JANUARY MONTHLY REPORT

February 5, 2002

The US equity markets started 2002 by surging for the first few days. The strong start fizzled by the second week into a very volatile downward trend. For the full month of January all of the major US indices were down modestly, led by the S&P 500 which was down by approximately 1.5%. The North Growth US Equity fell 2.7% in US dollars for the month, lagging the S&P 500 by just over 1.2%.

January is a very busy reporting period for corporate fourth quarter earnings. The fourth quarter earnings reported so far have been very weak -- not absolutely terrible just very weak. Standard and Poors now expects with a high degree of certainty that operating earnings for the S&P 500 during the fourth quarter of 2001 will be down approximately 21% versus the previous year. The good news is that this dismal earnings performance was "better than expected"– by some estimates over 60% of the earnings reported beat expectations. The bad news is that earnings only beat expectations because expectations had been drastically slashed at the last moment. This reason for beating expectations probably weakens the relationship between positive earnings surprises and positive stock price performance, especially when near term estimates do not accurately reflect the high degree of earnings optimism embedded into 2002 estimates. For the third year in a row Wall Street analysts are expecting a very strong second half to offset weak earnings in the first half – I hope they get it right this time.

In contrast to the overall weak earnings picture for the S&P 500 index and the NASDAQ Composite index, the six companies in the top ten holdings of the North Growth US Equity Fund that have already reported all delivered very solid earnings growth for the fourth quarter and the year. Of the remaining four in our top ten holdings that have yet to report we expect two to report earnings growth, one to report strong cash flow growth and continuing losses and one to report lower earnings. We expect that companies representing approximately 60% of our invested position will report positive earnings growth during the fourth quarter and we believe that most of the portfolio's holdings are positioned to deliver superior earnings growth over the next few years. Although our companies are exhibiting superior earnings performance, our portfolio has a significantly lower valuation than the market. This is growth at a reasonable price.

During January we were quite active in the portfolio. Those of you who follow our portfolio closely will notice that there have been many changes in the weights of individual holdings. We added significantly to a number of positions, with three of our smaller positions now amongst our top ten holdings: Citrix (software), Sunrise Assisted Living (healthcare), and Jacobs Engineering. We also sold down some or all of our positions in names where we believe the share prices are now starting to fully recognize their growth potential. Two names that we exited completely due to valuation concerns despite solid earnings performance were Pier 1 Imports and Dentsply International. We also continue to manage our weighting in one of our best performers, St. Jude Medical. The net effect of all these changes was that we reduced our cash by almost 3% bringing our cash position down to 34%.

Going forward in 2002 the market's attention will be focused on the economy and the potential for an economic recovery. On January 30th the Federal Reserve Open Market Committee (FOMC) decided to hold the federal funds rate steady at 1.75%. The FOMC is reacting to a series of better economic indicators which point to a stabilization of the US economy. During the month there was a great deal of speculation as to the intended meaning of two speeches given by Mr. Greenspan. With the benefit of hindsight and having read both speeches and the minutes to the December 11th, 2001 FOMC meeting, it is clear that Mr. Greenspan's intent was to signal that the easing cycle was approaching its conclusion. The confusion regarding both these speeches, which were almost identical in content if not in "phraseology", was that although Greenspan was signaling that the end to this easing cycle was near, he was also articulating his concerns that many economists (the market) are predicting "a far more rapid snap-back than I (Greenspan), frankly, think is likely to happen".

In his speeches Greenspan said that we **could** see a significant uptick in income and spending from "the inevitable cessation of inventory liquidation" but that any such uptick **would** be short-lived unless "sustained growth of final demand kicks in before the positive effects from the swing from inventory liquidation to accumulation dissipate". He then went on to articulate a number of positives and negatives that might influence household spending. Two risks that are emphasized, and which we believe are likely the most significant risks to the economy, are: the potential adverse effect on consumer confidence and spending of an additional deterioration in the labour markets; and, the vulnerability of current stock market valuations should forecasts of a robust rebound in earnings fail to materialize.

