

The logo watermark is a circular emblem with a large, stylized red letter 'N' in the center. The words 'NORTH GROWTH MANAGEMENT LTD.' are written in a circular path around the 'N'.

NORTH GROWTH MANAGEMENT

North Growth US Equity Fund
North Growth CDN Money Market Fund

"Growth at a Reasonable Price"

2001

ANNUAL REPORT

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Dear Unitholder:

Countless market pundits have commented that investors would just like to forget the “brutal” 2000-2001 US equity market. The next most common theme going into 2002 is the observation that prior to 2000/2001 there have been only two other back-to-back declines of the S&P 500 Index since the end of World War II— the implication being that 2002 will be a great year for US equities. We believe the situation is not that simplistic.

During 2000-2001 an excessively overvalued US equity market began a corrective phase. Despite the weakness in the overall market, the North Growth US Equity Fund advanced 61.8% (CDN) or 46.6% (US) during that two-year period. The reasons for that strong performance were quite basic. The Fund sought out and purchased growing companies that were in management’s opinion reasonably priced. Not only were overvalued companies avoided but holdings which had appreciated to the point where they were becoming overvalued were reduced and, as the trend toward overvaluation continued, positions were entirely eliminated. As a by-product of this process a cash reserve built and fluctuated between the mid-30% and low 40% levels.

The result of these investment policies was exceptionally good performance during a difficult period. Faced with the extreme overvaluation that had developed during the great bull market of the nineties, the Fund’s “growth at a reasonable price” investment philosophy proved to be very effective.

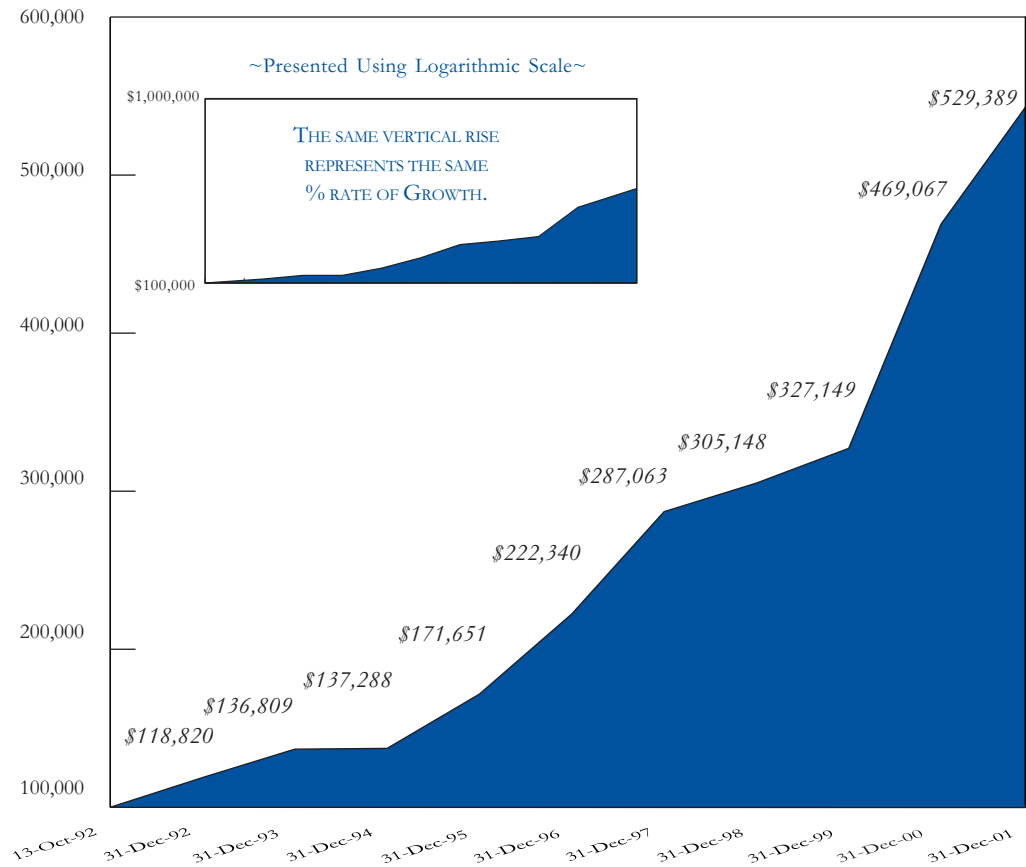
It is now 2002. The US equity market has declined for the past two years! The New York World Trade Centre disaster of September 11th provided a selling climax which ended on September 21st. The economy was still in a recession as it always is at the beginning of a new bull market. Market experience over the past 50 years combined with conventional thinking has produced the view that 2002 will be a great year to be aggressively invested in US equities.

Despite the Fund’s strong performance during the bear market, the North Growth US Equity Fund’s approach has historically tended to produce some of its best performance years at the beginning of a new bull market. So why haven’t we used up all of our cash reserve? The answer, again, is simply the overvalued nature of the US equity market. This overvaluation is as solid a fact as one ever encounters in the world of the stock market. It is being widely ignored or rationalized by the majority of market commentators and investment managers. This sentiment of the market introduces a significant level of risk for unwary investors.

2001: Performance Review

The Fund rose 6.2% in US dollars which compares to the negative -11.9% for the S&P 500. Due to the weak loonie, the Canadian dollar return for the Fund was 12.9%. We use the Canadian dollar return to measure the Fund's performance against the average return for the Globe & Mail's universe of US equity funds ("the peer group") sold in Canada. The Fund outperformed the peer group by just over 24% in 2001. Again we have a moral victory over the complacent practice of indexing.

GROWTH OF \$100,000 (CDN) INVESTMENT IN NGM US EQUITY FUND SINCE INCEPTION
~Commonly Presented Using Arithmetic Scale~



On page 15 of this report you will find tables laying out the annual results of the Fund and comparative indexes as well as the Average Annual Compound Rate of Return from a 1-year holding period up through every holding period to 9 years. All of these measures give useful perspectives of the Fund's record of performance. The following page sets out the single measure of performance that we feel gives the best indication of investor experience from holding the Fund. We urge investors to focus on the range of results that five-year holding periods produce.

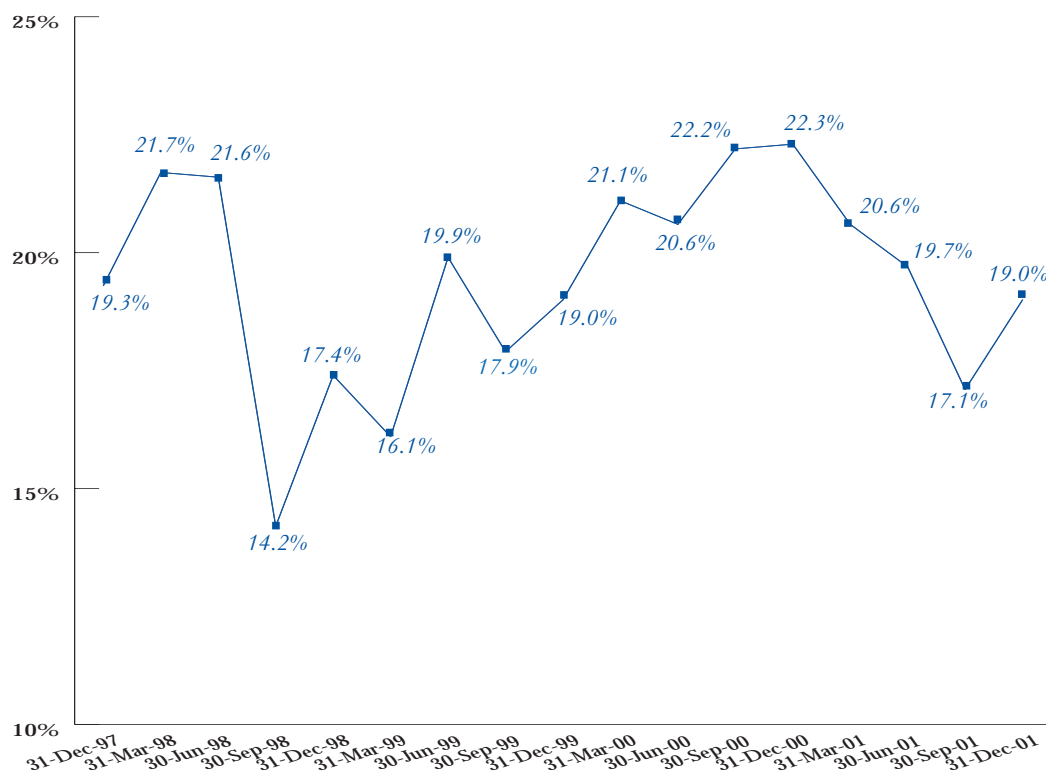
The Best Long-term Perspective of a Fund's Performance

Evaluating a Fund's management based on past performance is a difficult task. Many different methods, some of which will appear later in this report, are available and all have specific strengths and weaknesses.

What is desired is a way of presenting long-term results which is neither overly influenced by long past periods of good performance nor overly influenced by current results (end date sensitivity). The running 5-year average returns chart effectively achieves this.

RUNNING 5-YEAR AVERAGE ANNUAL RETURNS (CDN\$)

The complete record of every quarter-end 5-year holding period during the Fund's existence



We always stress that a **minimum** holding period of 5 years be anticipated by new clients.

By presenting a complete set of 5-year periods with different starting and ending points – the past range of 5-year average annual compound or geometric returns – we can demonstrate the effect that short-term market fluctuations have on long-term performance.

2001 Stock Selection: The Key to Performance

To stress the fact that we believe stock selection is the most important factor contributing to good investment results, we are featuring “Stock Selection” before “Economic Commentary” this year. The economic situation is extremely intriguing at the present time and we will devote more space than usual to “Economic Commentary” later in this report. However, “Stock Selection” is still our number one focus.

I believe that the following essay by Erica Lau gives a good insight to our stock selection process. It is the continued successful implementation of this process that will determine the Fund’s future performance.

