own brand of casual clothing for 15 to 25 year-olds, providing high quality merchandise at affordable prices. The company's collection includes modern basics like jeans, cargo pants, and graphic T-shirts as well as a stylish assortment of accessories, outerwear, and footwear. American Eagle currently operates 797 American Eagle stores in 50 states, the District of Columbia and Puerto Rico, and 71 stores in Canada. The company plans to open MARTIN + OSA, a new sportswear concept targeting 25 to 40 year old women and men in the fall of 2006.

Apple Computer, Inc... is a leading designer, manufacturer, and marketer of personal computers and related products. Personal computer products offered include the iMac G5, Power Mac G5, iBook, PowerBook, eMac, and the Mac mini. Its highly successful portable digital music player, the iPod, has been expanded to include the iPod shuffle, and the iPod nano. The company's personal computers operate on the proprietary Mac OS X operating system. Other software products developed in-house include iMovie, iTunes, iPhoto, iDVD, and Final Cut Pro.

Applied Materials, Inc... is the world's largest supplier of products and services to the global semiconductor industry. The company develops, manufactures, markets, and services the processing and manufacturing technology that helps semiconductor manufacturers produce the world's most advanced chips.

Bank of America Corporation... is one of the world's leading institutions serving customers through a network of approximately 5,800 retail banking offices, more than 16,700 ATM's in the US, and an Internet website that provides online banking access to over 14 million active users. The company recently completed its acquisition of MBNA, making it the largest credit card issuer in the US as measured by balances.

Biomet, Inc... makes orthopaedic medical devices, primarily reconstructive products (hips, knees, and shoulders), fixation devices (bone screws, pins, and plates), spinal products (both traditional spinal fixation devices and electrical stimulation systems), and a broad range of other products including arthroscopy equipment, operating room products and instruments, and wound healing devices. The company has operations at over 50 locations and distributes its products in over 100 countries throughout the world.

Boston Scientific, Inc... is a worldwide developer, manufacturer, and marketer of medical devices whose products are used in a broad range of interventional medical specialties. More than three quarters of the company's total sales come from cardiology products, the vast majority being bare metal and drug-eluting stents. Boston Scientific also makes products used in electrophysiology, endoscopy, oncology, urology, endosurgery, and neuromodulation.

Brinker International, Inc... operates, develops, and franchises a portfolio of casual dining restaurant chains: Chili's Grill & Bar, Romano's Macaroni Grill, On the Border Mexican Grill & Cantina, Maggiano's Little Italy, and Corner Bakery Cafe.

Bristol-Myers Squibb Company... is a global pharmaceutical and related health care products company. Its prescription drugs, which cover key areas in cardiovascular, anti-infection, and cancer, include: Plavix (for heart attacks and strokes), Pravachol (for cholesterol), Glucophage (for diabetes), Taxol (for cancer), Avapro (for hypertension), Abilify (for schizophrenia and bipolar disorders), and Erbitux (for colorectal cancer). The company also sells nutritional (such as ENFAMIL infant formula), wound care, and medical imaging products.

Checkpoint Systems, Inc... manufactures and markets identification and protection systems for a diverse customer base across many industries worldwide. The company provides radio frequency (RF) based loss prevention systems. Its portfolio of products and services ranges from traditional security technologies to radio frequency identification (RFID) systems. Its largest division focuses on retail security and sells electronic article surveillance (EAS) systems and tags as well as closed-circuit television products and access control systems. The company recently completed its divestiture of its barcode systems business.

Cisco Systems, Inc... is a leading provider of networking equipment including routers, switches, and access products. The company has established a leadership position in a number of high growth markets including internet and wireless infrastructure.

Citrix Systems, Inc... is a leading supplier of software and services that enable the effective and efficient enterprise-wide deployment and management of applications based on the Windows and UNIX operating systems. The company's products permit organizations to deploy and manage applications without regard to location, network connection, or type of client hardware platform.

Dell, Inc... is a leading provider of a range of computers systems and services to customers worldwide. The company sells desktop and notebook computers, servers, storage systems, networking products, printing and imaging systems, and other technology products and services. Best known for its build-to-order PC model, Dell has one of the most admired long term track records of industry-leading growth and profitability.

Dionex Corporation... develops, manufactures, markets, and services a range of analytical systems to isolate, identify, and quantify the components of complex chemical mixtures. The company pioneered ion chromatography (IC), a technique used to separate inorganic molecules in water-based solutions, and is the leader in this niche with a 70% market share. Dionex has been actively expanding its capabilities in high-performance liquid chromatography (HPLC), a large \$2 billion market with very high growth potential due to HPLC's role in genomics and drug discovery. The company sells to a broad base of customers in different industries that include environmental, chemical, life sciences, food and beverage, energy, and electronics.

DSP Group, Inc... is a fabless semiconductor company that develops applications combining the company's DSP (digital signal processing) core expertise with advanced RF (radio frequency), communication technology, and speech-processing algorithms. The company's Total Telephony Solutions delivers 900 MHz, 2.4 GHz, 5.8 GHz, DECT, and Bluetooth applications for residential, enterprise, and automotive markets. The company also develops embedded integrated silicon/software solutions for voice-over-packet applications.

NORTH GROWTH US EQUITY FUND PORTFOLIO...

AS OF DECEMBER 31, 2005

Ethan Allen Interiors, Inc... is a leading manufacturer and retailer of quality home furnishings. The company sells a full range of furniture products and decorative accessories through an extensive network of over 300 retail locations in the United States and abroad. Ethan Allen is vertically integrated with manufacturing facilities and sawmills throughout the US.

Federal Signal Corporation... manufactures and sells safety, signalling, and communications equipment, fire rescue products, street sweeping and vacuum loader vehicles, parking control equipment, carbide cutting tools, precision punches, and related die components. The company is managed on a decentralized basis and has four major operating groups: fire rescue, environmental products, safety products, and tools.

Guidant Corporation... provides innovative, minimally-invasive, and cost-effective products and services for the treatment of cardiovascular and vascular disease. The company's products include cardiac rhythm management products such as pacemakers and implantable defibrillators, coronary stents, other vascular intervention (including angioplasty) products, and products to perform leading-edge cardiac surgery procedures (including beating heart bypass surgery).

Intel Corporation... designs, manufactures, and sells computer components and related products. The company is the world's largest chip maker and its major products include microprocessors, chipsets, embedded processors and microcontrollers, flash memory, and products used for graphics, network and communications, system management, conferencing, and digital imaging.

