# September Monthly Report

*October 4, 2001*

We are pleased with the Fund's performance over the past 12 months, for September and for all of the holding periods over the past five years. Taking a look at the indices, it is interesting that the mid-cap index was best over five years at 13.7%, and that the Fund turned in exactly the same performance.

It seems rather crass to be preoccupied by the effect of the September 11 terrorism on the outlook for the stock market. "The world will never be the same again" is not an overstatement, however, this evaluation applies best to much more basic issues than stock market valuations. It is our belief that the US stock market will not be affected by these events over the longer-term.

The reaction to previous crises seems to bear this out even though it is overly simplistic to compare an event such as the John Kennedy Assassination to the bombing of Pearl Harbor.

The short-term reaction to crisis is emotional, volatile and driven by current developments. In all cases commonly cited the market recovered as the crisis period passed. Over the medium to longer-term it is hard to see that there was any lasting effect on equity valuations. Markets in all cases, resumed a pattern that in hindsight seems perfectly reasonable based on normal economic and business developments that drive equity markets.

The US equity markets were in a bear market and the economy in a recession prior to September 11. The economic downturn to date in the US has produced much worse levels of many economic measures than occurs during most downturns. It is amazing that the GDP has stood up as well as it has in the face of such statistics. On the other hand, reported earnings have been hit hard. Over the short-term, September 11 obviously will further depress earnings.

These general observations probably infer that the current economic downturn will be more severe than any since the 1981-82 recession. The fact that the bad news is now so pervasive and obvious probably means that the current bear market is now well-advanced and we should be on guard not to become overwhelmed by the bad news.

The "New Bull Market" will start when there seems only to be an endless progression of bad news. It should not be expected to be ignited by a surge in optimism caused by such things as a further Fed Rate cut. Lower Fed Rates always seem to eventually contribute to renewed economic growth but the lag in their effect often means that before their positive effect is felt, investors lose faith.

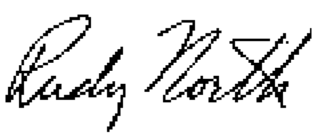
Eventually, past Rate cuts will begin to have their positive effect on the economy. The market will likely have been rising due to its tendency to "anticipate" the economy but most commentators and investors will be skeptical rather than optimistic. This state of mind has not yet developed despite the sharp sell-off in US equity markets during the first week of trading following September 11. If you feel this line of thought seems rather subjective, I can only shrug and say, "sure", but my experience is that it is really quite valid and that most of the current commentary I read, especially rationalizations that stocks are undervalued when the current low interest rate are taken into account and that earnings will be up 30% in 2002, is classically wrong. This is why "market timing" has not been historically a productive pursuit for investors seeking high long-term total returns.

So what are we going to do? The answer is pay attention to stock selection and let cash levels take care of themselves.

We are well into a bear market. While earnings are being hit hard and there are serious problems confronting many important industries, there are also companies with above average outlooks that are reasonably priced. We believe that these stocks represent great value on market weakness. The time has passed for focusing on identifying potential problems and is shifting towards a time to identify opportunities for growth.

During the market weakness of September our cash position shrank from 43% of the portfolio to 36%. Over the foreseeable future we see moving towards a fully invested (in equities) portfolio. We just don't know when that will happen. It will depend not on market timing notions but on identifying good investment opportunities.

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 . 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: SHORT-TERM

| | *Year to September 30, 01* | *March 31, 01 to September 30, 01* | *June 30, 01 to September 30, 01* | *Month of September 30, 01* |
|---|---|---|---|---|
| **North Growth US Equity Fund $CDN** | **0.62%** | **-2.30%** | **-4.61%** | **-4.55%** |
| **North Growth US Equity Fund $US** | **-4.42%** | **-2.43%** | **-8.51%** | **-6.23%** |
| S&P 500 $US | -20.39% | -9.68% | -14.68% | -8.07% |
| S&P 400 MidCap $US | -15.75% | -5.59% | -16.56% | -12.44% |
| Russell 2000 $US | -15.29% | -9.40% | -20.69% | -13.47% |
| Wilshire 5000 $US* | -21.46% | -10.17% | -16.17% | -9.06% |
| NASDAQ Composite $US | -39.20% | -18.43% | -30.60% | -16.96% |