2001 Stock Selection, by Erica Lau

A top-down analysis of the North Growth US Equity Fund as of December 31, 2001 compared to December 31, 2000 would reveal minute differences. At the end of both years, the Fund held in excess of 30% cash, was apparently overweight in the health care sector (particularly health care services and medical technology), underweight in technology and telecommunications, and had virtually no interest in the financial sector. In addition to a similar industry profile, the breakdown of the portfolio’s equity holdings by market capitalization at the end of both 2000 and 2001 shows that the Fund did not change its mid- and small-cap bias. Mid- and small-capitalization stocks—defined as those with market cap of less than \$10 billion—constituted 63% of the Fund as of December 31, 2000 and 54% as of December 31, 2001.

While we have found a number of large-cap growth stocks whose valuations had become more reasonable in 2001 (the number of large-cap equity names in the Fund more than doubled from 2000 year-end to 2001 year-end, and the percentage of large-cap holdings increased from 5% to 9%), most of the “growth at a reasonable price” stocks we identify continue to be of smaller capitalization. The positioning of the NGM US Equity Fund with respect to market cap partially accounts for the Fund’s superior performance over the last two years, as both the S&P 400 Midcap Index and the Russell 2000 Index returns have dramatically exceeded that of the S&P 500 Index in the recent past. However, due to the outperformance of mid- and small-cap stocks relative to large-caps in 2000 and 2001, the valuation discrepancy that existed between these broad classes of US equities several years ago is no longer as pronounced.

2001 Stock Selection: The Key to Performance

By contrast, the excessively high valuations of technology stocks relative to other industry groups has been little corrected despite the capitulation in high-tech share prices during the past two years. Earnings of many companies in the sector imploded just as much as, if not more than, their equity prices, and the current price/earnings (P/E) ratio of over 80x* estimated 2002 earnings of the NASDAQ Composite Index implies an anticipated very sharp rebound in technology earnings from their negative trailing 12-month levels. This high degree of optimism that remained throughout 2000 and 2001 towards the sector, coupled with the rich valuations, is the reason we continue to be underweight in technology and telecommunications.

Likewise, stocks representing the financial industry clearly have remained absent from the Fund in both 2000 and 2001. While the valuations in the sector are not expensive relative to the overall market, they are at a premium to their historic levels, and, in our opinion, fail to reflect fully the increased risk of deteriorating credit quality. As both corporate and consumer debt in America soared in the 90s to record highs, the risk of defaults on loans increased while the credit quality of the borrowers, faced with mounting debt payments, decreased. Meanwhile, in our view, the reserves taken by financial institutions to cover against bad debts have been inadequate given the weak economy. As such, we have stayed cautious on the financial sector as a whole in the past two years.

To conclude, based on a superficial top-down analysis, that the North Growth US Equity Fund remained static from 2000 to 2001 would, however, be grossly incorrect. Despite the similar industry profile, the composition of the different sectors changed over the year, as did the list of equity names in the overall portfolio. The Fund ended 2001 with 48 stocks, an increase of over 30% from the 36 holdings on December 31, 2000. Also, only five of the top ten holdings at the end of 2000 made the top ten list again at the end of 2001.

Throughout the year, we added to and reduced our positions in existing names and established meaningful positions in new names, applying our “growth at a reasonable price” philosophy on an individual stock-by-stock basis. For instance, we eliminated Michaels Stores completely from the portfolio in 2001 as the valuation multiple of the arts and crafts retailer increased during the year to a level which we believed more than fully reflected the company’s solid earnings growth.

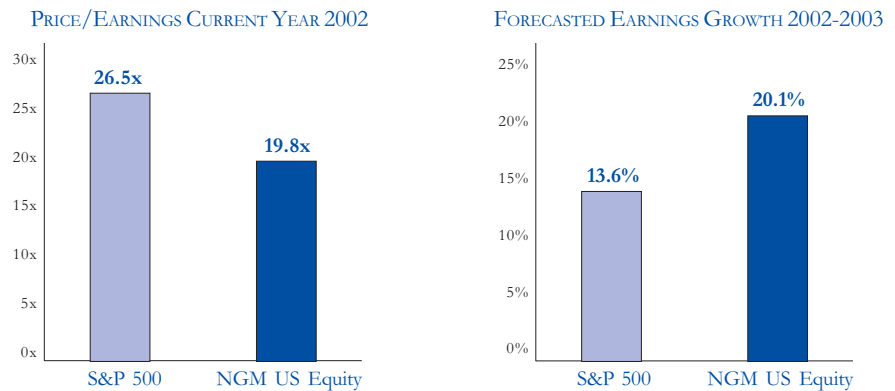
* Source: *Bloomberg Analytics, March 18, 2002.*

2001 Stock Selection: The Key to Performance cont...

On the other hand, two of the Fund's top ten holdings at the end of the year, Watson Pharmaceuticals and Safeway, were introduced during 2001 and bought aggressively as the valuations of both stocks contracted and the market appeared not to appreciate the solid financial positions of both companies and their respective growth potential.

In fact, there were numerous changes in the weights of individual equity holdings during the year. Collectively, these actions, which are not captured by a general top-down performance attribution analysis, contributed significantly to the Fund's outperformance in 2001. Stock selection and weight management have always been, and will continue to be, the cornerstones of our management process as we adhere to "growth at a reasonable price."

Valuation Analysis of the Fund



As of March 18, 2002, the Price/Earnings ratio for the S&P 500 Index using Standard & Poor's current year earnings estimate was 26.5. Based on S&P's estimates for 2002 and 2003 earnings for its S&P 500 Index, the forecasted growth rate for the market was 13.6%, following through on a recovery from negative earnings growth in 2001.

Conversely, based on IBES consensus estimated earnings, the North Growth US Equity Fund was trading at 19.8 times estimated current year 2002 earnings as of March 18th, and the estimated one-year growth rate in earnings for the portfolio was 20.1%.

Valuation of the Fund cont...

Both the P/E ratio and growth rate for the Fund are measured on a weighted average basis¹ and exclude our cash position. The numbers also exclude three holdings in our portfolio that are projected to have negative earnings in 2002: Nextel Communications, LSI Logic, and Sun Microsystems.

The bottom line is that, upon examination of the equity holdings of the Fund, the North Growth US Equity Fund trades at a lower multiple to the market, but is projected to grow at a much higher rate. This, we believe, is evidence of our “growth at a reasonable price” philosophy.

¹ NGM US Equity Fund estimates are based on portfolio weights while S&P 500 Index estimates are top-down, market-capitalization weighted.

2001 Economic Review

2001 experienced the first synchronized global slowdown since 1974. The coming weakness had been correctly anticipated by weak equity markets worldwide during 2000. The economic deterioration became obvious with US growth, especially in the high-flying technology and telecommunications sectors, slowing dramatically in October, 2000. By the end of 2000 there was some amazingly depressed economic data emerging for so early in an apparent economic slowdown. Many companies in the technology sector and across a wide range of manufacturing industries were issuing earnings warnings for the 4th quarter. Even Christmas retail spending came up short. US leading indicators were as weak as they were well into the 1990 recession. Initial unemployment claims were at high levels and large lay-offs a daily occurrence.

Alan Greenspan took the evidence of a weakening economy in the 4th quarter of 2000 as reason to set out on an aggressive program of interest rate cuts. The first cut on January 3rd took rates down 50 basis points from 6.50% to 6.00%. Another cut of 50 basis points came on January 31st. Greenspan's aggressive rate cuts at the beginning of 2001 and the widespread belief that he would continue this policy until the economy turned around was the most important economic development in 2001. Initially, every cut in the Fed Funds rate created a sharp short-term rally in the stock market. This was definitely a reflection of the widespread faith in the Fed's interest rate policy. Moreover, investors were looking for the bottom of what was already a significant bear market. This seemed premature given that the ten-year economic expansion with its huge capital spending boom had resulted in overcapacity and would probably take an extended period to correct.

As is always the case, the economic situation continued to deteriorate despite the initial cuts in interest rates. Year-over-year gains in household employment dropped to past recessionary levels, US consumer comfort continued to drop, the global recession deepened, commodity prices continued to fall and the technology sector was in a state of collapse. The economy was obviously experiencing a very severe correction in industrial production with large lay-offs which seemed to threaten a ripple effect throughout the economy.

Throughout this period, economic commentators continued to put strangely optimistic interpretations on all manner of economic news. The Fed continued to cut rates in a steady, determined manner. At the end of May, even serious economic commentators claimed that the downside risk had been cut based not on any moderation of the slide but on faith in the monetary policy.

By July, it was being said that the stock market was off to an “unexpectedly” weak start given how aggressively the Fed had eased. By mid-August, things had changed; most optimistic speculation had disappeared due to continuing bad news on virtually every front. The ripple effect of continuing lay-offs seemed to be a valid concern.

On September 10, it was noted that from its peak in March, 2000 the S&P 500 Index had declined -28.5%. Also, before September 11, consumer comfort had continued weakening. The S&P 500 2nd quarter reported earnings were down an amazing -64.2% and operating earnings were down -39.4%. Hours worked had continued to drop in August. Greenspan was reported as being worried about consumer spending weakening due to the hit to wealth caused by lower equity prices.

It was pretty gloomy going into September 11. Economic commentary had become temporarily deflated and it was conceded that the 2nd quarter GDP was likely to be revised to negative and, with the 3rd quarter obviously negative, the economy would be officially in a recession.

The horrific attacks on September 11 created an emotional climax. The New York Stock Exchange was closed immediately and stayed closed until September 17. Air traffic initially shut down, but returned to normal in the following months after airports had operated in a state of chaos and many people had decided not to travel. Home building sales and auto sales collapsed for 2 weeks. Lay-offs increased and consumer comfort plummeted to new lows. There was an obvious concern that this weakness might begin to have a snowball effect.

