



APRIL MONTHLY REPORT

May 18, 2001

After a month of selling off during March, US equity markets rallied strongly in April. A short-term “over sold” technology sector led the market by rebounding vigorously.

All the indices we regularly follow beat the Fund by at least 2% during the month. Our cash position would account for much of the shortfall, but it was the Fund’s under-weighting in tech stocks that produced the biggest gap between the 15.02% rise in the NASDAQ and the Fund’s 5.68% gain. The Fund performed well in the first half of May, extending its lead over the S&P 500 to the highest level year-to-date.

As was widely expected, on May 15, the US Federal Open Market Committee lowered its target for the Federal Funds Rate by 50 basis points to 4%. Alan Greenspan is leading his Board of Governors to do whatever it takes to get the economy moving ahead again. This is good for the long-term outlook for the US stock market, and is consistent with the short-term (economic) “conditions that may generate economic weakness in the foreseeable future”. These actions won’t tell us exactly when the current slowdown in the economy will end or when the stock market will again be clearly in a new bull market. It won’t even resolve the current debate as to whether or not the current slowdown in the US economy is going to be identifiable as a recession.

We think too much is read into the Fed’s actions over the short-term. Take, for instance, comments attributed to Bill Schneider, head of stock trading at UBS Warburg as quoted in ES Browning’s column in the Wall Street Journal: “... market wasn’t able to return its knee-jerk rally [to the cut]...” and “The market is correctly adopting a show me attitude”. On May 16, the US equity markets actually fell for about half an hour before investors jumped in and pushed stocks up to produce one of the biggest rallies of the year. On May 17th, the same Wall Street Journal column offered an explanation of this sequence of events in a quote by John O’Donoghue, co-head of listed trading at CreditSuisse: “A lot of portfolio managers aren’t going to make a directional move until they have sat down next morning and taken a level headed look at what is going on in the marketplace.” No knee-jerk reactions here, just really carefully considered actions depending on what the market does. We have decided to ignore this short-term fortune telling activity and stick to picking stocks.

We believe the US economy is indeed in a recession that could turn out to be quite significant by post-World War II standards. While we try to judge how economic conditions will affect the operations of specific companies, we do not expect top down economic analysis to tell us when the market is going to advance or to be of much assistance to our ability to continue to get good investment results.

What we do have faith in is the usefulness of “fundamental” analysis of the operations of companies that the Fund owns, and a selection process that stresses growth at a reasonable price. We might have mentioned this before...

Economic analysis provides us with a background for our stock selection and affects our expectations. If the economy plays out as a traditional recession then our economic analysis will help us to be constructive at the bottom rather than surprised or even scared into inaction. We are always skeptical of scenarios that claim it will be “different this time.” Things never seem to be as

different as the “different this time” camp predicts and they are always different enough in the details as to be confusing for people who expect an exact repeat of history. Two of the most consistent reoccurring characteristics of the stock market and economic cycles are that new bull markets start during a recession but at a time when the future looks bleak and investors are scared. It is important that investors condition themselves to see investment opportunities when the general mood is one of fear and uncertainty. We will be tested and that time will turn out to have been a great investment opportunity in hindsight.

Fed Rate cuts are constructive and are ultimately followed by a better stock market and economy. Every cycle has unique factors which are responsible for each being a bit different in timing and magnitude. For example consider that *US private debt as a percentage of nominal GDP is at record levels*. Consumers and corporations are as highly leveraged as they have ever been when the economy has been going into a slump.

So, while it is good that Alan Greenspan will reduce interest rates as much as it takes to get the economy back on track, how far does it make sense to expand credit? What type of base is this on which to build a new economic cycle? And, how much risk does all this build into the economy?

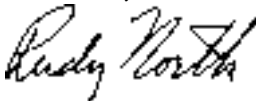
These thoughts aren't about to turn us into bears, but they do suggest that perhaps lower interest rates will not work with the same precision as they did in 1998. We could risk blasphemy and suggest that lower interest rates might have been exactly the right medicine for curing a 1998 type financial crisis, but possibly might not be as well-suited to cure the hangover from years of excessive capital spending in high tech infrastructure.

Conclusion

Lower interest rates are good but we suspect they do not always take hold in the same way, or within the same amount of time. Fortunately, it is stock selection rather than economic or market timing that is most likely to produce good investment results.