## PERFORMANCE COMPARISONS: LONG-TERM

| | **1 Year** | **2 Years** | **3 Years** | **4 Years** | **5 Years** |
|---|---|---|---|---|---|
| **North Growth US Equity Fund $CDN** | **6.7%** | **24.8%** | **22.7%** | **11.7%** | **17.1%** |
| **North Growth US Equity Fund $US** | **1.6%** | **20.3%** | **21.5%** | **8.0%** | **13.7%** |
| S&P 500 $US | -26.6% | -8.8% | 2.0% | 3.8% | 10.2% |
| S&P 400 MidCap $US | -19.0% | 7.7% | 13.3% | 8.1% | 13.7% |
| Russell 2000 $US | -21.1% | -1.2% | 5.2% | -1.5% | 4.6% |
| Wilshire 5000 $US* | -29.8% | -9.7% | 0.8% | 1.0% | 7.2% |
| NASDAQ Composite $US | -59.1% | -26.0% | -3.7% | -2.6% | 4.4% |

*Source: Bloomberg "Total Return Analysis" as of September 30, 2001.*
** The Wilshire 5000 Index is a Simple Price Index:*
*it does not include income because there is no dividend re-investment data available.*

**RETURN SINCE INCEPTION (ANNUALIZED), OCT. 13, 1992 - SEPTEMBER 30, 2001 18.90%**

**NAVPS: SEPTEMBER 30TH/01 $ 19.42 CDN**

**TOTAL ASSETS IN FUND $ 88.66 MILLION CDN**

## CANADIAN MONEY MARKET FUND

**NET CURRENT YIELD AS OF SEPTEMBER 30, 2001:**

**3.50%**

## PORTFOLIO HOLDINGS

*As of September 30, 2001*

| | |
|---|---|
| Chesapeake Energy Corp | 6.37 |
| Universal Health Services Cl B | 4.70 |
| St Jude Medical | 4.20 |
| Nextel Communications Inc | 3.53 |
| Louis Dreyfus Natural Gas | 3.05 |
| Timberland | 3.02 |
| Precision Castparts | 2.96 |
| Transocean Sedco Forex | 2.73 |
| Wellpoint Health Networks | 2.35 |
| Manor Care Inc | 2.33 |
| Clayton Homes Inc | 2.05 |
| Scientific-Atlanta Inc | 2.03 |
| Watson Pharmaceuticals | 2.03 |
| Synopsys Inc | 1.63 |
| Ocular Sciences | 1.49 |
| BJ Services | 1.44 |
| Federal Signal Corp | 1.41 |
| Jones Apparel Group Inc | 1.34 |
| Sigma-Aldrich | 1.26 |
| Jacobs Engineering | 1.17 |
| Sunrise | 1.08 |
| Cardinal Health Inc | 1.01 |
| Biomet Inc | 0.98 |
| Mohawk Industries | 0.96 |
| Checkpoint Systems | 0.90 |
| Adobe Systems | 0.77 |
| LSI Logic | 0.60 |
| Johnson & Johnson | 0.59 |
| Snap-On Inc | 0.58 |
| Schnitzer Steel | 0.56 |
| Dentsply International | 0.54 |
| Sun Microsystems Inc | 0.46 |
| Pier 1 Imports Inc | 0.45 |
| Cable Design Technologies | 0.38 |
| Cisco Systems | 0.28 |
| G&K Services | 0.28 |
| TJX Companies | 0.27 |
| Darden Restaurants Inc | 0.25 |
| Brinker International Inc | 0.24 |
| InFocus | 0.23 |
| Michaels Stores Inc | 0.23 |
| Stone Energy Corp | 0.21 |
| Devon Energy Corp | 0.20 |
| Vishay | 0.16 |
| City National Corp | 0.14 |
| American Power Conversion | 0.09 |
| **Total Equities** | **63.53** |
| **Cash and Short Term Notes** | **36.47** |
| **TOTAL ASSETS** | **100.00%** |