Jacobs Engineering Group, Inc... is the one of the world's largest and most diverse providers of professional technical services. The company offers full-spectrum support to industrial, commercial, and government clients across multiple markets. Services include scientific and speciality consulting as well as all aspects of engineering, construction, and operations and maintenance.

KLA-Tencor Corporation... is the world's leading supplier of process control and yield management solutions for the semiconductor and related microelectronics industries. The company's comprehensive portfolio of products, software, analysis, services, and expertise is designed to help integrated circuit (IC) manufacturers manage yield throughout the entire wafer fabrication process.

Manor Care, Inc... is the leading owner and operator of long-term care centres in the US. The company provides care for residents and patients through a network of more than 500 nursing homes, assisted living facilities, outpatient rehabilitation clinics, and hospice and home health care offices. The company operates primarily under the Manor Care, Heartland, Arden Courts, and Springhouse brand names.

Mesa Air Group, Inc... operates over 180 aircraft with over 1,100 daily system departures to more than 167 cities, 45 states, the District of Columbia, Canada, and Mexico. It operates as America West Express, Delta Connection, US Airways Express, and United Express under contractual agreement with America West, Delta Air Lines, US Airways, and United Airlines, respectively. Mesa also operates independently as Mesa Airlines.

Michaels Stores, Inc... is the world's largest retailer of arts, crafts, framing, floral, wall décor, and seasonal merchandise for the hobbyist and do-it-yourself home decorator. The company owns and operates more than 889 Michaels Stores in 48 states and Canada, 160 Aaron Brothers Stores located primarily on the West Coast, 11 Recollections stores and 4 Star Wholesale operations.

Microsoft Corporation... is the largest software company in the world; it develops, manufactures, licenses, and sells a broad range of software and services. The company has a dominant franchise in desktop software through its Windows operating system and Office productivity suite. Its line of software products has expanded into related areas such as servers, the Internet, home entertainment, and embedded and mobile devices. Microsoft also makes the highly successful Xbox game console.

Nike, Inc... is the world's lead designer, marketer, and distributor of authentic athletic footwear, apparel, equipment, and accessories. Wholly-owned subsidiaries include Bauer NIKE Hockey (hockey equipment), Cole Haan (luxury shoes and handbags), Hurley International LLC (action sports, youth lifestyle footwear, and apparel), and Exeter Brands Group LLC (athletic footwear and apparel for the value retail chain). The company sells its products to retail accounts, through its owned retail stores, and through a mix of independent distributors and licensees.

PACCAR, Inc... is a leader in the design, manufacture, and customer support of high-quality, light, medium, and heavy-duty trucks under the Kenworth, Peterbilt, DAF, and Foden brands. It also provides financial services and distributes truck parts related to its principal business.

Pfizer, Inc... is the world's largest research-based pharmaceutical company. It discovers, develops, manufactures, and markets leading prescription medicines and many of the world's best-known consumer healthcare products. Most of the company's sales come from branded pharmaceuticals which include cholesterol reduction drug Lipitor, pain management drug Celebrex, erectile dysfunction therapy Viagra, and antidepressant Zoloft.

Safeway, Inc... is one of the largest North American food and drug retailers, with 1,800 stores throughout the US and Canada. Stores operate under the Safeway, Pak 'n Save, Dominick's, Vons, Pavilions, Randall's, Tom Thumb, Carrs, and Genuardi names.

Sprint Nextel Corporation... is a leading provider of fully-integrated wireline and wireless communications services to consumers, businesses, and government customers. Sprint Nextel was formed following the completion of the merger between Sprint and Nextel Communications in August 2005. The company has more than 44 million wireless customers.

Sybase, Inc... develops software solutions for mobile and embedded computing, data warehousing, and web computing environments. The company serves the public sector as well as industries including financial services, telecommunications, health care, and media and entertainment.

Symantec Corporation... is the global leader in information security providing a broad range of software and services designed to help individuals, small and mid-sized businesses, and large enterprises secure and manage their IT infrastructure. Symantec's Norton brand of products is the worldwide leader in consumer security and problem solving solutions. The company completed its merger with VERITAS Software in July 2005, adding storage management software to its expanding product portfolio.

Texas Instruments, Inc... is a global semiconductor company and the world's leading designer and supplier of DSP (digital signal processing) and analog solutions, the engines driving the digitization of electronics. The company continues to invest in the latest production technologies and is positioned to benefit from growth in its end markets as digital devices become more sophisticated and abundant. In addition to semiconductors, Texas Instrument's businesses also include Sensors & Controls and Educational & Productivity Solutions.

NORTH GROWTH US EQUITY FUND PORTFOLIO...

AS OF DECEMBER 31, 2005

The Timberland Company (CL A)... designs, engineers, and markets premium-quality footwear, apparel, and accessories under the Timberland brand name and the Timberland PRO Series sub brand. Its products are sold in leading department and athletic specialty stores and Timberland retail stores throughout the world.

Trinity Industries, Inc... is one of the nation's leading diversified industrial companies providing a variety of high volume, repetitive products and services for the transportation, industrial and construction sectors of the marketplace. Its five main business groups include: The Trinity Rail Group, Trinity Railcar Leasing and Management Services Group, Inland Barge Group, Construction Products Group and Energy Equipment Group.

Wal-Mart, Inc... is the largest retailer as well as food retailer in the world. It operates under a variety of formats including: discount stores and supercenters (Wal-Mart), warehouse clubs (Sam's Club), and supermarkets (Neighborhood Markets).

Wellpoint, Inc... is the largest publicly traded managed health care company in the US. It provides health care benefits to approximately 34 million medical members through its licensed Blue Cross or Blue Cross Blue Shield operations in 14 states and its non-Blue branded operations in other states. The company recently acquired WellChoice, Inc. in December 2005.

NORTH GROWTH CANADIAN EQUITY FUND PORTFOLIO

AS OF DECEMBER 31, 2005

Angiotech Pharmaceuticals, Inc... is a world leader in the emerging field of drug-eluting medical devices and biomaterials. The company's primary drug, which reduces inflammation and scar tissue, is used in Boston Scientific's highly successful TAXUS drug-eluting stent program. Angiotech is leveraging its expertise to develop new programs that will apply its drug to many other medical devices and biomaterials that are placed in the human body.

