



AUGUST MONTHLY REPORT

September 4, 2002

Following a very weak July, the broad US equity market rebounded modestly in August, with the S&P 500 Index up 0.66% and the S&P 400 Midcap up 0.50%. Conversely, small-cap and technology stocks continued to slide, as the Russell 2000 and NASDAQ Composite declined -0.26% and -0.98% respectively. The North Growth US Equity Fund performed extremely well in August; its monthly return of 4.24% in US dollars (2.66% in Canadian dollars) significantly exceeded the monthly returns of all the indices we follow. The Fund's year-to-date performance is equally as outstanding – as of August 31st, it outperformed the S&P 500 by 12%.

The Fund's cash level at the end of August was as low as it normally gets when we feel investment opportunities are particularly good. Based on our stock selection work, we are currently finding new investments that we feel have particularly strong growth potential. This is the reverse of the process that built our cash to levels of over 30% back in 2000 when the market was overpriced and vulnerable. Our views on the outlook for the portfolio and the market as a whole will not be changed by whether the next month sees the market rise 10% or sell off 10%. The important point that will most affect the performance of the Fund over the next few years is that it owns stocks with good earnings prospects that are selling at reasonable prices.

The current media obsession about the short-term direction of the market is missing the point that the bear market has created the type of buying opportunities that have historically been very rewarding.

Another veteran investment manager recently reminded me of one of the most consistent observations of investor attitudes that can be witnessed around the bottom of bear markets. Simply stated it is: "When it is time to buy you won't want to". All indicators are that investors who have been waiting to buy now have decided they no longer want to. This is in stark contrast to last October when investors were eager to mop up fallen stocks so they could participate in a new bull market. It seems that it is human nature to want to buy when stock prices have been going up for some time and to want to sell, or not buy, after prices have been going down for some time; unfortunately this conflicts with the investment truism "buy low, sell high". Due to current market volatility and an uncertain economic environment, many investors are likely to miss a good investment opportunity. To those investors we can only say that second guessing their pessimistic emotions may well be the appropriate course of action at this time.

These observations probably direct too much attention to market timing as opposed to the real determinant of investment success which is stock selection. However, since stock selection has got us back into the market, we don't mind seeing the type of investor sentiment that we have witnessed at the bottom of past bear markets.

The North Growth US Equity Fund has performed very well during the past 2 ½ years of bear market. The portfolio continues to perform well relative to the market. Fortunately, the characteristics of the stocks we currently hold normally also provide excellent relative performance in the early stages of a new bull market.

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

PERFORMANCE COMPARISONS: SHORT-TERM

	Year to August 31, 02	February 28, 02 to August 31, 02	May 31, 02 to August 31, 02	Month of August 02
North Growth US Equity Fund \$CDN	-9.39%	-5.14%	-5.93%	2.66%
North Growth US Equity Fund \$US	-7.41%	-2.51%	-7.79%	4.24%
S&P 500 \$US	-19.40%	-16.60%	-13.80%	0.66%
S&P 400 MidCap \$US	-12.14%	-11.80%	-15.88%	0.50%
Russell 2000 \$US	-19.30%	-16.16%	-19.53%	-0.26%
NASDAQ Composite \$US	-32.42%	-23.92%	-18.54%	-0.98%

PERFORMANCE COMPARISONS: LONG-TERM

	1 Year	3 Years	5 Years	9 Years
North Growth US Equity Fund \$CDN	-2.99%	15.16%	11.08%	15.97%
North Growth US Equity Fund \$US	-3.48%	13.50%	8.53%	13.83%
S&P 500 \$US	-18.03%	-10.31%	1.74%	9.85%
S&P 400 MidCap \$US	-9.26%	5.23%	8.36%	12.52%
Russell 2000 \$US*	-15.44%	-1.57%	-0.22%	5.27%
NASDAQ Composite \$US*	-26.97%	-21.49%	-3.39%	6.55%

Source: Bloomberg "Total Return Analysis" as of August 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 - AUGUST 31, 2002

17.20%

NAVPS: AUGUST 31/02 \$ 17.39 CDN

TOTAL ASSETS IN FUND \$ 109.40 MILLION CDN

CANADIAN MONEY MARKET FUND

NET CURRENT YIELD AS OF AUGUST 31, 2002:

2.57%

PORTFOLIO HOLDINGS*As of August 31, 2002*

Nextel Communications Inc Cl A	9.58
Chesapeake Energy Corp	5.19
Sunrise Assisted Living Inc	4.43
Ocular Sciences Inc	3.88
Universal Health Services Cl B	3.84
St Jude Medical Inc	3.65
Citrix Systems Inc	3.49
Jacobs Engineering Group Inc	3.37
Manor Care Inc	3.35
King Pharmaceuticals Inc	2.98
LSI Logic Corp	2.83
Borland Software Corp	2.79
Clayton Homes Inc	2.73
Cardinal Health Inc	2.56
Wellpoint Health Networks Cl A	2.56
Toys "R" Us Inc	2.31
Diamond Offshore Drilling Inc	2.30
Apple Computer Inc	2.21
Bristol-Myers Squibb Co	2.17
Pier 1 Imports Inc	2.15
Timberland Co Cl A	2.02
American Greetings Corp Cl A	1.98
Dionex Corp	1.95
Trinity Industries	1.69
Biogen Inc	1.67
Columbia Sportswear Co	1.58
American Power Conversion Corp	1.56
Biomet Inc	1.41
Checkpoint Systems Inc	1.22
Mohawk Industries Inc	1.06
Michaels Stores Inc	1.06
Mettler-Toledo International Inc	1.05
3Com Corp	1.03
Home Depot Inc	1.00
Plantronics Inc	0.94
Sun Microsystems Inc	0.94
Maverick Tube Corp	0.82
Synopsys Inc	0.79
Jones Apparel Group Inc	0.76
Schnitzer Steel Industries Cl A	0.72
Devon Energy Corp	0.22
Stone Energy Corp	0.17
BJ Services Co	<u>0.07</u>
Total Equities	94.08
Cash and Short Term Notes	<u>5.92</u>
TOTAL ASSETS	100.00%