



DECEMBER MONTHLY REPORT

January 9, 2002

The North Growth US Equity Fund's net asset value per share rose 12.9% during 2001. This performance was much stronger than that of any other funds of any size in the Globe & Mail's universe of US funds offered in Canada. Eliminating the 6.6% gain due to the strength of the US dollar during 2001, the Fund outperformed the total return of the S&P 500 Index by 18.1 percentage points and the total return of the NASDAQ by 27.1 percentage points. It is satisfying that the Fund was strong throughout the year, including outperforming the S&P 500 during the 4th quarter recovery rally, while never holding less than 34% cash.

While it is unrealistic to expect this magnitude of annual relative performance too often, it is strong confirmation of the effectiveness of the Fund's "growth at a reasonable price" investment philosophy when well executed. Like all strategies, ours is easier said than done. Contrary to the currently popular notion that many mutual funds have disappointed because of restrictions placed on their managers' freedom to use their "ingenuity", funds often fall short on performance because short-term pressure to perform leads managers to abandon their investment style to hop onto a current fad (e.g. long standing value managers switching into high-tech growth late in 1999).

We do not believe that the Fund's strong performance in 2001 will in any way hinder the performance potential in 2002. Actually, the disciplined application of our "growth at a reasonable price" investment philosophy should benefit 2002 results. This is due to the fact that the philosophy not only requires buying companies with strong growth potential at a reasonable price, but also requires selling them if their price rises to a point where they no longer represent reasonable value. We have been regularly selling stocks that have contributed to the Fund's strong growth of the past two years and had, in the process, become expensive and vulnerable.

Stock selection is going to be even more critical to investment success in 2002 than usual. This is because the market is still more expensive than any other period of peak P/E levels in history. This is hard to believe after the first back-to-back down years for the S&P 500 since 1974. Hard to believe but true and being denied by much of the investment community.

Even more expensive than the S&P 500 are indexes such as the NASDAQ 100 which are heavily weighted in the technology stocks that led the speculative bubble in 1999. Bear market after bear market, investors characteristically believe that the expensive and speculative leaders of the previous bull market which have suffered precipitous downtrends in the bear market will provide the best investment purchases to recover their recent losses. In our opinion this is a classic example of one of the most costly mistakes that investors make cycle after cycle. While such stocks typically can have strong recovery rallies during bear markets and even at the beginning of new bull markets, they do not typically provide the best growth over an extended period during the new bull market. The re-appearance of bragging day traders and the widespread interest in last cycle's fallen angels should be considered as a sign of risk to the current rally.

The current economic data has been very weak but the whole world knows that a bull market always precedes an upturn in economic data. That is a perfectly valid observation that is worth knowing but of limited use in identify-

ing the bottom of a bear market. Normally at the actual beginning of a bull market investors do not embrace this fact but instead are afraid to buy cheap stocks because of worry about economic uncertainty. This cycle has so far not experienced the widespread fear and gut wrenching anxiety that even the sophisticated buyers of stocks feel at the turning point in the market cycle. This is one of the most consistent and identifiable cyclical occurrences that I have observed in my 40 years and over 10 bear markets of experience. It hasn't happened this cycle.

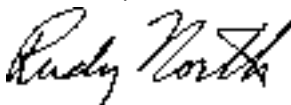
Veteran observer, Alan Abelson, most eloquently sums up the way a bear market usually ends in his December 31 Barron's article:

“For one thing, despite the destruction of Nasdaq and the severe damage visited on many a blue chip, there remained an underlying optimism in the investment mood, evidenced in the ease with which rampant bullishness was reignited during the market surge of the past three months. We've seen enough bear markets to know they invariably end in tears, not cheers, and, indeed, that's always the case with nasty numbers like this one. Investors, rather than nursing illusions of recouping their losses in the market with a fresh cut of cards, are completely disillusioned with stocks: They don't want to think about them or hear about them, much less, heavens knows, invest in them.”

People are buying expensive stocks because they were where that action was late in the last bull market. They know the market will recover before the economy and they know the economy will recover within 3 to 6 months because the market is having a strong recovery rally. For some reason I just don't know how to evaluate this type of logic. Sorry.

We are convinced that stock selection will work in this environment if it is based on good fundamental research regarding company operations that leads to correctly identifying growth going forward and that such growth can be owned at a reasonable price. The cost of successful investment management might be boredom. Despite claims to the contrary we are not aware of any good long-term records based on “ingenuity” which we suspect in hindsight will appear to be nothing more than irrational inconsistency.

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

	<i>Year to December 31, 01</i>	<i>June 30, 01 to December 31, 01</i>	<i>September 30, 01 to December 31, 01</i>	<i>Month of December 31, 01</i>
North Growth US Equity Fund \$CDN	12.86%	6.99%	12.17%	4.26%
North Growth US Equity Fund \$US	6.24%	1.69%	11.16%	2.95%
S&P 500 \$US	-11.89%	-5.56%	10.69%	0.88%
S&P 400 MidCap \$US	-0.60%	-1.56%	17.99%	5.16%
Russell 2000 \$US	2.60%	-3.94%	21.11%	6.18%
NASDAQ Composite \$US	-20.82%	-9.62%	30.23%	1.06%

PERFORMANCE COMPARISONS: LONG-TERM

	1 Year	3 Years	5 Years	9 Years
North Growth US Equity Fund \$CDN	12.86%	20.16%	18.95%	18.06%
North Growth US Equity Fund \$US	6.24%	18.63%	15.42%	15.14%
S&P 500 \$US	-11.89%	-1.02%	10.69%	13.52%
S&P 400 MidCap \$US	-0.60%	10.23%	16.09%	15.34%
Russell 2000 \$US*	2.60%	6.53%	7.63%	9.21%
NASDAQ Composite \$US*	-20.82%	-3.57%	8.95%	12.47%

Source: Bloomberg "Total Return Analysis" as of December 31, 2001.

** The nine year average for these indices is a Simple Price Index
because total return data is not available on Bloomberg.*

RETURN SINCE INCEPTION (ANNUALIZED), OCT. 13, 1992 - DEC. 31, 2001 **19.82 %**

NAVPS: DECEMBER 31ST/01 **\$ 21.7845** **CDN PRE-DISTRIBUTION**
\$ 19.1964 **CDN POST-DISTRIBUTION**

TOTAL ASSETS IN FUND **\$ 101.25** **MILLION CDN**

CANADIAN MONEY MARKET FUND
NET CURRENT YIELD AS OF DECEMBER 31, 2001:

1.97%

PORTFOLIO HOLDINGS*As of December 31, 2001*

Chesapeake Energy Corp	4.91
St Jude Medical	4.20
Nextel Communications Inc	4.08
Universal Health Services Cl B	3.63
Watson Pharmaceuticals	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
Ocular Sciences	2.15
Sunrise	1.99
Timberland	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
Synopsys Inc	1.19
Jacobs Engineering	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
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
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
Sun Microsystems Inc	0.21
Devon Energy Corp	0.20
Vishay	0.15
City National Corp	0.13
American Power Conversion	0.10
BJ Services	0.08
Total Equities	63.14
Cash and Short Term Notes	<u>36.86</u>
TOTAL ASSETS	100.00%