The Fund wasn't up to the short-term rally in tech stocks during April, but has more than made up for this so far in May. We are concentrating on keeping the Fund focused in our kind of stocks. A new bull market will eventually arise out of this recession, and we are quite confident that our stock selection process will result in the Fund being fully invested by that time. Yes, we know the market has been in a rally. We have been buying and selling stock recently. This activity has not led us to become fully invested. But it will someday and the opportunities keep developing.

Yours truly,



Rudy North

WHERE TO FIND NGM FUND PRICES

The NGM US Equity Fund is listed under the **Mutual Funds heading** in the Globe & Mail and the Vancouver Sun. The NGM Cdn. Money Market Fund can be found under the **Money Market Fund heading** in the Globe & Mail. Both funds can be found on globefund.com and morningstar.ca. For those who prefer, we can e-mail our daily summary sheet to you every day that the market is open. To be added to our list please contact Caroline North at caroline@northgrowth.com or 688-5440.

PERFORMANCE COMPARISONS

	Year to April 30, 01	Oct. 31, 00 to April 30, 01	Jan. 30, 01 to April 30, 01	Month of April 01
North Growth US Equity Fund \$CDN	6.09%	9.09%	4.68%	3.02%
North Growth US Equity Fund \$US	3.53%	8.09%	2.11%	5.68%
S&P 500 \$US	-5.01%	-12.07%	-8.26%	7.77%
S&P 400 MidCap \$US	-0.93%	-1.40%	-3.09%	11.03%
Russell 2000 \$US	0.81%	-1.72%	-4.18%	7.82%
NASDAQ Composite \$US	-14.26%	-37.11%	-23.62%	15.02%

Source: Bloomberg "Total Return Analysis" as of April 2, 2001.

Note - Including income in all cases.

AVERAGE ANNUAL COMPOUND RATE OF RETURN

	1 Year	2 Years	3 Years	4 Years	5 Years
North Growth US Equity Fund \$CDN	27.1%	29.8%	15.2%	20.4%	20.3%
Median U.S. Equity Fund \$CDN **	-13.2%	-	4.0%	--	12.3%
Average U.S. Equity Fund \$CDN **	-11.0%	-	4.2%	--	12.7%

Results are after all management fees and other expenses

** reported by the Globe & Mail, Report on Mutual Funds, May 17, 2001

RETURN SINCE INCEPTION (ANNUALIZED), OCT. 13, 1992 - APRIL 30, 2001 **20.65%**

NAVPS: APRIL 30TH/01 **\$ 20.48**

TOTAL ASSETS IN FUND **\$ 88.24 MILLION**

CANADIAN MONEY MARKET FUND

NET CURRENT YIELD AS OF MAY 17, 2001:

4.43%

PORTFOLIO HOLDINGS*As of April 30, 2001*

Chesapeake Energy Corp	5.26
St Jude Medical	4.89
Manor Care Inc	4.78
Universal Health Services Cl B	4.22
Precision Castparts	3.75
Louis Dreyfus Natural Gas	2.92
Jones Apparel Group Inc	2.91
Mesa Airlines Inc	2.55
Brinker International Inc	2.42
Clayton Homes Inc	2.28
Synopsis Inc	2.28
Darden Restaurants Inc	2.19
Diamond Offshore Drilling	2.09
Cardinal Health Inc	2.08
Wellpoint Health Networks	2.07
Sprint PCS Group	1.80
Watson Pharmaceuticals	1.80
Federal Signal Corp	1.78
Timberland	1.67
Stone Energy Corp	1.47
Mohawk Industries	1.46
Sigma-Aldrich	1.25
Biomet Inc	1.24
Cisco Systems	0.92
Devon Energy Corp	0.91
Dentsply International	0.90
Snap-On Inc	0.73
Schnitzer Steel	0.70
Jacobs Engineering	0.65
Michaels Stores Inc	0.65
Pier 1 Imports Inc	0.59
Symantec Corp	0.56
Johnson & Johnson	0.50
LSI Logic	0.48
Cable Design Technology	0.46
InFocus	0.34
TJX Companies	0.25
Vishay	0.21
City National Corp	0.12
American Power Conversion	<u>0.11</u>
Total Equities	68.24
Cash and Short Term Notes	<u>31.76</u>
TOTAL ASSETS	100.00%