



# JULY MONTHLY REPORT

*August 2, 2002*

Equity markets suffered again in July, with monthly losses for the main US indices ranging from minus 7.8% for the S&P 500 to minus 15.1% for the small capitalization Russell 2000. In this difficult environment the North Growth US Equity Fund performed very well, falling by only 2.6% in US dollar terms. The weak Canadian dollar resulted in a +1.7% Canadian dollar monthly return for the Fund. Year to date, the Fund is down 11.2% in US dollar terms, outperforming the Nasdaq Composite by 20.6%, the S&P 500 by 8.8%, the Russell 2000 by 7.9% and the mid cap S&P 400 by 1.4%.

Macro economic forecasting is a somewhat futile endeavour. We are not aware of any economist who has consistently made accurate calls on the direction of the economy. As a result, we commonly do not know what stage of the economic cycle we are at until well after the fact. A great example of this came from the July 31 release of revised figures for GDP during 2001. While previously released data indicated that we had not experienced a recession as defined by 2 consecutive quarters of GDP contraction, the revised data showed that in fact the US economy contracted during the first, second, and third quarters of 2001 – so yes, it was a recession.

Investors are finding the current economic developments confusing. Some economic indicators are hinting towards a further deterioration, the now famous “double-dip”, while others are pointing towards continued growth. Rudy assures us that these types of cross currents are always the case at the beginning of a new economic expansion. The most recent example of which was the widespread concern regarding the jobless recovery following the early 1990s recession, which turned out to be the start of the longest economic expansion in history.

Earlier in the year we were more concerned about a “double dip”, caused by lower consumer spending due to increasing unemployment levels. However, recently new layoff announcements have declined substantially and weekly new unemployment claims have stabilized at a level consistent with moderate economic expansion. Although there are still a number of risk factors that could derail the current recovery, we now believe the balance is tilted towards economic expansion.

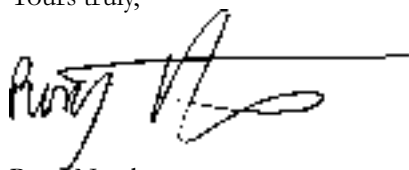
After a few difficult years of deteriorating profitability, corporate America is running lean. Managements have been taking costs out of their businesses to drive efficiencies in order to maximize profitability in the faces of weak demand. As a result of these restructuring activities we believe there is significant operating leverage, which should drive reasonable earnings growth even on fairly anaemic top line growth. Most of the public companies in the US have already reported second quarter earnings results and we have already seen an improvement in earnings trends. A continuation of this trend should translate into increased corporate spending which is ultimately needed to see a sustainable economic recovery from this point.

The strong relative performance of the Fund this month was encouraging for the North Growth Management investment team for two main reasons. First, since early 1999 the Fund's performance during periods of significant market weakness was aided by substantial cash reserves of over 20% and at one point over 40%. Now, with cash at normalized operating levels of below 10%, the performance is more dependent on our main focus – stock selection. Second, during the month the small and mid capitalization indices were the worst performers, and despite the fact that the fund has over 75% of its assets invested in small and mid capitalization stocks, we managed to outperform the S&P 500 – again, we believe due to stock selection.

During the month we continued to find attractive “growth at a reasonable price” investment opportunities. By the end of the month, the Fund's cash balance was 8.1%, down from 19.5% at the end of June. Net Unitholder purchases for July were approximately \$3.3 million, indicating that the decrease in cash as a percentage of assets was entirely due to investment decisions. While we still may not have seen an end to this bear market, our recent investment actions *should* be interpreted as table pounding! The market could go down further but we believe there are currently very good investment opportunities for long term investors.

Our focus as always will be applying our “growth at a reasonable price” philosophy to stock selection for long term growth.

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](http://globefund.com) and [morningstar.ca](http://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](mailto:erica@northgrowth.com) or 688-5440.