ATI Technologies, Inc... is a world leader in the design and manufacture of innovative 3D graphics and digital media silicon solutions. An industry pioneer since 1985, ATI is dedicated to deliver leading-edge performance solutions for the full range of PC and Mac desktop and notebook platforms, workstation, set-top and digital television, game console, and handheld device markets.

ATS Automation Tooling Systems, Inc... is a world-leading industrial automation company dedicated to designing and manufacturing advanced factory automation systems, custom or standard automation equipment, turn-key assembly machinery, as well as high-volume precision components, sub-assemblies, solar cells, and solar modules. ATS provides services to companies in medical, health, pharmaceutical, consumer, automotive, telecommunications, semiconductor, computer, and electrical industries.

Ballard Power Systems, Inc... is recognized as the world leader in the design, development, and manufacture of zero-emission proton exchange membrane (PEM) fuel cells.

BCE, Inc... is Canada's largest communications company. It has 25 million customer connections through its wireline, wireless, data/internet, and satellite television services. BCE also holds interests in some of Canada's leading media organizations including The Globe and Mail, CTV, and TQS, a French network operating in Quebec.

Biovail Corporation... is a specialty pharmaceutical company engaged in the formulation, clinical testing, registration, manufacture, and commercialization of pharmaceutical products utilizing its advanced oral controlled-release drug-delivery technologies. The company primarily focuses on cardiovascular disease, central nervous system disorders, and pain management. Biovail applies its drug delivery technologies to drug compounds to develop both branded and generic products.

Bombardier, Inc... is a world-leading manufacturer of innovative transportation solutions such as regional jets, business jets, and rail transportation equipment.

Cinram International, Inc... is one of the world's largest independent providers of pre-recorded multimedia products and logistics services. With facilities in North America, Latin America, and Europe, Cinram manufactures and distributes DVDs, video cassettes, audio CDs, music cassettes, and CD-ROMs for motion picture studios, music labels, publishers, and computer software companies around the world.

Cognos, Inc... is a world leader in developing business intelligence software to help its customers drive, monitor, and understand corporate performance.

Compton Petroleum Corporation... is an Alberta-based independent company actively engaged in exploration, development, and production of natural gas, natural gas liquids, and crude oil in the Western Canadian Sedimentary Basin.

NORTH GROWTH CANADIAN EQUITY FUND PORTFOLIO...

AS OF DECEMBER 31, 2005

DataMirror Corporation... is a leading provider of real-time secure data integration software solutions that give companies the power to manage and monitor their corporate data across all heterogeneous systems and applications. DataMirror's comprehensive solutions help customers easily and cost-effectively capture, transform, and flow data throughout their enterprise. DataMirror provides the real-time secure data access, integration, and protection that companies require to gain business insight and competitive advantage.

Dorel Industries (CL B)... is a global manufacturer of consumer products. The company operates in three business segments: Juvenile, Home Furnishings, and Recreational/Leisure. Some of Dorel's brand names are Cosco, Safety 1st, Maxi-Cosy, Ameriwood, Ridgewood, Schwinn, GT Bicycle, and Mongoose.

Enerflex Systems, Ltd... is a leading supplier of products and services to the global oil and gas production industry. The company provides natural gas compression, power generation and process equipment for sale or lease, hydrocarbon production and processing facilities, electrical, instrumentation and controls services, and a comprehensive package of field maintenance and contracting capabilities.

Extendicare, Inc. (CL A)... operates long-term care facilities in North America and employs over 38,000 people. In the United States, Extendicare offers medical specialty services such as subacute care and rehabilitative therapy and in Canada it provides home health care services.

GSI Group, Inc... supplies precision motion products, lasers, and laser systems that are used to boost efficiency and productivity for manufacturers in the global medical, semiconductor, electronics, and industrial markets.

MacDonald, Dettwiler & Associates, Ltd... designed and built the Canadarm and is a world leader in information and technology. Its Information Systems Group provides mission critical information systems for Robotics, Defense, and Monitoring the Planet. Its Information Products Group delivers essential land-related products and services concerning legal and asset information and geographic information.

Pulse Data, Inc... specializes in the acquisition, management, marketing, and licensing of seismic data to the oil and gas industry in Western Canada.

QLT, Inc... is a leading biopharmaceutical company specializing in developing treatments for eye diseases, cancer, and dermatological and urological conditions. QLT has expertise in the discovery, development, commercialization, and manufacture of innovative drug therapies with unique technology platforms. QLT's products include Visudyne, the first drug to treat wet age-related macular degeneration (AMD), and Eligard, a drug to treat advanced prostate cancer.

Saputo, Inc... is Canada's largest dairy processor and snack cake manufacturer as well as Argentina's third largest dairy processor. Saputo also has a growing presence as a cheese producer in the United States. The company's products include brand names such as Saputo, Armstrong, and Dairyland.

Sierra Wireless, Inc... is a leader in providing wireless communication solutions that enable mobile professionals to improve productivity and lifestyle. The company designs and markets differentiated and reliable wireless solutions while providing world-class support to customers and partners.

Sobeys, Inc... is a national leader in retail food distribution. Sobeys, through subsidiaries and franchises, operates more than 1,300 stores in 10 provinces under retail banners that include Sobeys, IGA, Price Chopper, Comisso's, Bonichoix, Foodland, Needs, Lawtons Drugs, and Food Town.

Tundra Semiconductor Corporation... designs, develops, and markets standards-based system interconnect for use by the world's leading communications and storage system companies. Tundra System Interconnect is a vital technology that enables customers to connect critical system components while compressing development cycles and maximizing performance. Applications include wireless infrastructure, storage networking, network access, military technology, and industrial automation.

Viceroy Homes, Ltd. (CL A)... is a leader in designing and manufacturing custom home packages for owner/builder clients and professional contractors. The company ships throughout North America and overseas.

WestJet Airlines, Ltd... is Canada's leading low-cost airline offering scheduled service throughout its growing North American network. The company strives to be the number one choice for travelers by operating a modern fleet of Boeing Next-Generation 737 aircraft with increased legroom and leather seats as well as live seatback television on most of its aircraft.

Zarlink Semiconductor, Inc... delivers semiconductor solutions that drive the capabilities of voice, enterprise, broadband, and wireless communications. The company's success is built on its technology strengths in voice and data networks, optoelectronics, and ultra low-power communications.