I will venture another risk that is far fetched but worth noting: the apparent deterioration of relations between Saudi Arabia and the United States. Should any significant diplomatic rift develop between these two nations it is likely to have a destabilizing effect on the Global Economy.

As of February 1, 2002 the S&P 500 was trading at over 60 times trailing twelve months reported earnings as calculated by Bloomberg Data. This is an unprecedented level that dwarfs anything in history. It implies a very high degree of confidence in a rebound in earnings. I have not heard anything concrete from any management team to support this level of confidence.

Obviously now is a very important time to focus on growth at a reasonable price.

Yours truly,

Rory 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 Erica Lau at erica@northgrowth.com or 688-5440 ext.3.

Performance Comparisons: Short-Term

	July 31, 01 to January 31, 02	*October 31, 01 to January 31, 02*	*Month of January 31, 02*
North Growth US Equity Fund $CDN	**1.60%**	**3.32%**	**-3.04%**
North Growth US Equity Fund $US	**-1.90%**	**3.41%**	**-2.70%**
S&P 500 $US	-6.01%	7.03%	-1.46%
S&P 400 MidCap $US	-0.58%	12.41%	-0.51%
Russell 2000 $US	0.36%	13.22%	-1.03%
NASDAQ Composite $US	-4.44%	14.52%	-0.82%

Performance Comparisons: Long-Term

	1 Year	3 Years	5 Years	9 Years
North Growth US Equity Fund $CDN	**7.97%**	**17.25%**	**17.68%**	**17.29%**
North Growth US Equity Fund $US	**1.96%**	**15.36%**	**13.88%**	**14.38%**
S&P 500 $US	-16.13%	-2.84%	9.04%	13.23%
S&P 400 MidCap $US	-3.26%	11.48%	15.13%	15.11%
Russell 2000 $US*	-3.46%	5.70%	6.99%	8.68%
NASDAQ Composite $US*	-30.02%	-8.01%	7.33%	12.00%

Source: Bloomberg "Total Return Analysis" as of January 31, 2002.
** 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 - Jan. 31, 2002 **19.23%**

NAVPS: January 31st/02 **$ 18.61** cdn

Total Assets in Fund **$ 102.55** million cdn

Canadian Money Market Fund
Net Current Yield as of January 31, 2002:

1.80%

Portfolio Holdings

As of January 31, 2002

Nextel Communications Inc	4.40
Chesapeake Energy Corp	4.31
Universal Health Services Cl B	3.82
Manor Care Inc	3.77
Safeway Inc	3.66
Citrix Systems Inc	3.28
St Jude Medical	3.24
Watson Pharmaceuticals	3.17
Sunrise	2.96
Jacobs Engineering	2.91
Transocean Sedco Forex	2.75
Clayton Homes Inc	2.45
Wellpoint Health Networks	2.38
Ocular Sciences	2.36
Timberland	1.94
Jones Apparel Group Inc	1.51
Dominion Resources Inc	1.29
Maverick Tube Corp	1.09
Synopsys Inc	1.03
Scientifica-Atlanta Inc	1.02
Sigma-Aldrich	1.01
Biogen Inc	0.98
Checkpoint Systems	0.96
Biomet Inc	0.94
Precision Castparts	0.86
Federal Signal Corp	0.83
Cardinal Health Inc	0.79
Snap-On Inc	0.73
LSI Logic	0.73
Schnitzer Steel	0.71
Mohawk Industries	0.65
Johnson & Johnson	0.53
Adobe Systems	0.47
Cable Design Technologies	0.35
Darden Restaurants Inc	0.34
Brinker International Inc	0.30
TJX Companies	0.29
InFocus	0.28
Devon Energy Corp	0.19
Stone Energy Corp	0.19
Sun Microsystems Inc	0.18
G & K Services	0.16
Vishay	0.14
City National Corp	0.14
American Power Conversion	0.10
BJ Services	0.07
Total Equities	**66.26**
Cash and Short Term Notes	**33.74**
TOTAL ASSETS	**100.00%**

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