The Fed continued its policy of easing. Not only were interest rates low but the money supply rose sharply. Now the story gets really interesting. In an environment of low interest rates and available credit, home building sales and new auto sales fueled by zero cost financing rebounded in November.

2001 Economic Review cont...

Consumer spending remained strong despite a record high consumer debt load and the general uncertainties in the economy. Record mortgage re-financing obviously made some of this general activity possible and probably had a direct effect on the pick-up of home furnishings sales.

We now know that the 4th quarter GDP was up from the 3rd quarter at a 1.4% annual rate. A year of severe economic disruption primarily affecting industrial production was ending without having caused the two consecutive quarters of declining GDP that is often used to mark a recession. Apart from the reduction of industrial inventories, the economic slowdown of the past twelve months has corrected few of the excesses built up in the previous ten years of expansion.

2002 Economic Outlook

The preceding economic review was much longer than usual because 2001 was a landmark year following the record breaking expansion of the 90s. The fact that the year ended with only the 3rd quarter GDP having slipped into negative territory, moreover, has created a very unique situation. This does not warrant throwing out all past experience regarding economic cycles— we are not ready to declare a brave new world and a simple statement that “things are different this time”— but the current economic environment is quite unique. Only time will tell to what extent things turn out to be truly different.

Since economic commentary has such a dubious record and since Alan Greenspan was the author of last year’s success we will defer mainly to his February 27th and March 7th Reports to Congress in our attempt to give some insight into the economic outlook for 2002.

As expected, going into 2001, Alan Greenspan pursued an aggressive monetary policy during the year. It worked, though probably not in a way that anybody really anticipated. Despite the widespread faith in monetary policy to control the economy, its effectiveness at addressing the weakest sector of the economy, the grossly overbuilt technology sector which was coming off a classic speculative boom, seemed rather optimistic. We now know that apart from easing the pain of working capital borrowing, monetary ease does not appear to have had much effect on this overbuilt sector of the economy. The main effect of monetary ease appears to have been keeping the level of new home building and automobile sales at record levels. Normally these two areas are hit hard in a recession and after the initial rebound caused by the wind down of inventory liquidation, a rebound in housing and auto sales traditionally helps maintain the new growth cycle. This will be different in 2002.

So what does Greenspan have to say about the outlook for 2002?

“Despite the disruptions engendered by the terrorist attacks of September 11, the typical dynamics of the business cycle have re-emerged and are prompting a firming in economic activity... The recent evidence increasingly suggests that an economic expansion is already well underway...”

On February 28, it was announced that the 4th quarter GDP of 2001 had grown sequentially at an annual rate of 1.4%.

“If ever a situation existed in which the fabric of business and consumer confidence, both here and abroad, was vulnerable to being torn, the shock of September 11 was surely it... In the immediate aftermath of the strikes, the Federal Reserve engaged in aggressive action... We provided a huge volume of reserves through open market operations, the discount window and other means to facilitate the functioning of the financial system... As the 4th quarter progressed, business and consumer confidence recovered, no doubt buoyed by successes in the war on terrorism... One key consideration in the assessment that the economy is close to a turning point is the behaviour of inventories...with production running well below sales, the lift to income and spending from the inevitable cessation of inventory liquidation could be significant. But that impetus to the growth of activity will be short lived unless sustained increases in final demand kick in before the positive effects of the swing from inventory liquidation dissipate... We have seen encouraging signs in recent days...”

This is how Greenspan sees recent developments. He goes on to point out that the traditional boosts from a rebound in demand from consumer durables including automobiles and housing will not be that great this cycle. “[T]he aggregate household debt service burden, defined as the ratio of household’s required debt payments to their disposable personal income, rose considerably in recent years ...Perhaps most central to the outlook for consumer spending will be developments in the labour market.” As important as these just mentioned factors will be, “the broad contours of the present cycle have been, and will continue to be, driven by the evolution of corporate profits and capital investment.” After considering many influences on capital spending (some moderately positive) he states, “On balance, the recovery in overall spending on business fixed investment is likely to be only gradual...”

Greenspan concludes:

“...[T]he central tendency of the forecasts of the members of the Federal Open Market Committee is for real GDP to rise 2 ½ to 3 percent during 2002... somewhat below the rates of growth typically seen early in previous expansions. Certain factors, such as the lack of pent-up demand in the consumer

2002 Economic Outlook cont...

sector, significant levels of excess capacity in a number of industries, weakness and financial fragility in some key international trading partners, and persistent caution in financial markets at home, seem likely to restrain the near-term performance of the economy.”

There you have excerpts from the best available commentary of the US economy.

It seems to us that Greenspan is forecasting a slow economic recovery with many cross currents. We do need this type of overview to organize our thoughts, but we believe that such general remarks are quite limited in their usefulness in making specific investment decisions. This is why we predominantly use a bottom-up approach to analysis. The state of the general economy and industry conditions do come into our decision making, but more as a modifier to our specific company analysis.

Conclusion

The period covering 2000 and 2001 produced two consecutive down years in the S&P 500. This is a rare occurrence and has always been followed by a new bull market going back to the end of the Second World War. In the past, these major bear markets ended with stocks selling at very low valuations. At the end of September, 2001, which was the low point of the current cycle, stocks were selling at P/E multiples that were higher than the peak P/Es of previous cycles. Regardless of how a new economic cycle develops, this valuation issue can be expected to be a restraining factor.

Because 2001 was such a significant year in terms of worldwide economic disruption after a decade of growth, we spent much more time on our economic review and outlook than normal. What seemed most evident from this review and analysis is that the cessation of inventory liquidation is likely turning the growth in GDP up. This is a typical first step to a recovery, but other early cycle developments that normally keep the expansion going, most notably new car sales and new housing sales, are not likely to provide a lift this cycle since they did not experience their normal cyclical collapse.

The prospect of a slow economic expansion, coupled with still excessive valuation of the US equity markets, suggests careful stock selection will continue to be the critical factor in determining performance in 2002.

Conclusion cont...

Our “growth at a reasonable price” philosophy is particularly well suited for such an environment. Currently, stock analysis is producing interesting new ideas that fit our investment criteria. This has resulted in our cash reserve falling to approximately 32%. We expect to continue to find new compelling investments and the Fund to continue to perform well. Since a slow, choppy economic expansion seems most likely looking ahead, any market weakness caused by periods of concern will present good buying opportunities.

Currency Risk, by Rory North

During 2001 alone, Canadian investors in US equities picked up over 6% just from the depreciation in the Canadian Dollar, as evidenced by the North Growth US Equity Fund’s one year C\$ performance of 12.9% vs its US\$ performance of 6.2%.

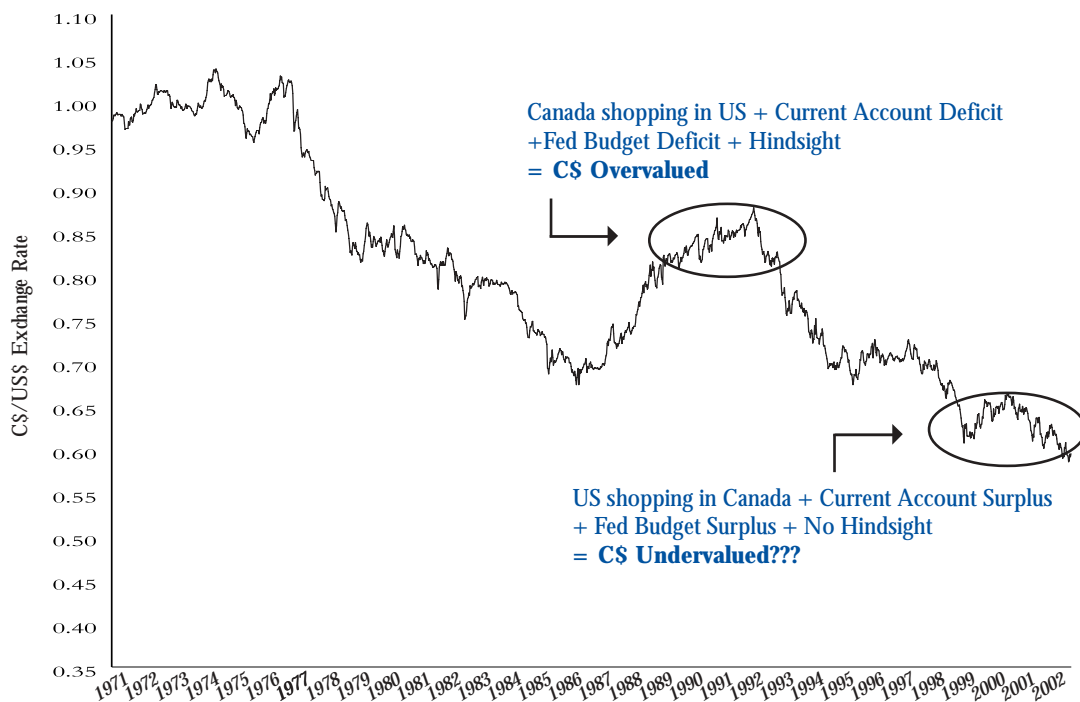
The longer term effects of the weak loonie are even more significant. For example, during the nine-year period ending December 31, 2001 the North Growth US Equity Fund’s compounded average annual return in C\$ was 18.1% versus a US\$ return of 15.1%. To put this into context, an investor who invested C\$100,000 in the Fund on December 31, 1992 would have seen that grow to C\$445,579 at December 31, 2001 (pre-tax), but if the exchange rate had not changed the investment would have only grown to C\$355,661 – an \$89,918 exchange gain on a C\$100,000 investment over nine years! Obviously, the long-term trend of a depreciating Canadian dollar has significantly enhanced the Canadian dollar return of owning US equities.

We strongly caution Canadian investors against basing their decision to invest in US equities on a belief that the Canadian dollar will continue to depreciate. At the same time, we believe the depth and breadth of the US markets and the very essence of American capitalism make the US equity markets an ideal place for active equity investors– like ourselves.

There are a few economic theories that appear to have some ability to estimate whether a currency is relatively overvalued or undervalued, but these indicators tend to have very little near-term predictive value.