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STATEMENTS OF FINANCIAL HIGHLIGHTS

AUDITORS' REPORT ON STATEMENTS OF FINANCIAL HIGHLIGHTS

To the Unitholders of:

North Growth Canadian Money Market Fund
North Growth Canadian Equity Fund
North Growth US Equity Fund
(collectively referred to as the "Funds"):

We have audited the statements of financial highlights of the Funds for each of the years in the five-year period ended December 31, 2005, which information has been calculated in accordance with the provisions of National Instrument 81-106. This financial information is the responsibility of the Funds' management. Our responsibility is to express an opinion on this financial information based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, the statements of financial highlights present fairly, in all material respects, the financial highlights of the Funds for each of the years in the five-year period ended December 31, 2005 in accordance with the provisions of National Instrument 81-106.

Deloitte & Touche LLP

Chartered Accountants

Vancouver, British Columbia
January 27, 2006

NORTH GROWTH CANADIAN MONEY MARKET FUND

STATEMENT OF FINANCIAL HIGHLIGHTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 2005

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited financial statements.

	2005	2004	2003	2002	2001
Data Per Unit					
Net Asset Value, Beginning Of Year	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Increase (Decrease) From Operations					
Total revenue	0.27	0.24	0.31	0.26	0.43
Total expenses	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Net investment income	0.24	0.21	0.28	0.23	0.40
Realized gains for the period	–	–	–	–	–
Unrealized gains for the period	–	–	–	–	–
Net gains on investments for the period	–	–	–	–	–
Total Increase (Decrease) From Operations ¹	0.24	0.21	0.28	0.23	0.40

Distributions					
From income (excluding dividends)	(0.24)	(0.21)	(0.28)	(0.23)	(0.40)
From dividends	–	–	–	–	–
From net investment income	(0.24)	(0.21)	(0.28)	(0.23)	(0.40)
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total Annual Distributions ²	(0.24)	(0.21)	(0.28)	(0.23)	(0.40)
Net Asset Value, End Of Year	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00

¹ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from investment operations is based on the weighted average number of units outstanding over the financial period.

² Distributions were paid in cash/reinvested in additional units of the Fund, or both.

Ratios And Supplemental Data

Net assets (000's) ¹	\$ 6,151	\$ 8,459	\$ 12,507	\$ 20,685	\$ 31,125
Number of units outstanding (000's) ¹	615	846	1,251	2,068	3,113
Management expense ratio ²	0.27%	0.27%	0.27%	0.27%	0.27%
Annual rate of return ³	2.42%	2.03%	2.71%	2.25%	4.11%

¹ This information is provided as at December 31 of the year shown.

² Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

³ Annual rate of return represents the historical total rate of return for the year and includes the reinvestment of all distributions.

The 2005 layout of the financial highlights has been adjusted to conform to the requirements of National Instrument 81-106. It is not intended that the Fund's Net Asset Value (NAV) per unit table act as a continuity of opening and closing NAV. Prior year information has been restated to conform with the current year presentation.

NORTH GROWTH CANADIAN EQUITY FUND

STATEMENT OF FINANCIAL HIGHLIGHTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 2005

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited financial statements.

	2005	2004	2003	2002	2001
Data Per Unit					
Net Asset Value, Beginning Of Year	\$ 12.89	\$ 12.37	\$ 10.69	\$ 11.53	\$ 10.27
Increase (Decrease) From Operations					
Total revenue	0.08	0.06	0.13	0.22	0.20
Total expenses	(0.16)	(0.13)	(0.11)	(0.14)	(0.14)
Net investment (loss) income	(0.08)	(0.07)	0.02	0.08	0.06
Realized gains (losses) for the period	1.77	0.33	0.24	(0.16)	0.07
Unrealized (losses) gains for the period	(0.95)	0.32	2.13	(1.06)	1.47
Net gains (losses) on investments for the period	0.82	0.65	2.37	(1.22)	1.54
Total Increase (Decrease) From Operations ¹	0.74	0.58	2.39	(1.14)	1.60
Distributions					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.09)	–	(0.01)	(0.04)	(0.03)
From net investment income	(0.09)	–	(0.01)	(0.04)	(0.03)
From capital gains	(1.36)	(0.15)	(0.12)	–	(0.04)
Return of capital	–	–	–	–	–
Total Annual Distributions ²	(1.45)	(0.15)	(0.13)	(0.04)	(0.07)
Net Asset Value, End Of Year	\$ 12.18	\$ 12.89	\$ 12.37	\$ 10.69	\$ 11.53

¹ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from investment operations is based on the weighted average number of units outstanding over the financial period.

² Distributions were paid in cash/reinvested in additional units of the Fund, or both.

Ratios And Supplemental Data

Net assets (000's) ¹	\$ 22,406	\$ 20,343	\$ 12,905	\$ 5,584	\$ 2,126
Number of units outstanding (000's) ¹	1,839	1,578	1,043	522	184
Management expense ratio ²	1.30%	1.31%	1.24%	1.28%	1.34%
Management expense ratio before waivers or absorptions	1.30%	1.31%	1.32%	2.32%	5.57%
Portfolio turnover rate ³	77.65%	30.76%	78.37%	32.54%	25.62%
Trading expense ratio ⁴	0.27%	N/A	N/A	N/A	N/A
Annual rate of return ⁵	5.76%	5.38%	16.99%	(6.87%)	12.99%

¹ This information is provided as at December 31 of the year shown.

² Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

³ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

⁴ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period. This ratio is a new requirement and has been applied on a prospective basis. Therefore, prior year information has not been disclosed.

⁵ Annual rate of return represents the historical total rate of return for the year and includes the reinvestment of all distributions.

The 2005 layout of the financial highlights has been adjusted to conform to the requirements of National Instrument 81-106. It is not intended that the Fund's Net Asset Value (NAV) per unit table act as a continuity of opening and closing NAV. Prior year information has been restated to conform with the current year presentation.

NORTH GROWTH US EQUITY FUND

STATEMENT OF FINANCIAL HIGHLIGHTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 2005

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited financial statements.

