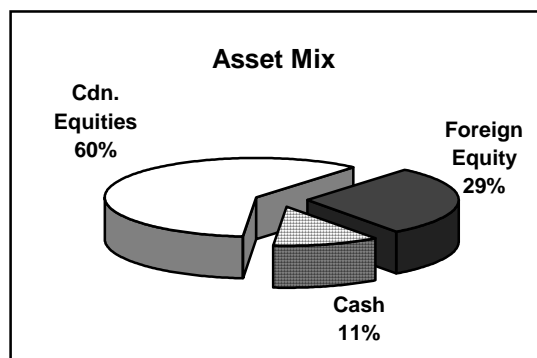


**NEXUS NORTH AMERICAN EQUITY FUND
QUARTERLY REPORT – March 31, 2005**

Looking back on the quarter just concluded, with the exception of the energy sector, it was an unexciting and uninspiring period for investors. North American equity markets traded in very narrow ranges, bringing disappointment to bulls and bears alike waiting for a trend to develop. Nowhere else was this more true than in the fixed income markets which concluded the quarter at very similar levels to where they had begun. In North America, the economy continued its uneven recovery, with Canada generally lagging behind the performance of the United States. While the U.S. Federal Reserve has continued on its program of systematic interest rate increases, the more moderate economic performance in Canada has encouraged the Bank of Canada to remain on the sidelines - leaving the Bank Rate unchanged this past quarter. As a result, despite an exceptionally strong backdrop of energy and commodity prices, the C\$ is virtually unchanged in value as compared to its U.S. counterpart over the quarter.

We would expect that interest rates will gradually drift higher over the course of the current year, but it is clear that the Canadian economy, especially the manufacturing sector, is stumbling due to the strength of the currency. As a result, as we have felt for some time, we think the Bank of Canada will need to be cautious in moving rates higher, and that this caution is justified given the economic landscape that is unfolding. Without leadership from the interest rate markets, equity market developments and returns will be largely driven by specific corporate developments, although the outlook for energy prices will surely remain a significant consideration.



Based largely on higher exposure to energy, Canadian equity markets again outperformed U.S. markets. During the quarter, the Fund's unit value increased 3.5%¹. The Fund is up 13.0% in the last year.

Asset Mix

We remain underweight U.S. equities and overweight Canadian equities. Cash positions have been allowed to build up as we look for interesting new opportunities in both markets.

Canadian Equity Summary (60% of Assets)

Although we have maintained a core concentration in energy and financial services, our weightings in both areas are now below their respective weightings in the index. The energy weighting in the index has surged on acceptance of the perceived permanence of higher oil and gas prices, as well as broadening domestic and international interest in participating in an area that has clear upward momentum. Although our belief in the long-term attractiveness of energy stocks remains strong, late in the quarter we chose to lighten up in this sector in order to avoid becoming too exposed to the latest mania. As a percentage of Canadian equities, our exposure to this sector is 17%, while it carries a weighting of 21.2% in the index itself.

As for financial services, our weighting remains substantial (30%) and is concentrated in bank and life insurance holdings. In the TSX index this area accounts for 32%, and includes non-bank financials such as investment management companies and property and casualty insurers where we have no representation.

Early this quarter, we shaved our holdings in a number of income trusts. We felt at the time that they had become over-priced on investor demand for high current income distribution. In many instances, our

¹ Fund returns are shown before the deduction of management fees but after the deduction of direct expenses.

individual holdings had appreciated 30% or more in the past year, and the pricing of these securities incorporated little allowance for disappointment. We decided to trim exposure while liquidity and prices were high.

| <u>Ten Largest Holdings</u> | |
|-----------------------------|------|
| Bank of Nova Scotia | 4.7% |
| Manulife Financial | 3.8% |
| TD Bank | 3.2% |
| Suncor | 2.7% |
| Royal Bank | 2.6% |
| Talisman Energy | 2.2% |
| Telus | 2.2% |
| Alimentation Couche-Tard | 2.2% |
| Toromont Industries | 2.1% |
| Encana | 2.0% |

Long term holders of the fund will know that we have been invested in MDS for some considerable period of time. It is an international company in the health and life sciences field providing, among other services, medical testing, pharmaceutical research, and nuclear material used in medical imaging, sterilization and cancer treatment. Despite its attractive business characteristics, it has been a laggard in the portfolio and has tested our patient approach. As one would expect, we have followed the company closely while we have held it and had come to believe that their problems stemmed almost entirely from unsatisfactory management execution. Late in 2004 this issue came to a head when their contract research business, MDS Pharma Services, received a warning letter from the U.S. Food and Drug Agency regarding concerns

with their operations in Montreal. We believed this to be an important catalyst to accelerate necessary managerial improvements that were already underway at the company and that share price weakness on this news presented an opportunity. Accordingly, in early January, and at lower prices, we added to our existing position. It is early yet to be too confident, but we are expecting the announcement of senior management changes to be made in the near future and that shareholders will be relieved.

The Fund's Canadian equity returns were +5.9% for the quarter and +22.3% for the previous 12 months. By comparison, the TSX Composite was +4.4% and +13.9% for the same periods.

U.S. Equity Summary (19% of Assets)

After having put in a strong finish to 2004, U.S. equity markets turned lower early in the new year and have underperformed the TSX again. The differences are largely attributable to two factors: interest rates and energy. In the first instance, the U.S. Federal Reserve has been more aggressive in raising interest rates than has the Bank of Canada, and so rising interest rates have provided more drag on valuations than we have felt in Canada. In the second instance, energy stocks account for only 9% of the S&P 500 and, despite appreciating in U.S. dollar terms by 18%, their effect was not able to compensate for mediocre returns across almost every other sector.

| <u>Ten Largest Holdings</u> | |
|-----------------------------|------|
| Exxon Mobil | 2.5% |
| Renal Care Group | 2.5% |
| Bank of America | 2.2% |
| Tyco International | 2.1% |
| Baxter International | 1.9% |
| Washington Mutual | 1.7% |
| Pfizer | 1.7% |
| Edwards Lifesciences | 1.5% |
| Home Depot | 1.3% |
| Wells Fargo | 1.1% |

We made few changes to our holdings this quarter. We added to Edwards Lifesciences, a leader in cardiovascular treatment and research, and sold our small holding in Express Scripts, a pharmacy benefit manager whose shares had run up strongly in a very short period of time.

Actual returns were small this quarter, although we outperformed the benchmark and remain positive and ahead of the index return in the past 12 months. The Fund's U.S. equity returns in C\$ were +1.1% for the quarter, and +2.9% for the previous 12 months. By comparison, the S&P 500 (in C\$) was -1.7% and -1.5% for the same periods.

Other Investments (10% of Assets)

This quarter, the JPMorgan *Equity International Investment Trust* (EQIT) was virtually unchanged, falling 0.1%. In the past year it has increased 5.1%. We continue to view this as a core holding – providing attractive returns and diversification to our equity selections.