



# MAY MONTHLY REPORT

*June 5, 2002*

In contrast to their strong relative returns in April, both the S&P 400 MidCap and Russell 2000 indices underperformed the broad S&P 500 index in May. The North Growth US Equity Fund declined 1.26% in US dollars, beating both the mid-cap and small-cap indices, but lagging the -0.74% S&P 500 return by 0.52%. The domestic currency continued to strengthen against the US dollar during the month; thus the Fund declined 3.81% in Canadian dollars.

In recent reports, we have explained why we believe the economic recovery will remain erratic over the near term. At such times, fears of the economy stalling out tend to surface. This is a typical pattern of thought in the early stages of an economic expansion. Much more important is the fact that many things came together over the past 18 months to set the stage for a new period of economic growth.

The market anticipates the improving economy before earnings in general start to improve. This, too, can add to fear and confusion early in a new bull market.

Both of these facts occur cycle after cycle. In a perverse way, they confirm the new cycle. The thing that is different this cycle is the high level of stock valuations relative to earnings. We believe that this will not prevent a bull market from continuing to develop, but will contribute to the development of a very selective market. Furthermore, the discrepancy between the valuations of small- and large-cap stocks is narrowing. Even more than usual, successful investing is going to depend on selection of individual stocks based on company fundamentals and valuations levels.

The good news is that this type of stock picking is the way we like to operate. We have been finding more interesting investments and our purchases have been higher than our sales. This resulted in our cash buying reserve coming down from the 32% level to 26% during the month.

In addition, we have made a significant move to consolidate the portfolio to stress the holdings that we believe have the best appreciation potential. The number of stocks held in the portfolio was reduced from 50 to 39.

While we continue to believe that valuation levels of the broad equity market are high, we are becoming more constructive on individual stock names that fit our "growth at a reasonable price" criteria. Stock selection remains the focus.

Yours truly,

A handwritten signature in black ink that reads "Rudy North". The signature is written in a cursive, flowing style.

Rudy North

## PERFORMANCE COMPARISONS: SHORT-TERM

	Year to May 31, 02	November 30, 01 to May 31, 02	February 28, 02 to May 31, 02	Month of May 02
North Growth US Equity Fund \$CDN	-3.67%	0.43%	0.84%	-3.81%
North Growth US Equity Fund \$US	0.42%	3.38%	5.72%	-1.26%
S&P 500 \$US	-6.50%	-5.68%	-3.25%	-0.74%
S&P 400 MidCap \$US	4.44%	9.83%	4.85%	-1.69%
Russell 2000 \$US	0.29%	6.49%	4.19%	-4.44%
NASDAQ Composite \$US	-17.04%	-16.16%	-6.60%	-4.27%

## PERFORMANCE COMPARISONS: LONG-TERM

	1 Year	3 Years	5 Years	9 Years
North Growth US Equity Fund \$CDN	0.52%	18.65%	14.84%	17.49%
North Growth US Equity Fund \$US	1.21%	17.22%	12.49%	15.11%
S&P 500 \$US	-13.84%	-5.21%	6.13%	12.12%
S&P 400 MidCap \$US	2.40%	11.30%	14.91%	15.25%
Russell 2000 \$US*	-0.34%	5.06%	6.51%	8.58%
NASDAQ Composite \$US*	-23.18%	-12.95%	3.23%	9.72%

Source: Bloomberg "Total Return Analysis" as of May 31, 2002.

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

RETURN SINCE INCEPTION (ANNUALIZED), OCT. 13, 1992 - MAY 31, 2002

18.43%

NAVPS: MAY 31/02 \$ 18.49 CDN

TOTAL ASSETS IN FUND \$ 109.54 MILLION CDN

## CANADIAN MONEY MARKET FUND

NET CURRENT YIELD AS OF MAY 31, 2002:

2.09%

**PORTFOLIO HOLDINGS***As of May 31, 2002*

Sunrise Assisted Living Inc	4.99
Chesapeake Energy Corp	4.95
Nextel Communications Inc Cl A	4.57
Universal Health Services Cl B	4.08
Ocular Sciences Inc	3.85
Manor Care Inc	3.62
Citrix Systems Inc	3.56
Watson Pharmaceuticals Inc	3.44
Safeway Inc	3.31
Jacobs Engineering Group Inc	3.15
St Jude Medical Inc	3.11
Wellpoint Health Networks	2.50
Clayton Homes Inc	2.32
Biogen Inc	2.09
Borland Software Corp	2.04
American Greetings Corp Cl A	1.85
Timberland Co Cl A	1.76
LSI Logic Corp	1.50
Dionex Corp	1.50
Mettler-Toledo International Inc	1.50
Transocean Inc	1.17
Diamond Offshore Drilling Inc	1.08
Toys "R" Us Inc	1.07
Bristol-Myers Squibb Co	1.04
Sun Microsystems Inc	1.01
Apple Computer Inc	0.98
Synopsys Inc	0.90
Checkpoint Systems Inc	0.84
Jones Apparel Group Inc	0.82
Columbia Sportswear Co	0.77
Schnitzer Steel Industries Cl A	0.75
Biomet Inc	0.74
Cardinal Health Inc	0.71
Scientific-Atlanta Inc	0.68
Maverick Tube Corp	0.67
Devon Energy Corp	0.24
Stone Energy Corp	0.21
American Power Conversion Corp	0.09
BJ Services Co	<u>0.08</u>
<b>Total Equities</b>	<b>73.54</b>
<b>Cash and Short Term Notes</b>	<b><u>26.46</u></b>
<b>TOTAL ASSETS</b>	<b>100.00%</b>