	2005	2004	2003	2002	2001
Data Per Unit					
Net Asset Value, Beginning Of Year	\$ 24.02	\$ 23.32	\$ 18.68	\$ 19.20	\$ 19.30
Increase (Decrease) From Operations					
Total revenue	0.16	0.22	0.08	0.13	0.30
Total expenses	(0.31)	(0.28)	(0.25)	(0.22)	(0.24)
Net investment income	(0.15)	(0.06)	(0.17)	(0.09)	0.06
Realized gains for the period	4.15	0.46	0.64	0.39	2.84
Unrealized (losses) gains for the period	(2.50)	0.39	4.47	(0.46)	(0.44)
Net gains (losses) on investments for the period	1.65	0.85	5.11	(0.07)	2.40
Total Increase (Decrease) From Operations ¹	1.50	0.79	4.94	(0.16)	2.46
Distributions					
From income (excluding dividends)	—	—	—	—	(0.02)
From dividends	—	—	—	—	(0.04)
From net investment income	—	—	—	—	(0.06)
From capital gains	(2.76)	(0.10)	(0.12)	(0.14)	(2.52)
Return of capital	—	—	—	—	—
Total Annual Distributions ²	(2.76)	(0.10)	(0.12)	(0.14)	(2.58)
Net Asset Value, End Of Year	\$ 22.84	\$ 24.02	\$ 23.32	\$ 18.68	\$ 19.20

¹ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from investment operations is based on the weighted average number of units outstanding over the financial period.

² Distributions were paid in cash/reinvested in additional units of the Fund, or both.

Ratios And Supplemental Data

Net assets (000's) ¹	\$ 256,772	\$ 231,803	\$ 199,603	\$ 125,931	\$ 89,221
Number of units outstanding (000's) ¹	11,242	9,650	8,560	6,742	4,648
Management expense ratio ²	1.21%	1.23%	1.25%	1.22%	1.19%
Portfolio turnover rate ³	58.07%	50.51%	40.34%	54.71%	95.01%
Trading expense ratio ⁴	0.18%	N/A	N/A	N/A	N/A
Annual rate of return ⁵	6.47%	3.45%	25.50%	(2.01%)	12.83%

¹ This information is provided as at December 31 of the year shown.

² Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

³ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

⁴ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period. This ratio is a new requirement and has been applied on a prospective basis. Therefore, prior year information has not been disclosed.

⁵ Annual rate of return represents the historical total rate of return for the year and includes the reinvestment of all distributions.

The 2005 layout of the financial highlights has been adjusted to conform to the requirements of National Instrument 81-106. It is not intended that the Fund's Net Asset Value (NAV) per unit table act as a continuity of opening and closing NAV. Prior year information has been restated to conform with the current year presentation.

FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Unitholders of:

North Growth Canadian Money Market Fund
North Growth Canadian Equity Fund
North Growth US Equity Fund
(collectively referred to as the "Funds"):

We have audited the statements of net assets and of investments of the Funds as at December 31, 2005, and the statements of operations and changes in net assets for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2005, and the results of their operations and the changes in their net assets for the years ended December 31, 2005 and 2004, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Vancouver, British Columbia
January 27, 2006

NORTH GROWTH MUTUAL FUNDS

STATEMENTS OF NET ASSETS

DECEMBER 31, 2005 AND 2004
(in thousands of dollars except per unit amounts)

	Canadian Money Market Fund		Canadian Equity Fund		US Equity Fund	
	2005	2004	2005	2004	2005	2004
Assets						
Investments - at market value	\$ 6,130	\$ 8,448	\$ 21,606	\$ 19,658	\$ 251,373	\$ 228,383
Cash	17	3	862	745	5,497	4,197
Due from brokers	—	—	—	—	515	—
Accrued interest and dividends receivable	8	14	8	6	159	202
	25	17	870	751	6,171	4,399
	6,155	8,465	22,476	20,409	257,544	232,782
Liabilities						
Accounts payable and accrued liabilities	4	6	70	44	772	698
Due to unitholders	—	—	—	3	—	—
Due to brokers	—	—	—	—	—	281
Income taxes payable	—	—	—	19	—	—
	4	6	70	66	772	979
Net Assets - Representing Unitholders' Equity (Note 5)	\$ 6,151	\$ 8,459	\$ 22,406	\$ 20,343	\$ 256,772	\$ 231,803
Number Of Units Outstanding (000's) (Note 5)	615	846	1,839	1,578	11,242	9,650
Net Asset Value Per Unit	\$ 10.00	\$ 10.00	\$ 12.18	\$ 12.89	\$ 22.84	\$ 24.02

Approved on behalf of the Manager, North Growth Management Ltd.



Rudy North, President

NORTH GROWTH MUTUAL FUNDS

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2005 AND 2004
(in thousands of dollars except per unit amounts)

	Canadian Money Market Fund		Canadian Equity Fund		US Equity Fund	
	2005	2004	2005	2004	2005	2004
Investment Income						
Dividends (1)	\$ –	\$ –	\$ 147	\$ 79	\$ 1,529	\$ 2,076
Interest	199	224	1	1	6	6
	<u>199</u>	<u>224</u>	<u>148</u>	<u>80</u>	<u>1,535</u>	<u>2,082</u>
Expenses						
Management fees (Note 6)	20	26	279	152	2,947	2,636
	<u>20</u>	<u>26</u>	<u>279</u>	<u>152</u>	<u>2,947</u>	<u>2,636</u>
Alternative Minimum Tax	–	–	5	19	–	–
Net Investment Income (Loss) (Note 3)	<u>179</u>	<u>198</u>	<u>(136)</u>	<u>(91)</u>	<u>(1,412)</u>	<u>(554)</u>
Realized And Unrealized Gains On Investments						
Proceeds from sale of investments	86,517	109,307	17,664	4,953	140,250	107,171
Investments at average cost, beginning of year	8,448	12,500	17,815	11,326	177,764	148,133
Cost of investments purchased	84,199	105,255	18,142	11,028	147,492	132,507
	<u>92,647</u>	<u>117,755</u>	<u>35,957</u>	<u>22,354</u>	<u>325,256</u>	<u>280,640</u>
Investments at average cost, end of year	(6,130)	(8,448)	(21,466)	(17,815)	(224,918)	(177,764)
Cost of investments sold	86,517	109,307	14,491	4,539	100,338	102,876
Net realized gains on sale of investments (Note 7)	–	–	3,173	414	39,912	4,295
Net realized gains on sale of investments included in distributions from other funds	–	–	–	26	–	–
Change in unrealized (depreciation) appreciation of investments	–	–	(1,703)	418	(24,045)	3,566
Net Gain On Investments (Note 3)	<u>–</u>	<u>–</u>	<u>1,470</u>	<u>858</u>	<u>15,867</u>	<u>7,861</u>
Increase In Net Assets From Operations	<u>\$ 179</u>	<u>\$ 198</u>	<u>\$ 1,334</u>	<u>\$ 767</u>	<u>\$ 14,455</u>	<u>\$ 7,307</u>
Earnings Per Unit (Note 2(f))	<u>\$ 0.24</u>	<u>\$ 0.21</u>	<u>\$ 0.74</u>	<u>\$ 0.58</u>	<u>\$ 1.50</u>	<u>\$ 0.79</u>
Average Number Of Units Outstanding During The Year (000's)	<u>742</u>	<u>955</u>	<u>1,789</u>	<u>1,320</u>	<u>9,614</u>	<u>9,256</u>

(1) Net of withholding taxes, where applicable.