**PERFORMANCE COMPARISONS: SHORT-TERM**

	<i>Year to July 31, 02</i>	<i>January 31, 01 to July 31, 02</i>	<i>April 30, 02 to July 31, 02</i>	<i>Month of July 02</i>
<b>North Growth US Equity Fund \$CDN</b>	<b>-11.73%</b>	<b>-8.96%</b>	<b>-11.86%</b>	<b>1.69%</b>
<b>North Growth US Equity Fund \$US</b>	<b>-11.18%</b>	<b>-8.71%</b>	<b>-12.66%</b>	<b>-2.59%</b>
S&P 500 \$US	-19.93%	-18.74%	-14.99%	-7.80%
S&P 400 MidCap \$US	-12.58%	-12.13%	-17.71%	-9.69%
Russell 2000 \$US	-19.09%	-18.24%	-22.90%	-15.10%
NASDAQ Composite \$US	-31.76%	-31.20%	-21.25%	-9.20%

**PERFORMANCE COMPARISONS: LONG-TERM**

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>9 Years</b>
<b>North Growth US Equity Fund \$CDN</b>	<b>-7.5%</b>	<b>12.6%</b>	<b>11.0%</b>	<b>16.4%</b>
<b>North Growth US Equity Fund \$US</b>	<b>-10.5%</b>	<b>10.8%</b>	<b>8.0%</b>	<b>13.8%</b>
S&P 500 \$US	-23.6%	-10.6%	0.4%	10.2%
S&P 400 MidCap \$US	-12.6%	3.8%	8.2%	13.0%
Russell 2000 \$US*	-17.9%	-2.7%	0.3%	5.8%
NASDAQ Composite \$US*	-34.2%	-20.2%	-3.3%	7.3%

*Source: Bloomberg "Total Return Analysis" as of July 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 - JULY 31, 2002**

**17.04 %**

**NAVPS: JULY 31/02 \$ 16.94 CDN**

**TOTAL ASSETS IN FUND \$ 105.29 MILLION CDN**

**CANADIAN MONEY MARKET FUND**

**NET CURRENT YIELD AS OF JULY 31, 2002:**

**2.48%**

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

Nextel Communications Inc Cl A	8.90
Chesapeake Energy	5.05
Ocular Sciences Inc	4.66
Sunrise Assisted Living Inc	4.65
Universal Health Services Cl B	4.19
St Jude Medical Inc	3.93
Jacobs Engineering Group Inc	3.65
Manor Care Inc	3.32
Citrix Systems Inc	3.22
LSI Logic Corp	3.17
King Pharmaceuticals	3.12
Safeway Inc	2.65
Wellpoint Health Networks Cl A	2.60
Borland Software Corp	2.57
Diamond Offshore Drilling Inc	2.55
Clayton Homes Inc	2.43
Apple Computer Inc	2.41
Cardinal Health Inc	2.40
Bristol-Myers Squibb Co	2.15
Timberland Co Cl A	2.14
American Greetings Corp Cl A	2.01
Dionex Corp	1.92
Biogen Inc	1.89
Trinity Industries	1.79
Columbia Sportswear Co	1.61
Pier 1 Imports	1.48
Biomet Inc	1.44
Mohawk Industries	1.07
Mettler-Toledo International Inc	1.07
Sun Microsystems	1.05
Toys "R" Us Inc	1.05
3 Com	0.99
Checkpoint Systems Inc	0.97
Schnitzer Steel Industries Cl A	0.87
Synopsys Inc	0.82
Maverick Tube	0.80
Jones Apparel Group Inc	0.75
Devon Energy Corp	0.21
Stone Energy Corp	0.18
American Power Conversion Corp	0.07
BJ Services Co	<u>0.07</u>
<b>Total Equities</b>	<b>91.87</b>
<b>Cash and Short Term Notes</b>	<b><u>8.13</u></b>
<b>TOTAL ASSETS</b>	<b>100.00%</b>