Currency Risk cont...

CANADIAN DOLLAR TO US DOLLAR EXCHANGE RATE HISTORY
January 1971 to February 2002



During the late 80s and early 90s there were a number of indicators that suggested that the Canadian dollar was overvalued relative to the US dollar. Anecdotally, most of you will remember when Canadians regularly flocked to the US to shop because things were cheaper there. Canada was running a massive budget deficit and our national debt was growing at an alarming rate. In addition, our current account deficit peaked at approximately 4% of GDP in 1990. All of these factors, especially with the benefit of hindsight, indicated that the loonie was overvalued relative to the greenback well before the currency began to depreciate again in 1991.

Today all of these indicators seem to indicate that the Canadian dollar is now undervalued versus its American peer.

Anecdotally, we now see line ups northbound at the border at the beginning of the weekend and southbound on Sundays as Americans flock to Canada to take advantage of the purchasing power of their greenbacks. Daimler Chrysler is wrestling with ideas as to how to stop cars purchased in Canada from undercutting their American dealers when they are imported into the US for resale. An article in the Globe and Mail on February 2, 2002 claimed that a Grand Caravan minivan could be purchased for almost 25% less in Canada than in the US. This is not purchasing power parity and it should not hold in the long term.

Currency Risk cont...

Today Canada is running a current account **surplus** of 3.4% versus a current account **deficit** of 4% for the United States. Also, the federal government has been running a surplus for the last three years and Canada is expected to be the only G7 nation to maintain a budget surplus during the current economic slowdown.

Only with the benefit of hindsight will we be sure that these indicators showed that the Canadian dollar was relatively undervalued versus the US Dollar in the first few years of the new millennium. In the meantime, we caution Canadian investors against expecting positive exchange rate returns from investing in the US market. We do not hedge the North Growth US Equity Fund against currency fluctuations because such hedging activities are not in the Fund's mandate. Additionally, we are aware that many individuals, including some of our investors, do not share our belief that the Canadian dollar is undervalued. Canadian based investors in the North Growth US Equity Fund must either accept the inherent currency risk of investing in US equities or look to hedge away this risk themselves.

North Growth Canadian Money Market Fund

The North Growth Canadian Money Market Fund remains focused on providing clients with liquidity while generating short-term income. The Fund's current yield decreased to 1.97% at the end of 2001 from 5.57% at the beginning of the year. This decrease is commensurate with the marked decline in Canadian short-term interest rates in 2001, as the Bank of Canada reduced the overnight rate target to 2.25% by the end of the year from a level of 5.75% at the beginning of the year. Due to the relatively short average maturity of securities within the Fund of approximately 30 days or less, the direction of the Fund's current yield should correspond with the direction in short-term interest rates going forward – both up and down.

The North Growth Canadian Money Market Fund continues to invest in a well diversified portfolio of Canadian money market securities, with a greater emphasis on higher credit ratings throughout the year in an attempt to avoid undue credit risk. The Fund continues to be offered with a very competitive 0.25% all-in-one management fee, helping the Fund to outperform the average Canadian Money Market Fund by over 0.5% in 2001. As a reminder, the Fund is RRSP eligible for self-directed RRSPs.

Annual Performance Results

NAVPS: DECEMBER 31/01 -

\$21.78 CDN *pre-distribution*

\$19.20 CDN *post-distribution*

Calendar Year	2001	2000	1999	1998	1997	1996	1995	1994	1993
North Growth US Equity Fund \$CDN	12.9%	43.4%	7.2%	6.3%	29.1%	29.5%	25.0%	0.4%	15.1%
North Growth US Equity Fund \$US	6.2%	38.0%	13.9%	-0.8%	23.7%	28.9%	28.5%	-5.4%	10.8%
S&P 500 \$US	-11.9%	-9.1%	21.0%	28.6%	33.4%	23.0%	37.6%	1.3%	10.1%
S&P 400 MidCap \$US	-0.6%	17.5%	14.7%	19.1%	32.2%	19.2%	30.9%	-3.6%	13.9%
Russell 2000 \$US*	2.6%	-2.9%	21.4%	-2.2%	22.2%	16.6%	26.2%	-3.2%	17.0%
NASDAQ Composite \$US*	-20.8%	-39.2%	86.1%	40.2%	22.2%	23.0%	41.0%	-3.2%	14.8%

**Price appreciation only for Russell 2000 between 1993 and 1995, and for NASDAQ in 1993 and 1994.*

Average Annual Compound Rates of Return

ANNUALIZED PERFORMANCE

SINCE INCEPTION

(Oct. 13/92 - Dec 31/01)

19.8%

	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years
NGM US Equity Fund \$CDN	12.9%	27.2%	20.2%	16.5%	19.0%	20.7%	21.3%	18.4%	18.1%

Management Expense Ratio: (MER)

The management expense ratio is the aggregate of all fees and other expenses paid or payable by the Fund expressed as a percentage of its average net asset value. In 2000 we changed the method of calculating the management expense ratio to comply with National Instrument 81-102 of the Canadian Securities Administrators. This change has been applied retroactively and the management expense ratios for prior years or periods have been restated accordingly. The restated management expense ratios now represent the total expenses of a fund for a one-year period as shown in its audited financial statements (annualized where applicable), expressed as a percentage of the fund's average net assets (excluding investments in other mutual funds). This change in the method of calculation has resulted in an increase in the management expense ratios from those that are disclosed in the funds' audited financial statements for years or periods prior to 2000.

The management expense ratio for the last five years was as follows:

<i>Period</i>	<i>Average Asset Value (000's)</i>	<i>Management Expense Ratio</i>
2001	\$89,175	1.19%
2000	59,167	1.25
1999	46,333	1.12
1998	44,211	1.11
1997	37,271	1.12

**PAST PERFORMANCE IS NOT
INDICATIVE OF FUTURE
PERFORMANCE**

% OF PORTFOLIO
as of December 31, 2001

CHESAPEAKE ENERGY CORP	4.91
ST. JUDE MEDICAL INC	4.20
NEXTEL COMMUNICATIONS INC A	4.08
UNIVERSAL HEALTH SERVICES CL B	3.63
WATSON PHARMACEUTICALS INC	3.45
TRANSOCEAN SEDCO FOREX	3.09
MANOR CARE INC	3.08
SAFEWAY INC	2.78
CLAYTON HOMES INC	2.53
WELLPOINT HEALTH NETWORKS	2.22

CHESAPEAKE ENERGY CORPORATION... is one of the 10 largest independent natural gas producers in the US. The Company has been one of the industry's most active drillers of deep vertical and horizontal wells and among the leaders in the use of enhanced seismic interpretation, advanced drilling technologies, and sophisticated well completion techniques. The Company's reserves and current drilling activities are concentrated in its core operating area of the Mid-Continent region, which consists of Oklahoma, Kansas and the Texas Panhandle.

ST. JUDE MEDICAL INC... is a leading designer, manufacturer and distributor of cardiovascular medical devices. The Company's product portfolio includes pacemakers, implantable cardioverter defibrillators (ICDs), catheters, heart valves, and anastomotic connectors. St. Jude Medical products are sold in more than 120 countries, and the Company has 15 operations and manufacturing facilities around the world.

NEXTEL COMMUNICATIONS INC (CL A)... is a leading provider of fully-integrated, all-digital wireless service in the US. With over 8 million domestic subscribers, the Nextel National Network provides all-digital cellular service, Nextel Direct Connect®, Nextel Wireless Web, and text/numeric messaging capabilities.

UNIVERSAL HEALTH SERVICES INC (CL B)... is the third largest for-profit hospital management company in the US, operating 100 acute care hospitals, behavioural health facilities, and ambulatory, surgical and radiation therapy centres across the country and in Puerto Rico and France. The Company's strategy is to build or purchase health care properties in rapidly growing markets, and then create a strong franchise based on exceptional service and effective cost control.

WATSON PHARMACEUTICALS INC... manufactures and markets generic and branded medications utilizing various drug delivery technologies which include solid dosage form, oral-controlled release, transdermal, and oral transmucosal delivery systems. The Company's branded products fall into the categories of oral contraceptives, hormone replacement therapy, pain management, iron management, and dermatology.

TRANSOCEAN SEDCO FOREX... is the world's largest offshore drilling company, with over 60 semisubmersibles and drillships, and 50 jackups. The Company provides rigs for all types of petroleum companies in offshore drilling markets that include the US, Gulf of Mexico and eastern Canada, Brazil, the UK and Norwegian sectors of the North Sea, West and South Africa, and Asia.

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 long-term care centres, assisted living facilities, outpatient rehabilitation clinics and home health care offices. The Company operates primarily under the ManorCare, Heartland, and Arden Courts brand names.

SAFEWAY INC... is one of the largest North American food and drug retailers, with over 1700 stores throughout the US and western Canada. Stores operate under the Safeway, Pak 'n Save, Dominick's, Vons, Pavilions, Randalls, Tom Thumb, Carrs, and Genuardi's names. Safeway also has an extensive network of distribution, manufacturing and food processing facilities.

CLAYTON HOMES INC... is one of the largest producers of manufactured (mobile) homes in the US. The Company sells its homes primarily in the Southwest through wholly owned retail centres and independent dealers. It also operates manufactured housing communities and provides financing services through its insurance subsidiary.

WELLPOINT HEALTH NETWORKS INC... is one of the largest publicly traded managed health care companies in the US. It serves the needs of more than 12 million members and approximately 45 million specialty members nationwide through Blue Cross of California®, Blue Cross and Blue Shield of Georgia®, Blue Cross and Blue Shield of Missouri®, Healthlink and UNICARE.