NORTH GROWTH MUTUAL FUNDS

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2005 AND 2004
(in thousands of dollars)

	Canadian Money Market Fund		Canadian Equity Fund		US Equity Fund	
	2005	2004	2005	2004	2005	2004
Increase In Net Assets From Operations	\$ 179	\$ 198	\$ 1,334	\$ 767	\$ 14,455	\$ 7,307
Distributions To Investors						
From net investment income	(179)	(198)	–	–	–	–
From net realized gain on investments	–	–	(2,347)	(227)	(27,315)	(979)
	<u>(179)</u>	<u>(198)</u>	<u>(2,347)</u>	<u>(227)</u>	<u>(27,315)</u>	<u>(979)</u>
Capital Unit Transactions						
Units issued on sales	1,948	2,535	6,759	8,509	33,317	36,367
Units issued on reinvestment of distributions	179	198	2,347	224	27,240	976
Units redeemed	(4,435)	(6,781)	(6,030)	(1,835)	(22,728)	(11,471)
	<u>(2,308)</u>	<u>(4,048)</u>	<u>3,076</u>	<u>6,898</u>	<u>37,829</u>	<u>25,872</u>
Increase (Decrease) In Net Assets	(2,308)	(4,048)	2,063	7,438	24,969	32,200
Net Assets, Beginning Of Year	8,459	12,507	20,343	12,905	231,803	199,603
Net Assets, End Of Year	\$ 6,151	\$ 8,459	\$ 22,406	\$ 20,343	\$ 256,772	\$ 231,803

NORTH GROWTH CANADIAN MONEY MARKET FUND

STATEMENT OF INVESTMENTS

DECEMBER 31, 2005

(in thousands of dollars)

Face Value	Short term Notes	Average Cost and Market Value	% of Net Assets
\$ 200	Nationwide Building Society, 3.13%, January 3, 2006	\$ 199	3.24
150	Caterpillar Financial Services Inc., 3.11%, January 4, 2006	149	2.43
300	Rocket Trust, 3.23%, January 6, 2006	299	4.86
200	Toronto-Dominion Bank, 3.24%, January 6, 2006	200	3.25
20	Bank of Montreal, 3.25%, January 11, 2006	20	0.33
300	FB Funding Company, 3.27%, January 11, 2006	299	4.86
300	Wells Fargo Financial Canada Corporation, 3.26%, January 11, 2006	299	4.86
250	Honda Canada Finance Inc., 3.28%, January 13, 2006	250	4.06
300	Key Nova Scotia Funding Company, 3.26%, January 13, 2006	299	4.86
300	Toyota Credit Canada Inc., 3.25%, January 13, 2006	299	4.86
300	CDP Financial Inc., 3.31%, January 16, 2006	299	4.86
250	Pure Trust, 3.32%, January 16, 2006	249	4.05
300	GE Capital Canada Funding Company, 3.26%, January 20, 2006	299	4.86
250	HSBC Bank of Canada, 3.31%, January 20, 2006	250	4.06
300	Bank of Ireland, 3.31%, January 23, 2006	299	4.86
220	Storm King Funding Trust, 3.33%, January 24, 2006	219	3.56
300	Britannia Building Society, 3.29%, January 25, 2006	299	4.86
200	Canadian Imperial Bank of Commerce, 3.29%, January 25, 2006	199	3.24
300	Depfa Bank, 3.32%, January 30, 2006	299	4.86
210	Plaza Trust, 3.35%, January 31, 2006	209	3.40
300	Caisse Centrale Desjardins, 3.32%, February 1, 2006	299	4.86
300	HSBC Bank of Canada, 3.32%, February 1, 2006	299	4.86
300	Citigroup Finance Canada Ltd., 3.31%, February 10, 2006	299	4.86
300	Halifax Bank of Scotland, 3.41%, February 22, 2006	299	4.86
	Total investments	6,130	99.66
	Other assets less liabilities	21	0.34
	Net assets	\$ 6,151	100.00

NORTH GROWTH CANADIAN EQUITY FUND

STATEMENT OF INVESTMENTS

DECEMBER 31, 2005
(in thousands of dollars)

Number of Shares	Canadian Common Shares	Average Cost	Market Value	% of Net Assets
78,000	Biovail Corporation	\$ 2,078	\$ 2,147	9.58
117,000	ATS Automation Tooling Systems Inc.	1,337	1,685	7.52
119,300	Tundra Semiconductor Corporation	1,629	1,636	7.30
97,400	Sierra Wireless Inc.	1,304	1,253	5.59
27,000	Cognos Inc.	1,306	1,095	4.89
39,200	Dorel Industries Inc., Class B	1,399	1,083	4.83
86,000	WestJet Airlines Ltd.	1,067	1,054	4.70
120,500	QLT Inc.	2,082	900	4.02
23,400	Sobeys Inc.	816	882	3.94
366,300	Zarlink Semiconductor Inc.	765	872	3.89
30,000	Cinram International Inc.	592	822	3.67
40,000	ATI Technologies Inc.	730	792	3.53
21,100	MacDonald, Dettwiler and Associates Ltd.	520	791	3.53
40,500	Extendicare Inc.	464	741	3.31
42,200	Compton Petroleum Corporation	327	722	3.22
55,100	GSI Group Inc.	631	696	3.11
250,000	Bombardier Inc., Class B	702	690	3.08
19,000	Saputo Inc.	681	646	2.88
40,000	Angiotech Pharmaceuticals Inc.	717	614	2.74
20,000	BCE Inc.	560	557	2.49
20,000	Enerflex Systems Ltd.	491	537	2.40
45,800	DataMirror Corporation	458	495	2.21
70,000	Ballard Power Systems Inc.	394	344	1.54
63,600	Viceroy Homes Limited, Class A	300	317	1.41
100,000	Pulse Data Inc.	116	235	1.05
	Total investments	<u>\$ 21,466</u>	<u>21,606</u>	96.43
	Other assets less liabilities		<u>800</u>	3.57
	Net assets		<u>\$ 22,406</u>	100.00

