

FEBRUARY MONTHLY REPORT

March 15th, 2001

DEAR INVESTOR...

February seemed to make more sense to us. Strange what good relative performance can do to one's understanding.

The two major drivers of the market in January were easy enough to understand. The change in group performance due to the January effect caused by the cessation of tax loss selling, and the tendency to go ahead with deferred selling of positions that would generate capital gains, went a long way towards explaining the rally in technology stocks and short-term weakness in value stocks during the month. It was also not that surprising that a short-term over-sold market responded on the upside to Fed rate cuts.

What didn't impress us was the market's enthusiasm for signs of a weakening economy. Later on in an economic decline bad economic news should not be expected to have a depressing effect on the stock market and, in fact, the new bull market will start during a crescendo of bad economic news. At the first signs of economic weakness, however, when most business and government spokespersons are still in denial mode: "Some slowing but not slipping into a recession", one should not expect worsening views to produce a strong market? that's what was confusing to us.

In February, the market started reacting to earnings disappointments and slowdown warnings again. In our opinion, most of the slowdown was reported in areas that had been growing at well above sustainable rates. The fact that many of the companies that were warning were also still selling at well above reasonable valuations made the market weakness seem completely rational to us.

On the other hand, reasonably valued stocks with good current earnings outlooks shook off the January effect. The bottom line was that the North Growth US Equity Fund enjoyed another month of strong performance.

The big news for February, of course, was the about face of Nortel's CEO John Roth and Cisco's John Chambers. In our January report we highlighted that Cisco's modestly lower earnings guidance for the rest of the calendar year was predicated on the assumption that the slowdown they were experiencing be contained to North American markets. At the same time, we noted that we were seeing indications of an economic slowdown in Asia and Europe. On March 9th, Cisco made a rare inter-quarter press release which stated that they were seeing a "...continuing slowdown in the US economy and signs of a slowdown expanding to other parts of the world." This statement, along with similar comments from Intel, Motorola

and others, clearly indicates that there is further downside risk to the earnings expectations of many of the leading technology companies.

There are still too many investors making the mistake of buying the market leaders of the past few years because they have declined 40 to 60%. It certainly beats buying at the top but even a 50% drop does not necessarily make a stock that has been excessively valued, based on peak earnings, cheap. The fact is that many of these stocks are still over-valued based on what we believe to be reasonable expectations of future earnings growth.

The market is in a major correction period. It is moving towards a much better entry point for long-term investors than has been the case since 1996! The probability that our stock selection process will lead us to use up our cash buy reserves during the remainder of 2001 is very high.

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 RESULTS

AS OF FEBRUARY 28, 2001

PERFORMANCE COMPARISONS*

	Year to Feb.28, 01	August 31, 00 to Feb. 28, 01	Nov. 30, 00 to Feb. 28, 01	Month of Feb., 01
North Growth US Equity Fund \$CDN	4.97%	17.03%	8.91%	3.57%
North Growth US Equity Fund \$US	2.47%	12.11%	8.90%	1.06%
S&P 500 \$US	-5.89%	-17.84%	-5.43%	-9.12%
S&P 400 MidCap \$US	-3.60%	-7.95%	3.77%	-5.71%
Russell 2000 \$US	-1.69%	-11.15%	6.81%	-6.56%
NASDAQ Composite \$US	-12.87%	-48.79%	-17.12%	-22.38%

* Source: Bloomberg "Total Return Analysis" as of March 1, 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	47.6%	29.6%	16.4%	20.8%	22.0%
Median U.S. Equity Fund \$CDN **	-7.8%	—	5.5%	--	12.8%
Average U.S. Equity Fund \$CDN **	-5.7%	—	6.0%	--	13.1%

Results are after all management fees and other expenses

** reported by the Globe & Mail, Report on Mutual Funds, March 15, 2001

Return Since Inception (Annualized), Oct. 13, 1992 - February 28, 2001 **20.95%**

NAVPS: FEBRUARY 28TH/01 **\$ 20.26**

TOTAL ASSETS IN FUND **\$ 82.25 million**

CANADIAN MONEY MARKET FUND

Net Current Yield as of March 15, 2001:

5.02%

PORTFOLIO HOLDINGS

AS OF FEBRUARY 28, 2001

Universal Health Services Cl B	4.53
Manor Care Inc	4.33
St Jude Medical	4.18
Jones Apparel Group Inc	4.02
Precision Castparts	3.68
Chesapeake Energy Corp	3.30
Louis Dreyfus Natural Gas	2.97
Brinker International Inc	2.67
Mesa Airlines Inc	2.49
Pier 1 Imports Inc	2.42
Synopsys Inc	2.31
Cardinal Health Inc	2.24
Wellpoint Health Networks	2.23
Timberland	2.04
Clayton Homes Inc	1.98
Sigma-Aldrich	1.89
Darden Restaurants Inc	1.87
Federal Signal Corp	1.85
Stone Energy Corp	1.71
Symantec Corp	1.70
Nextel Communications Inc	1.68
Watson Pharmaceuticals	1.60
Mohawk Industries	1.43
Michaels Stores Inc	1.35
Biomet Inc	1.21
Diamond Offshore Drilling	1.20
Devon Energy Corp	0.95
Dentsply International	0.93
Snap-On Inc	0.77
Schnitzer Steel	0.70
Jacobs Engineering	0.60
Motorola	0.47
TJX Companies	0.26
Vishay	0.16
City National Corp	0.12
American Power Conversion	<u>0.10</u>
Total Equities	67.94
Cash and Short Term Notes	<u>32.06</u>
TOTAL ASSETS	100.00%