% OF PORTFOLIO
as of December 31, 2001

OCULAR SCIENCES	2.15
SUNRISE ASSISTED LIVING	1.99
TIMBERLAND COMPANY CL A	1.90
JONES APPAREL GROUP INC	1.85
FEDERAL SIGNAL CORP	1.57
DOMINION RESOURCES INC	1.34
MOHAWK INDUSTRIES	1.26
MAVERICK TUBE CORP	1.24

OCULAR SCIENCES... is a growing manufacturer and marketer of a broad line of soft contact lenses. Ocular's strategy is to market exclusively to eye-care practitioners high quality, competitively priced contact lenses that are brand-differentiated by private label and channel. Brands include Hydron, Edge, Ultraflex, SmartChoice, Echelon, Ultra T, and Versa-Scribe. The Company is expanding its offering of specialty contact lenses which include toric lenses to correct astigmatism and color lenses.

SUNRISE ASSISTED LIVING... is one of the oldest and largest providers of assisted living for seniors who can no longer live on their own but do not need complex medical care. Based in Virginia, the Company has a resident capacity of greater than 16,000 in more than 200 homes. The Sunrise prototype facility is a Victorian-style mansion that offers a full range of personalized assisted living services in a homelike residential setting. Sunrise operates homes in 24 states in the US, internationally in the UK, and in Toronto and Vancouver in Canada.

TIMBERLAND COMPANY (CL A)... designs, engineers, and markets premium-quality footwear, apparel and accessories for men, women and children. Its products are sold in leading department and athletic specialty stores as well as Timberland retail stores throughout North America, Europe, Asia, Latin America and the Middle East.

JONES APPAREL GROUP INC... is a leading designer and manufacturer of apparel and footwear. Its products include sportswear, jeanswear, suits, dresses, menswear, shoes, accessories and costume jewelry. Jones markets its products under well-known brand names such as Jones New York, Evan-Picone, Rena Rowan, Todd Oldham, Nine West, and Enzo Angiolini. Jones also produces for licensed brands that include Lauren by Ralph Lauren, Ralph by Ralph Lauren and Polo Jeans Company.

FEDERAL SIGNAL CORPORATION... manufactures and supplies fire rescue trucks and related products, street sweeping and vacuum loader vehicles, safety, signaling and communications equipment, parking control equipment, carbide cutting tools, and precision punches and related die components.

DOMINION RESOURCES INC... is a fully integrated natural gas and electric utility holding company headquartered in Richmond, Virginia. The Company has a total power-generation portfolio of over 21,000 megawatts, is one of the largest independent oil and natural gas exploration and production companies in North America, and serves nearly 4 million retail natural gas and electric customers. Dominion also owns a managing equity interest in Dominion Fiber Ventures, owner of Dominion Telecom which is aggressively expanding its fiber-optic network of 35,000 fiber miles (3,600 route miles).

MOHAWK INDUSTRIES... is the second largest carpet mill in the US and the leading producer of area rugs and mats. The Company designs, manufactures and markets woven and tufted broadloom carpet, carpet tile, home textiles, bath mats and area and accent rugs. The Company is fully integrated with substantial fiber extrusion facilities, filament and yarn processing capacity, dyeing facilities and a modern distribution system.

MAVERICK TUBE CORPORATION... is a St. Louis, Missouri-based manufacturer of tubular products used in the energy industry in drilling, production and surface transportation applications, as well as industrial tubing products including hollow structural sections (HSS) and standard pipe. Maverick's market share in Oil Country Tubular Goods (OCTG) is approximately 16% in the US and 40% in Canada.

% OF PORTFOLIO
as of December 31, 2001

SYNOPTIS INC	1.19
JACOBS ENGINEERING GROUP	1.09
SIGMA-ALDRICH	0.97
CHECKPOINT SYSTEMS	0.97
SCIENTIFIC-ATLANTA INC	0.94
BIOMET INC	0.92
PRECISION CASTPARTS	0.88
PIER 1 IMPORTS INC	0.83

SYNOPTIS INC... supplies electronic design automation (EDA) solutions to the global electronics market. The Company provides comprehensive design technologies to creators of advanced integrated circuits, electronic systems, and systems on a chip. The Company also provides consulting services and support to its customers to streamline overall design processes and accelerate time-to-market.

JACOBS ENGINEERING GROUP INC... is one of the largest professional technical services firms in the United States providing a broad range of project services including: process, scientific and systems consulting services; operations and maintenance services; and construction services to a broad range of industrial, commercial and governmental clients. The Company provides its services through offices and subsidiaries located in the United States, Europe, Asia, Mexico, Chile and Australia. The Company focuses its services on selected industry groups and markets including: chemicals and polymers; buildings (which includes projects in the fields of health care and education, as well as commercial, civic and governmental buildings); federal programs; pharmaceuticals and biotechnology; exploration, production and refining; infrastructure; technology and manufacturing; and pulp and paper, among others.

SIGMA-ALDRICH CORPORATION... develops, manufactures and distributes biochemicals, organic chemicals and diagnostic reagents to commercial, government, and university research laboratories. The Company has about 150,000 customers to which it supplies over 85,000 chemicals.

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) source tagging, barcode labeling systems, electronic article surveillance (EAS) systems and tags, security source tagging, retail merchandising systems, and handheld labeling systems for several applications within the automatic identification industry. EAS accounts for the majority of Checkpoint's sales and the Company holds a 42% share of the worldwide EAS market behind Sensormatic.

SCIENTIFIC-ATLANTA INC... is a leading supplier of transmission networks for broadband access to the home, and digital interactive subscriber systems for video, high speed Internet, and voice over IP (VoIP) networks. Scientific-Atlanta is applying a half-century of innovations to today's convergence of the PC and the TV and is helping to extend multimedia broadband applications to new platforms via the set-top.

BIOMET INC... and its subsidiaries design, manufacture and market orthopaedic medical products used in surgical and non-surgical therapy. The majority of the Company's business consists of a comprehensive line of reconstructive devices and fixation devices. Biomet also produces arthroscopy products, electrical bone growth stimulators, spinal implants, orthopaedic support devices, bone cements, bone substitute materials, craniomaxillofacial implants and general surgical instruments.

PRECISION CASTPARTS CORP... is a worldwide manufacturer of complex metal components and products. The Company serves the industrial gas turbine, fluid management, industrial metalworking tools and machines, pulp and paper, advanced metalforming technologies, tungsten carbide, airframe components, aerospace, and other metal products markets. Precision Castparts is the market leader in manufacturing large, complex structural investment castings, airfoil castings, and forged components used in jet aircraft engines.

PIER 1 IMPORTS INC... is North America's largest specialty retailer of unique fashion-forward, decorative home furnishings, gifts and related items directly imported from over 50 countries around the world. The Company operates over 800 stores in the US, and has international operations in Canada, Mexico, Puerto Rico, the United Kingdom and Japan.

% OF PORTFOLIO
as of December 31, 2001

CARDINAL HEALTH INC	0.78
SNAP-ON INC	0.77
LSI LOGIC	0.71
SCHNITZER STEEL	0.61
JOHNSON & JOHNSON	0.56
DENTSPLY INTERNATIONAL	0.52
CITRIX SYSTEMS INC	0.46
ADOBE SYSTEMS	0.44

CARDINAL HEALTH INC... provides complementary products and services to health care providers and manufacturers. The second largest drug distributor in the US, Cardinal also packages pharmaceuticals, manufactures and distributes medical-surgical and laboratory supplies, manufactures automated dispensing systems, develops drug-delivery systems, franchises retail pharmacies, and offers consulting and other services to improve quality and efficiency in health care.

SNAP-ON INC... develops, manufactures and markets tool, diagnostic, and equipment solutions for professional tool users. Product lines include hand and power tools, diagnostics and shop equipment, tool storage products, and other solutions for the transportation service, industrial, and commercial industries. The Company sells primarily through its franchised dealer channel.

LSI LOGIC CORP... designs, develops, manufactures and markets high-performance communications, consumer and storage semiconductors for applications that access, interconnect and store data, voice and video. LSI focuses on custom application specific integrated circuits (ASICs) and integrates system-level solutions on a single customized chip. In addition, the Company supplies storage network solutions for the enterprise.

SCHNITZER STEEL INDUSTRIES... collects, processes and recycles steel scrap and manufactures finished steel products by operating one of the largest steel scrap recycling businesses in the United States and a technologically advanced steel mini-mill.

JOHNSON & JOHNSON... is the world's most comprehensive and broadly based manufacturer of health care products with more than 190 operating companies in 51 countries. J&J businesses are divided among three segments: 1. Consumer (includes nonprescription drugs such as Tylenol, Pepcid, Monistat, and Imodium, adult skin and hair care products such as Aveeno, Neutrogena, and RoC, baby care products, personal care products, oral care, first aid and sanitary protection products); 2. Pharmaceuticals; and 3. Professional (includes interventional cardiology, endovascular and neuroradiology products, orthopaedics, AcuVue disposable contact lenses, wound closure products and minimally invasive surgical products).

DENTSPLY INTERNATIONAL INC... develops, manufactures and markets dental consumable and laboratory products (e.g. dental prosthetics, sealants, and crown and bridge materials) and dental equipment products (e.g. x-ray equipment, dental hand pieces and intraoral cameras). The Company distributes its dental products in over 100 countries under some of the most recognized brand names in the dental industry and has a leading market share in many of its product categories.

CITRIX SYSTEMS INC... is a leading supplier of application delivery and management software and services that enable the effective and efficient enterprise-wide deployment and management of applications, including those designed for Microsoft Corporation ("Microsoft") Windows operating systems 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. These products utilize the Company's Independent Computing Architecture ("ICA®"), which allows an application's graphical user interface to be displayed on a client while its logic is executed on a server, thereby providing a manageable and bandwidth-efficient solution.

ADOBE SYSTEMS INC... is a leading provider of software in the areas of graphic design, publishing and imaging for both print and electronic/internet media. The second largest PC software company in the US, Adobe's products are compatible with both the Windows and Macintosh end-user computing platforms. The Company's offerings include such popular titles as Photoshop, Illustrator, PageMaker, and Acrobat.