NORTH GROWTH US EQUITY FUND

STATEMENT OF INVESTMENTS

DECEMBER 31, 2005

(in thousands of dollars)

Number of Shares	Foreign Common Shares	Average Cost	Market Value	% of Net Assets
883,760	Cisco Systems Inc.	\$ 18,536	\$ 17,596	6.86
461,000	American Eagle Outfitters Inc.	12,477	12,321	4.80
403,400	Microsoft Corporation	13,165	12,269	4.78
436,079	Sprint Nextel Corporation	14,161	11,848	4.62
430,000	Pfizer Inc.	11,492	11,662	4.54
133,000	Apple Computer Inc.	2,296	11,120	4.33
243,900	Texas Instruments Incorporated	7,032	9,097	3.54
249,000	Citrix Systems Inc.	5,102	8,320	3.24
136,700	KLA-Tencor Corporation	7,604	7,843	3.05
144,000	Bank of America Corporation	7,355	7,729	3.01
302,600	Sybase Inc.	6,498	7,693	3.00
199,500	Timberland Company, Class A	7,007	7,552	2.94
360,600	Applied Materials Inc.	7,494	7,524	2.93
343,290	Symantec Corporation	9,440	6,987	2.72
165,200	Michaels Stores Inc.	4,659	6,796	2.65
158,200	Ethan Allen Interiors Inc.	6,996	6,721	2.62
250,000	Bristol-Myers Squibb Company	6,951	6,681	2.60
154,800	Adobe Systems Incorporated	3,690	6,654	2.59
121,000	Wal-Mart Stores Inc.	7,011	6,586	2.56
223,700	DSP Group Inc.	5,523	6,520	2.54
220,000	Intel Corporation	6,047	6,386	2.49
62,500	NIKE Inc., Class B	6,235	6,309	2.46
78,700	Jacobs Engineering Group Inc.	3,746	6,212	2.42
64,200	WellPoint Inc.	3,653	5,957	2.32
74,500	Guidant Corporation	4,255	5,610	2.18
117,900	Manor Care Inc.	3,306	5,453	2.12
152,000	Dell Inc.	5,956	5,294	2.06
101,100	Trinity Industries Inc.	3,384	5,182	2.02
110,000	Biomet Inc.	4,818	4,678	1.82
135,000	Boston Scientific Corporation	4,346	3,845	1.50
42,000	PACCAR Inc.	3,313	3,382	1.32
56,000	Dionex Corporation	2,371	3,196	1.24
150,000	Federal Signal Corporation	2,763	2,618	1.02
201,100	Mesa Air Group Inc.	1,922	2,446	0.95
86,000	Safeway Inc.	2,434	2,366	0.92
75,000	Checkpoint Systems Inc.	1,260	2,150	0.84
13,400	Brinker International Inc.	526	602	0.23
5,000	Advent Software Inc.	94	168	0.07
	Total investments	<u>\$ 224,918</u>	<u>251,373</u>	<u>97.90</u>
	Other assets less liabilities		<u>5,399</u>	<u>2.10</u>
	Net assets		<u>\$ 256,772</u>	<u>100.00</u>

NORTH GROWTH MUTUAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

1. The Funds

The North Growth Canadian Money Market Fund (the "Canadian Money Market Fund"), the North Growth Canadian Equity Fund (the "Canadian Equity Fund"), and the North Growth US Equity Fund (the "US Equity Fund") are open-ended mutual funds established under the laws of the Province of British Columbia. The fiscal year-end of the Funds is December 31.

These financial statements are denominated in Canadian dollars. Also, for purposes of these financial statements:

- (a) reference herein to "Fund" or "Funds" refers individually or collectively, respectively, to the above-mentioned funds;
- (b) reference to "year" or "years" includes, where applicable, "period" or "periods".

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

- (a) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in these financial statements. Actual amounts may differ from those estimates.

- (b) Basis of determining market value

Each investment security, other than short-term notes, is valued at the closing sales price thereof as reported by the principal securities exchange on which the security is traded or the closing net asset value of the respective mutual fund. If no sale is reported, the average of the latest bid and ask price is used, or the securities are valued at their fair value as determined by North Growth Management Ltd. on the basis of the latest reported information available. Short term notes are valued at cost, which together with accrued interest, approximates market value.

- (c) Investment transactions and income

Investment transactions are accounted for on the day that a buy or sell order is executed. Dividend income, including stock dividends, is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Realized gains and losses on investment transactions and the unrealized appreciation or depreciation of investments are computed on an average cost basis.

The average cost of mutual fund units includes the original cost of purchases plus the reinvestment of distributions received. The Funds recognize as investment income that portion of the distributions relating to dividends and interest income. The balance of any distributions relating to the net realized gain on sale of investments is included in unitholders' equity.

2. Significant Accounting Policies, continued

(d) Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing on the year-end date except for the historical costs of investments which are translated at the rate of exchange prevailing on the date of purchase. The proceeds from sale of investments and investment income in foreign currencies are translated into Canadian dollars at the approximate rate of exchange prevailing on the dates of such transactions. Gains and losses from transactions in and the translation of foreign currencies are considered to be investment transactions and accordingly, are included in the net gain or loss on investments.

(e) Unrealized appreciation or depreciation of investments

The unrealized appreciation or depreciation of investments represents the aggregate of the difference between their average cost and market value at the year-end date.

(f) Earnings per unit

Earnings per unit in the Statement of Operations represents the increase (decrease) in net assets from operations, divided by the average number of units outstanding during the year.

3. Income Taxes

The Canadian Money Market Fund is classified as a "Unit Trust" under the Income Tax Act. The Fund distributes to its unitholders all of its annual taxable income, including its taxable net realized capital gains, with the result that the Fund is not liable for any income taxes.

The Canadian Equity Fund and the US Equity Fund are classified as "Mutual Fund Trusts" under the Income Tax Act. The Funds distribute to their unitholders all of their annual taxable income, including such portion of their taxable net realized capital gains, as will result in the Funds not being liable for any income taxes.