% OF PORTFOLIO
as of December 31, 2001

CABLE DESIGN TECHNOLOGIES	0.39
INFOCUS	0.35
G&K SERVICES	0.30
DARDEN RESTAURANTS INC	0.30
TJX COMPANIES	0.29
BRINKER INTERNATIONAL INC	0.27
BIOGEN INC	0.24
STONE ENERGY CORP	0.22

CABLE DESIGN TECHNOLOGIES... manufactures specialty electronic data transmission cables and network structured wiring systems. The Company's high performance cable products include copper, fiber optic and composite (combined copper and fiber) cable applications. In addition to cable, products include connectors and component assemblies used in networks, computer interconnect applications, wireless applications and other commercial industries including commercial aviation, automotive and automation applications.

INFOCUS CORPORATION... has led the digital projection industry for nearly fifteen years, introducing ground-breaking products such as the flat panel overhead display, the first data/video projector, the first truly portable sub-five pound data/video projector and the only sub-three pound projector with premium features, HDTV and digital connectivity. InFocus leverages multiple projection technologies, including LCD, Texas Instruments' DLP™ and Liquid Crystal on Silicon (LCOS), and develops proprietary imaging technology that it has licensed to a number of other vendors. In June, 2000, InFocus Systems Inc., the long-time leader of the data/video projection category, merged with Proxima Corporation, the leader in high-end projection systems, creating InFocus Corp. and further substantiating its position as the worldwide leader in digital projection.

G&K SERVICES... is a garment and related product rental company, with a small direct sales business. The Company's strategy is to target those customers in various industries and locations that are growing, and are in need of a higher quality corporate identity program. Enhanced services include robust reporting for inventory, utilization and costs for customers, as well as guaranteeing fast, accurate turnaround of garments as they are cleaned, repaired and/or tailored.

DARDEN RESTAURANTS INC... is the world's largest casual dining company. It owns and operates over 1,100 full-service restaurants under the Red Lobster, Olive Garden, Bahama Breeze and Smokey Bones BBQ Sports Bar concepts. The Company is headquartered in Orlando, Florida.

TJX COMPANIES INC... is the leading off-price retailer of apparel and home fashions in the US and worldwide. The Company operates over 1400 T.J. Maxx, Marshalls, HomeGoods and A.J. Wright stores in the United States. TJX operates over 100 Winners and Home Sense stores in Canada, and over 100 T.K. Maxx stores in Europe.

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, Cozymel's Coastal Mexican Grill, Maggiano's Little Italy, and Corner Bakery Cafe. Brinker is also the parent company to three smaller emerging concepts: eatZi's Market and Bakery, Big Bowl, and Rockfish Seafood Grill.

BIOGEN INC... is a biopharmaceutical company principally engaged in discovering and developing drugs for human health care through genetic engineering. Headquartered in Cambridge, Massachusetts, the Company's revenues are generated from worldwide sales of AVONEX for treatment of relapsing forms of multiple sclerosis, and from the worldwide sales by licensees of a number of products including alpha interferon and hepatitis B vaccines and diagnostic products. Biogen's research and development activities are focused on novel products to treat inflammatory and autoimmune diseases, neurological diseases, cancer, fibrosis and congestive heart failure.

STONE ENERGY CORP... is an independent oil and gas company engaged in the acquisition, exploration, development, and operation of oil and gas properties onshore and offshore in the Gulf Coast Basin and Rocky Mountains. The Company seeks properties that have an established production history, proved undeveloped reserves and multiple prospective reservoirs that provide significant development opportunities.

North Growth US Equity Fund Portfolio as of December 31, 2001

% OF PORTFOLIO	
<i>as of December 31, 2001</i>	
SUN MICROSYSTEMS INC	0.21
DEVON ENERGY CORP	0.20
VISHAY INTERTECHNOLOGY	0.15
CITY NATIONAL CORP	0.13
AMERICAN POWER CONVERSION	0.10
BJ SERVICES COMPANY	0.08
TOTAL EQUITIES	63.16
CASH AND SHORT-TERM NOTES	<u>36.84</u>
TOTAL ASSETS	100.00

SUN MICROSYSTEMS INC... is the leading maker of UNIX-based servers used by enterprises to power their networks and web sites. The Company's computers, which employ Sun-designed SPARC chips and its Solaris operating system, range from desktop workstations to high-end servers. Sun also offers application server, office productivity and network management software, as well as data storage equipment.

DEVON ENERGY CORP... explores for, develops, and acquires oil and natural gas reserves. About 90% of the Company's oil and gas production and 75% is its proved reserves are located in the United States and western Canada. Devon is a top-ten operator in the Gulf of Mexico and the premier coalbed methane producer in North America. Outside North America, Devon is active in the Caspian Sea, China and West Africa.

VISHAY INTERTECHNOLOGY INC... manufactures passive electronic components (resistors, capacitors, and inductors) and is a leading producer of discrete semiconductor components and selected integrated circuits (ICs). Through internal research and development and an aggressive acquisition strategy, Vishay has established a unique position as a global manufacturer of the broadest line of discrete electronic components available.

CITY NATIONAL CORP... operates City National Bank, a leading independent bank in California that provides a full range of banking, trust and investment services to small- and mid-sized companies and wealthy individuals.

AMERICAN POWER CONVERSION... designs, manufactures and markets products that improve the reliability and productivity of computer systems by protecting hardware and data from the threat of power disturbances. Products include surge protectors, uninterruptible power supplies and various software products that help manage systems and networks when power fails. Disruption of power is one of the main causes of network downtime. With the growth of e-commerce and move to high availability networks the Company should be well positioned to grow revenue.

BJ SERVICES COMPANY... is a leading provider of pressure pumping and other oilfield services serving the petroleum industry worldwide. The Company's pressure pumping services consist of well stimulation, cementing, sand control, coiled tubing and downhole tools services used in the completion of new oil and natural gas wells and in remedial work on existing wells, both onshore and offshore. These services are provided through domestic and international locations to customers in most of the major oil and natural gas producing regions of the United States, Canada, Latin America, Europe, Asia, Africa and the Middle East.

AUDITORS' REPORT

To the Unitholders of
North Growth U.S. Equity Fund:

We have audited the statements of investments of North Growth U.S. Equity Fund as at December 31, 2001 and 2000, the statements of net assets, operations and changes in net assets as at or for the years ended December 31, 2001 and 2000, and the statement of financial highlights for each of the years in the five year period ended December 31, 2001. These financial statements are the responsibility of the Fund's 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 investment portfolio of the Fund as at December 31, 2001 and 2000, its financial position, the results of its operations and the changes in its net assets as at or for the years ended December 31, 2001 and 2000, and its financial highlights for each of the years in the five year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants

Vancouver, B.C.
January 25, 2002

North Growth US Equity Fund

STATEMENTS OF NET ASSETS

<i>As of December 31, 2001 and 2000 (in thousands of dollars)</i>	2001	2000
ASSETS		
Investments - at market value	\$ 100,985	\$ 77,694
Cash and short-term notes	485	8
Accrued interest and dividends receivable	63	79
	<u>548</u>	<u>87</u>
	101,533	77,781
LIABILITIES		
Accounts payable and accrued charges	283	221
Distributions payable to unitholders (Note 4)	12,029	12,929
	<u>12,312</u>	<u>13,150</u>
NET ASSETS (Note 5)	\$ 89,221	\$ 64,631
NET ASSET VALUE PER UNIT	\$ 19.20	\$ 19.30

APPROVED ON BEHALF OF THE MANAGER,
NORTH GROWTH MANAGEMENT LTD.

(Signed), Rudy North

Rudy North, President

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

STATEMENTS OF CHANGES IN NET ASSETS

<i>For the years ended December 31, 2001 and 2000 (in thousands of dollars)</i>	2001	2000
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 10,904	\$ 20,890
DISTRIBUTIONS TO INVESTORS		
From net investment income	(272)	(551)
From net realized gain on investments	(11,757)	(12,378)
	<u>(12,029)</u>	<u>(12,929)</u>
CAPITAL UNIT TRANSACTIONS		
Sale of units	18,383	10,849
Units issued on reinvestment of distributions	12,797	2,911
Units redeemed	(5,465)	(1,095)
	<u>25,715</u>	<u>12,665</u>
INCREASE IN NET ASSETS	<u>24,590</u>	<u>20,626</u>
NET ASSETS, BEGINNING OF THE PERIOD	64,631	44,005
NET ASSETS, END OF THE PERIOD	\$ 89,221	\$ 64,631

North Growth US Equity Fund

STATEMENTS OF OPERATIONS

<i>For the years ended December 31, 2001 and 2000 (in thousands of dollars)</i>	2001	2000
INVESTMENT INCOME		
Dividends - net of withholding taxes	\$ 167	\$ 161
Interest	1,172	1,136
	<u>1,339</u>	<u>1,297</u>
EXPENSES		
Audit and accounting fees	10	14
Management fees (Note 6)	983	678
Trusteeship fees	41	33
Other	27	7
	<u>1,061</u>	<u>732</u>
NET INVESTMENT INCOME (Note 3)	\$ 278	\$ 565
REALIZED AND UNREALIZED GAINS ON INVESTMENTS		
Proceeds from sale of investments	\$ 382,080	\$ 238,969
Investments at average cost, beginning of period	60,607	37,661
Cost of investments purchased ⁽¹⁾	394,745	249,537
	<u>455,352</u>	<u>287,198</u>
Investments at average cost, end of period	(85,846)	(60,607)
Cost of investments sold ⁽²⁾	369,506	226,591
Net realized gain on sale of investments	12,574	12,378
Change in unrealized appreciation of investments	(1,948)	7,947
NET GAIN ON INVESTMENTS (Note 3)	10,626	20,325
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 10,904	\$ 20,890

⁽¹⁾ Includes purchases of short-term notes of \$337,563 in 2001 and \$218,240 in 2000.

⁽²⁾ Includes maturities of short-term notes of \$328,401 in 2001 and \$209,313 in 2000.

STATEMENTS OF FINANCIAL HIGHLIGHTS

For the five years ended December 31, 2001

DATA PER UNIT (Note 2)	2001	2000	1999	1998	1997
NET ASSET VALUE, BEGINNING OF THE YEAR	\$ 19.30	\$ 16.16	\$ 16.08	\$ 15.75	\$ 15.62
INCOME FROM INVESTMENT OPERATIONS					
Net investment income	0.06	0.19	0.09	(0.05)	(0.01)
Net realized and unrealized gains on investments	2.42	6.81	1.07	1.04	4.56
	<u>2.48</u>	<u>7.00</u>	<u>1.16</u>	<u>0.99</u>	<u>4.55</u>
DISTRIBUTIONS TO INVESTORS					
From net investment income	(0.06)	(0.16)	(0.09)	-	-
From net realized gain on investments	(2.52)	(3.70)	(0.99)	(0.66)	(4.42)
	<u>(2.58)</u>	<u>(3.86)</u>	<u>(1.08)</u>	<u>(0.66)</u>	<u>(4.42)</u>
NET ASSET VALUE, END OF THE YEAR	\$ 19.20	\$ 19.30	\$ 16.16	\$ 16.08	\$ 15.75
RATIOS/SUPPLEMENTAL DATA (Note 2)					
Total assets - end of the year (000's)	89,221	64,631	44,005	43,341	30,284
Average net assets (000's)	89,175	59,167	46,333	44,211	37,271
Management expense ratio	1.19%	1.25%	1.12%	1.11%	1.12%
Portfolio turnover rate	95.01%	75.22%	70.53%	94.60%	88.73%
Annual rate of return	12.83%	43.32%	7.21%	6.29%	29.13%

North Growth US Equity Fund
STATEMENTS OF INVESTMENTS
As of December 31, 2001 (in thousands of CDN dollars)

Number of Shares	Foreign Common Shares	Average Cost	Market Value	% of Net Assets
472,300	Chesapeake Energy Corporation	\$ 5,179	\$ 4,973	5.57
34,400	St. Jude Medical Inc.	1,743	4,255	4.77
236,500	Nextel Communications, Inc. Class A	3,782	4,129	4.63
54,000	Universal Health Services Inc. Class B	1,607	3,680	4.12
69,800	Watson Pharmaceuticals	4,174	3,490	3.91
58,000	Transocean Sedco Forex	2,702	3,124	3.50
82,500	Manor Care Inc.	2,086	3,116	3.49
42,400	Safeway Inc.	2,902	2,820	3.16
94,190	Clayton Homes Inc.	1,252	2,565	2.87
12,100	WellPoint Health Networks Inc.	1,233	2,252	2.52
58,700	Ocular Sciences Inc.	2,042	2,179	2.44
43,500	Sunrise Assisted Living Inc.	1,850	2,017	2.26
32,600	Timberland Company	1,476	1,925	2.16
35,400	Jones Apparel Group Inc.	1,380	1,870	2.10
44,800	Federal Signal Corp.	1,159	1,589	1.78
14,194	Dominion Resources Inc.	1,399	1,359	1.52
14,600	Mohawk Industries Inc.	525	1,276	1.43
61,000	Maverick Tube Corp.	1,102	1,258	1.41
12,800	Synopsys Inc.	745	1,204	1.35
10,500	Jacobs Engineering Group Inc.	841	1,104	1.24
46,000	Checkpoint Systems Inc.	841	982	1.10
15,600	Sigma-Aldrich Corporation	534	979	1.10
25,000	Scientific-Atlanta Inc.	879	953	1.07
18,825	Biomet Inc.	435	927	1.04
19,800	Precision Castparts Corp.	635	891	1.00
30,600	Pier 1 Imports Inc.	511	845	0.95
7,700	Cardinal Health Inc.	333	793	0.89
14,500	Snap-On Inc.	541	777	0.87
28,500	LSI Logic Corporation	612	716	0.80
28,600	Schnitzer Steel Industries, Inc.	695	622	0.70
6,000	Johnson & Johnson	404	565	0.63
6,600	Dentsply International	231	528	0.59
13,000	Citrix Systems Inc.	495	469	0.53
9,000	Adobe Systems Incorporated	343	445	0.50
17,900	Cable Design Technologies	356	390	0.44
10,000	Infocus Corp.	237	351	0.39
5,400	Darden Restaurants Inc.	170	304	0.34
5,850	G & K Services Inc.	228	301	0.34
4,600	TJX Companies	119	292	0.33
5,800	Brinker International Inc.	119	275	0.31
2,700	Biogen Inc.	251	247	0.28
3,600	Stone Energy Corporation	269	226	0.25
11,000	Sun Microsystems Inc.	152	216	0.24
3,300	Devon Energy Corporation	202	204	0.23
4,900	Vishay Intertechnology	211	152	0.17
1,800	City National Corporation	88	134	0.15
4,400	American Power Conversion	134	101	0.11
15,100	BJ Services	40	78	0.09
		<u>49,244</u>	<u>63,948</u>	<u>71.67</u>
Face Value (1)	Short-term Notes (2)	Average Cost	Market Value	% of Net Assets
21,650	Government of Canada	\$ 33,985	\$ 34,428	38.59
1,640	US Government	2,617	2,609	2.92
		<u>36,602</u>	<u>37,037</u>	<u>41.51</u>
	Total investments	<u>\$ 85,846</u>	<u>\$ 100,985</u>	<u>\$ 113.19</u>
	Other assets less liabilities		<u>(11,764)</u>	<u>(13.19)</u>
	Net assets		<u>\$ 89,221</u>	<u>100.00</u>

(1) Stated in thousands of US\$

(2) Investments are grouped by issuer, earn interest at rates ranging from 1.52% to 1.82% and mature between January 7, 2002 and January 22, 2002.

North Growth US Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

1. THE FUND

The North Growth U.S. Equity Fund (the "Fund") is an open-ended mutual fund established under the laws of the Province of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the investment fund industry in Canada, and reflect the following policies:

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.

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. If no sale is reported, the average of the latest bid and ask price is used. Short term notes are valued at cost which, together with accrued interest, approximates market value.

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.

Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing on the balance sheet 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 realized gain or loss on sale of investments.

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 balance sheet date.

Financial highlights

Information reported in the Statement of Financial Highlights is based on the following:

*North Growth US Equity Fund*Data per unit

- (i) Net asset value per unit is based on the number of units outstanding at the end of the year.
- (ii) Net investment income per unit is based on the average number of units outstanding at the end of each month during the year.
- (iii) Net realized and unrealized gains on investments per unit is based on the average number of units outstanding at the end of each month during the year. This amount also includes adjustments to account for the fact that the opening and closing net asset values and distributions per unit are calculated using different amounts of outstanding units.
- (iv) Distributions per unit to unitholders are based on the number of units outstanding on the record dates for the distributions.

Average net assets

This is the average of the daily net asset values of the Fund for each valuation day during the year.

Management expense ratio

The management expense ratio represents the total expenses of the Fund for a one-year period as shown in its Statement of Operations expressed as a percentage of the Fund's average daily net asset values.

The management expense ratio may vary from mutual fund to mutual fund.

Portfolio turnover rate

This is the lesser of the cost of investments purchased or the proceeds from sale of investments, excluding investments that mature one year or less from the purchase date, divided by the average net assets for the year.

Annual rate of return

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

3. INCOME TAXES

The Fund is classified as a "Mutual Fund 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, as will result in the Fund not being liable for any income taxes.

4. DISTRIBUTIONS TO UNITHOLDERS

It is the policy of the Fund to make annual distributions to unitholders of its taxable net investment income and the net realized capital gains on sale of investments, which are subsequently reinvested in additional units of the Fund unless a unitholder elects to receive his or her proportionate share of any distributions in cash.

*North Growth US Equity Fund***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 registered unitholder may request redemption of Fund units at any time by submitting a written request to the Manager. A redemption request must include the name and account number, and the dollar amount of units to be redeemed. A redemption will be transacted on the same market day if such a request is received by the Manager prior to 1:00 p.m. Vancouver time, otherwise it will be transacted on the next market day. Payment will be made within three business days after the applicable market day. There is no charge on redemption of Fund units.

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

	<u>2001</u>	<u>2000</u>
Balance, beginning of the year	<u>3,348,315.169</u>	<u>2,723,772.949</u>
Issued during the year		
Sales	<u>911,449.826</u>	499,149.683
On reinvestment of distributions	<u>662,983.070</u>	<u>180,128.525</u>
	<u>1,574,432.896</u>	<u>679,278.208</u>
	<u>4,922,748.065</u>	3,403,051.157
Redeemed during the year	<u>274,943.946</u>	<u>54,735.988</u>
Balance, end of the year	<u>4,647,804.119</u>	<u>3,348,315.169</u>

6. MANAGEMENT FEES

North Growth Management Ltd. is the Manager of the Fund and provides research, accounting, sales and management services, and acts as investment advisor. Management fees are calculated and payable quarterly at the annual rate of 1% of the net asset value of the Fund.

7. PORTFOLIO TRANSACTIONS

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

Commissions paid or payable to investment dealers and brokers in connection with portfolio transactions aggregated \$312,000 in 2001 and \$112,000 in 2000.

AUDITORS' REPORT

To the Unitholders of
North Growth Canadian Money Market Fund:

We have audited the statements of investments of North Growth Canadian Money Market Fund as at December 31, 2001 and 2000, the statements of net assets, operations and changes in net assets as at or for the year ended December 31, 2001 and 2000, and the statement of financial highlights for the years ended December 31, 2001 and 2000, and for the period from October 26, 1999 to December 31, 1999. These financial statements are the responsibility of the Fund's 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 investment portfolio of the Fund as at December 31, 2001 and 2000, its financial position, the results of its operations and the changes in its net assets as at or for the year ended December 31, 2001 and 2000, and its financial highlights for the years ended December 31, 2001 and 2000 and for the period from October 26, 1999 to December 31, 1999, in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants

Vancouver, B.C.
January 25, 2002

North Growth Canadian Money Market Fund

STATEMENTS OF NET ASSETS

As of December 31, 2001 and 2000 (in thousands of dollars)

	2001	2000
ASSETS		
Investments- at market value	\$ 31,095	\$ 13,078
Cash and short-term notes	5	4
Accrued interest and dividends receivable	48	58
	53	62
	31,148	13,140
LIABILITIES		
Accounts Payable and Accrued Liabilities	23	10
NET ASSETS	\$ 31,125	\$ 13,130
NET ASSET VALUE	\$ 10.00	\$ 10.00

APPROVED ON BEHALF OF THE MANAGER,
NORTH GROWTH MANAGEMENT LTD.