Income tax legislation currently allows a qualifying Mutual Fund Trust to elect to have a taxation year-end of December 15 instead of December 31. The Canadian Equity Fund and the US Equity Fund have made such an election.

4. Distributions To Unitholders

The Canadian Money Market Fund allocates its taxable net investment income to its unitholders on a daily basis and distributes that amount on a monthly basis.

The Canadian Equity Fund and the US Equity Fund make annual distributions to unitholders of their taxable net investment income and the net realized capital gains on sale of investments.

The distributions are reinvested in additional units of the Funds unless a unitholder elects to receive his or her proportionate share of any distributions in cash.

NORTH GROWTH MUTUAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS...

DECEMBER 31, 2005 AND 2004

5. Unitholders' Equity

Unitholders' equity includes the Fund units outstanding, retained net investment income and net realized gains or losses on sale of investments, and the unrealized appreciation or depreciation of investments.

There is one class of authorized units and the number of units that may be issued is unlimited. Fund units are sold, and are redeemable at the holder's option, in accordance with the provisions of the Trust Agreement at the prevailing net asset value per unit.

The number of units issued and redeemed during the year were as follows:

	2005	2004
Canadian Money Market Fund		
Balance, beginning of the year	<u>845,914.495</u>	<u>1,250,746.383</u>
Issued during the year		
Sales	194,797.877	253,501.365
On reinvestment of distributions	<u>17,938.582</u>	<u>19,835.006</u>
	<u>212,736.459</u>	<u>273,336.371</u>
	<u>1,058,650.954</u>	<u>1,524,082.754</u>
Redeemed during the year	<u>443,518.956</u>	<u>678,168.259</u>
Balance, end of the year	<u>615,131.998</u>	<u>845,914.495</u>

	2005	2004
Canadian Equity Fund		
Balance, beginning of the year	<u>1,578,019.113</u>	<u>1,043,082.743</u>
Issued during the year		
Sales	530,724.690	662,871.318
On reinvestment of distributions	<u>193,085.314</u>	<u>17,387.352</u>
	<u>723,810.004</u>	<u>680,258.670</u>
	<u>2,301,829.117</u>	<u>1,723,341.413</u>
Redeemed during the year	<u>462,786.466</u>	<u>145,322.300</u>
Balance, end of the year	<u>1,839,042.651</u>	<u>1,578,019.113</u>

5. Unitholders' Equity, continued

	2005	2004
US Equity Fund		
Balance, beginning of the year	<u>9,649,724.630</u>	<u>8,560,469.401</u>
Issued during the year		
Sales	1,326,300.177	1,537,133.841
On reinvestment of distributions	<u>1,180,629.157</u>	<u>40,027.632</u>
	<u>2,506,929.334</u>	<u>1,577,161.473</u>
	12,156,653.964	10,137,630.874
Redeemed during the year	<u>914,452.137</u>	<u>487,906.244</u>
Balance, end of the year	<u>11,242,201.827</u>	<u>9,649,724.630</u>

6. Management Fees and Other Expenses

North Growth Management Ltd. is the Manager of the Funds and provides research, accounting, sales and management services, and acts as investment advisor. Management fees are calculated and payable by the Funds as follows:

Canadian Money Market Fund

Management fees are calculated daily and payable quarterly at an annual rate of 0.25% of the net asset value of the Fund. The Manager has absorbed all other expenses of the Fund.

Canadian Equity Fund

Management fees are calculated and payable quarterly at an annual rate of 1.25% of the net asset value (excluding investments in other mutual funds) of the Fund. The Manager has absorbed all other expenses of the Fund.

US Equity Fund

Management fees are calculated and payable quarterly at an annual rate of 1.20% of the net asset value of the Fund. The Manager has absorbed all other expenses of the Fund.

NORTH GROWTH MUTUAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS...

DECEMBER 31, 2005 AND 2004

6. Management Fees and Other Expenses, continued

The management expense ratio represents the total expenses of the Fund, other than income taxes, for a one-year period as shown in its Statement of Operations plus its proportionate share of the total expenses of the underlying mutual fund in which the Fund had an investment, expressed as a percentage of the Fund's average daily net asset values for each valuation day. The management expense ratio for each year in the five-year period ended December 31, 2005 was as follows:

Fund	2005	2004	2003	2002	2001
Canadian Money Market Fund	0.27%	0.27%	0.27%	0.27%	0.27%
Canadian Equity Fund	1.30%	1.31%	1.24%	1.28%	1.34%
US Equity Fund	1.21%	1.23%	1.25%	1.22%	1.19%

7. Foreign Currencies

The net realized gain on sale of investments in the US Equity Fund includes losses from foreign currencies of \$248,000 in 2005 and \$137,000 in 2004.

8. Portfolio Transactions

Information (unaudited) as to portfolio transactions is available to unitholders without charge on request to the head office of the Funds, 830 - 505 Burrard Street, Vancouver, British Columbia, V7X 1M4.

Commissions paid or payable to investment dealers and brokers during each of the last two years in connection with portfolio transactions for the Funds were as follows:

Fund	2005	2004
Canadian Equity Fund	\$ 63,000	\$ 41,000
US Equity Fund	429,000	447,000

INVESTING WITH NORTH GROWTH MANAGEMENT

Investment Management Services: North Growth Management is a focused firm. Our objective is consistent, superior, long term returns on our equity funds based on our “growth at a reasonable price” investment philosophy.

Although we specialize in US and Canadian equity funds, we also offer a high quality money market fund for liquidity needs and a currency hedge product for investors concerned about currency fluctuation.

Conducting transactions: The cut-off time for same-day transactions is 4 p.m. Eastern time or 1 p.m. Pacific time. Orders received after that time will be processed on the next business day. Cheques must be made payable to **RBC Dexia Investor Services Trust**. For security reasons, instructions can only be accepted by mail or by fax to:

North Growth Management Ltd.
Suite 830, One Bentall Centre
505 Burrard Street, Box 56
Vancouver, BC V7X 1M4

Fax: 604 688 5402

www.northgrowth.com

Please visit our website to view Fund performance, Fund reports, and to learn more about us.



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This report contains FSC certified fibre and 80% post-consumer recycled fibre, elemental chlorine free.

2005 ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

Suite 830, One Bentall Centre
505 Burrard Street, Box 56
Vancouver, British Columbia
Canada V7X 1M4

Tel: 604 688 5440
Fax: 604 688 5402

www.northgrowth.com
info@northgrowth.com