(Signed), Rudy North

Rudy North, President

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

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2001 and 2000 (in thousands of dollars)

	2001	2000
INCREASE IN NET ASSETS RESULTING FROM OPERATION	\$ 822	\$ 604
DISTRIBUTIONS TO INVESTORS		
From net investment income	(822)	(604)
From net realized gain on investments	-	-
	(822)	(604)
CAPITAL UNIT TRANSACTIONS		
Sale of units	24,538	17,887
Units issued on reinvestment of distributions	822	604
Units redeemed	(7,365)	(13,985)
INCREASE IN NET ASSETS	17,995	4,506
NET ASSETS, BEGINNING OF THE YEAR	13,130	8,624
NET ASSETS, END OF THE YEAR	\$ 31,125	\$ 13,130

North Growth Canadian Money Market Fund
STATEMENTS OF OPERATIONS
For the years ended December 31, 2001 and 2000 (in thousands of dollars)

	2001	2000
INVESTMENT INCOME		
Interest	\$ 880	\$ 634
EXPENSES		
Management fees	58	30
INVESTMENT INCOME	822	604
REALIZED AND UNREALIZED GAINS ON INVESTMENTS		
Proceeds from sale of investments	204,418	100,657
Investments at average cost, beginning of the year	13,078	8,551
Cost of investments purchased	222,435	105,184
	235,513	113,735
Investments at average cost, end of the year	(31,095)	(13,078)
Cost of investments sold	204,418	100,657
Net realized gain on sale of investments	-	-
NET GAIN ON INVESTMENTS	-	-
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 822	\$ 604

STATEMENTS OF FINANCIAL HIGHLIGHTS
For the years ended December 31, 2001, 2000 and period from October 26, 1999 to December 31, 1999

DATA PER UNIT (Note 2)	2001	2000	1999
NET ASSET VALUE, BEGINNING OF THE YEAR	\$ 10.00	\$ 10.00	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS			
Net investment income	0.40	0.54	0.06
Net realized and unrealized gains on investments	-	-	-
	0.40	0.54	0.06
DISTRIBUTIONS TO INVESTORS			
From net investment income	(0.40)	(0.54)	(0.06)
From net realized gain on investments	-	-	-
	(0.40)	(0.54)	(0.06)
NET ASSET VALUE, END OF THE YEAR	\$ 10.00	\$ 10.00	\$ 10.00
RATIOS/SUPPLEMENTAL DATA (Note 2)			
Total assets - end of the year (000's)	\$ 31,125	\$ 13,130	\$ 8,624
Average net assets (000's)	\$ 21,774	\$ 11,155	\$ 8,477
Management expense ratio	0.268%	0.268%	0.203%
Annual rate of return	4.11%	5.46%	

North Growth Canadian Money Market Fund

STATEMENTS OF INVESTMENTS

As of December 31, 2001 (in thousands of dollars)

Face Value	Short-term Notes	Average Cost and Market Value	% of Net Assets
\$ 960	B.C. Central Credit 2.27%, January 3, 2002	\$ 956	3.07
3,640	Government of Canada 2.17%, January 3, 2002	3,632	11.67
1,310	Royal Bank of Canada 2.27%, January 7, 2002	1,306	4.20
1,240	Citibank Canada 2.25%, January 7, 2002	1,237	3.97
1,500	Honda Canada Finance 2.28%, January 10, 2002	1,497	4.81
1,000	BOC Canada Ltd. 2.29%, January 11, 2002	998	3.21
1,500	The Bank of Nova Scotia 2.22%, January 11, 2002	1,496	4.81
1,210	Procter & Gamble Company 2.28%, January 14, 2002	1,208	3.88
650	Chevron Canada Enterprises Limited 2.27%, January 15, 2002	649	2.09
1,300	Colgate-Palmolive Company 2.24%, January 15, 2002	1,298	4.17
1,020	Halifax PLC 2.24%, January 15, 2002	1,018	3.27
1,500	Storm King Funding Trust 2.32%, January 16, 2002	1,497	4.81
1,300	The Toronto-Dominion Bank 2.21%, January 18, 2002	1,298	4.17
1,000	Imperial Oil 2.22%, January 21, 2002	998	3.21
1,420	Associates Capital Corporation of Canada 2.23%, January 22, 2002	1,416	4.55
535	Care Trust 2.28%, January 22, 2002	533	1.71
925	Anglo American Luxembourg 2.31%, January 24, 2002	922	2.96
1,500	General Electric Capital Canada Inc. 2.22%, February 01, 2002	1,496	4.81
1,510	Woodbridge Finance Corp. 2.19%, February 13, 2002	1,504	4.83
1,505	Congress Financial Corp. 2.16%, February 15, 2002	1,499	4.82
1,250	Canadian Imperial Bank of Commerce 2.24%, February 15, 2002	1,244	4.00
1,000	Transamerica Finance 2.31%, February 22, 2002	994	3.19
1,305	Caterpillar Inc 2.11%, March 06, 2002	1,300	4.18
1,105	Paccar Financial Services 2.17%, March 13, 2002	1,099	3.53
	Total investments	31,095	99.90
	Other assets less liabilities	30	0.10
	Net assets	\$ 31,125	100.00

North Growth Canadian Money Market Fund

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

1. THE FUND

The North Growth Canadian Money Market Fund (the "Fund") is an open-ended mutual fund established on October 26, 1999 under the laws of the Province of British Columbia. The fiscal year end of the Fund is December 31.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the investment fund industry in Canada, and reflect the following policies:

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.

Basis of determining market value

Short-term notes are valued at cost which, together with accrued interest, approximates market value.

Investment transactions and income

Investment transactions are accounted for on the day that a buy or sell order is executed. Interest income is recorded on the accrual basis.

Financial Highlights

Information reported in the Statement of Financial Highlights is based on the following:

Data per Unit

- (i) Net asset value is based on the number of units outstanding at the end of the year.
- (ii) Net investment income per unit is based on the average number of units outstanding at the end of each month during the year.
- (iii) Net realized and unrealized gains on investments per unit is based on the average number of units outstanding at the end of each month during the year. This amount also includes adjustments to account for the fact that the opening and closing net asset values and distributions per unit are calculated using different amounts of outstanding units.
- (iv) Distributions per unit to unitholders are based on the number of units outstanding on the record dates for the distributions.

Average Net Assets

This is the average of the daily net asset values of the Fund for each valuation day during the year.

North Growth Canadian Money Market Fund

Management Expense Ratio

The management expense ratio represents the total expenses of the Fund for a one-year period (annualized, where applicable) as shown in its Statement of Operations expressed as a percentage of the Fund's average daily net asset values.

The management expense ratio may vary from mutual fund to mutual fund.

Annual Rate of Return

This represents the historical total rate of return for the year and includes the reinvestment of all distributions. The annual rate of return is not available for 1999 as the fund did not operate for a full year.

3. INCOME TAXES

The Fund is classified as a "Unit Trust" under the Income Tax Act. The Fund distributes to its unitholders all of its annual taxable income with the result that the Fund is not liable for any income taxes.

4. DISTRIBUTIONS TO UNITHOLDERS

It is the policy of the Fund to allocate and distribute the taxable net investment income to its unitholders on a daily and monthly basis, respectively. These distributions are subsequently reinvested in additional units of the Fund unless a unitholder elects to receive his or her proportionate share of any distributions in cash.

5. UNITHOLDERS' EQUITY

Unitholders' equity is the Fund units outstanding. 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 registered unitholder may request redemption of Fund units at any time by submitting a written request to the Manager. A redemption request must include the name and account number, and the dollar amount of units to be redeemed. A redemption will be transacted on the same market day if such a request is received by the Manager prior to 1:00 p.m. Vancouver time, otherwise it will be transacted on the next market day. Payment will be made within three business days after the applicable market day. There is no charge on redemption of Fund units.

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

	<u>2001</u>	<u>2000</u>
Balance, beginning of the year	1,313,066.595	862,369.441
Issued during the year		
Sales	2,453,807.167	1,788,744.980
On reinvestment of distributions	82,231.067	60,390.284
	<u>2,563,038.214</u>	<u>1,849,135.264</u>
	3,849,044.809	2,711,531.705
Redeemed during the year	<u>736,494.300</u>	<u>1,398,525.110</u>
Balance, end of the year	<u>3,112,550.509</u>	<u>1,313,006.595</u>

*North Growth Canadian Money Market Fund***6. MANAGEMENT FEES AND OTHER EXPENSES**

North Growth Management Ltd. is the Manager of the Fund and provides research, accounting, sales and management services, and acts as investment advisor. Management fees are calculated daily and payable quarterly at the annual rate of 0.25% of the net asset value of the Fund. Since inception, the Manager has absorbed all other expenses of the Fund.

7. PORTFOLIO TRANSACTIONS

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

NORTH GROWTH MANAGEMENT LTD.

SUITE 830, ONE BENTALL CENTRE

505 BARRARD ST.

BOX 56

VANCOUVER, BC V7X 1M4

PORTFOLIO MANAGEMENT TEAM

RUDY NORTH

RORY NORTH

ERICA LAU

JORDIE JACOBS

ADMINISTRATION / CLIENT SERVICES

CAROLINE NORTH

NICOLE HUK

Phone: (604) 688-5440

Fax: (604) 688-5402

Website: www.northgrowth.com

E-Mail: info@northgrowth.com