

# DECEMBER MONTHLY REPORT

*January 8, 2003*

2002 ended with a whimper, fitting for what turned out to be one of the worst years for equities in history. In December, all of the major indices fell, led by a 9.65% drop for the NASDAQ Composite and followed by a 5.87% drop for the S&P 500. The North Growth US Equity Fund performed quite well relatively to the S&P 500 for the first half of the month but gave up a bit of its relative performance during the latter half, resulting in a -7.69% performance for the month. Unfortunately, the weak December resulted in the North Growth US Equity Fund posting a -1.06% return for the year. We shouldn't be too upset with these results as they compare to -22.10% for the S&P 500 and -31.26% for the NASDAQ Composite, but it was still disappointing to slip into negative territory again during the last 3 days of the year.

The North Growth US Equity Fund paid out a very small capital gain distribution of C\$ 0.1361 per unit (equivalent to US\$ 0.0872 per unit) on December 13<sup>th</sup>. The distribution, which equalled 0.71% of the pre-distribution unit price, is small enough to be insignificant to our unitholders' after-tax returns. For example, if you had C\$100,000 invested in the Fund on the distribution date you would have received a distribution of C\$706 which at the top marginal tax rate creates a tax liability of C\$177. Given that this distribution will have no meaningful impact on our unitholders' after tax returns we will not spend any more time discussing it here. Going forward the North Growth US Equity Fund will make its annual distribution on December 15<sup>th</sup> of each year or the preceding Friday if December 15<sup>th</sup> falls on a weekend.

We continue to reiterate our opinion that **Now is the Time to Buy Equities!** We also believe that, for those of you already fully committed to equities, now is also a good time to re-evaluate the performance of your investments. Currently, we believe the five year historical returns are particularly informative. The current five year record consists of two years of exceptionally strong markets (1998 and 1999) followed by three down years. Accordingly, the current five year historical results provide good insight into full cycle average annual investment returns. Achieving good average returns after being through both bull and bear markets will be an important contributor to achieving superior investment results over the long term.

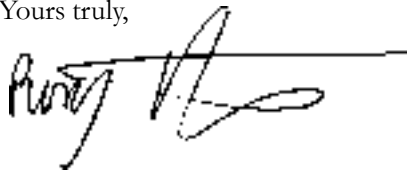
We encourage investors to take the time to critically evaluate their equity returns either in mutual funds or in brokerage accounts over the last five years. When evaluating a brokerage account that invests directly in equities, it is important to look at the overall returns of the account, not the specific returns of any individual equity. All an investor has to do to get their total average return for their brokerage account is to ask their broker to provide them with the information. We think investors should use this five year performance information to help determine how they allocate their investments between the various funds and/or brokerage accounts. Does it make sense have a large proportion of your investments in a poorly performing investment and a small proportion in a well performing investment?

The popular media and many sell side analysts currently have a negative near term outlook on the market because they appear to be focusing on two main macro themes: war and consumer spending. The impact of war with Iraq on the US economy is difficult to gage. Historically, wars have been a short term negative for the market but have had little impact on long term results. Recently there has been a fair bit of concern about the weaker than expected sales growth during the Christmas selling season. A substantial decrease in consumer spending would be something significant to worry about, but slower than expected sales growth is probably little more than economic noise. The biggest risk to consumer spending has been the potential for an acceleration in layoffs; however, during the later part of 2002 layoff announcements decreased substantially. We believe that too much negative emphasis is being put on these short term issues, providing a good window of opportunity for long term investors to take advantage of attractively priced equities with solid long term growth potential.

We are focusing on the longer term potential for significant earnings growth that should result from modest revenue increases due to improved operating leverage after over two years of cost cutting. We believe that the very significant amounts of both monetary and fiscal stimulus being injected into the US economy should be sufficient to generate the levels of revenue growth needed to drive earnings growth and a renewed cycle of corporate capital spending. At the beginning of each year since 2000, Wall Street analysts have been far too optimistic in forecasting a substantial increase in second half profits. We now think there is a good chance that, after being overly optimistic for three years in a row, these analysts have now become overly pessimistic for the outlook for earnings growth during 2003, and upside earnings surprises are almost always positive for equity prices.

The Fund ended December with increased cash balances of 3.7% (versus less than 1% at the end of November) due to some client transactions late in the month. We continue to see good opportunities to buy attractively valued stocks and fully expect the cash to be deployed rapidly in the new year.

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 visit [www.northgrowth.com](http://www.northgrowth.com).

**PERFORMANCE COMPARISONS: SHORT-TERM**

	<i>Year to December 31, 02</i>	<i>Six months to December 31, 02</i>	<i>Three months to December 31, 02</i>	<i>Month of December 02</i>
<b>North Growth US Equity Fund \$CDN</b>	<b>-2.01%</b>	<b>12.90%</b>	<b>13.26%</b>	<b>-6.95%</b>
<b>North Growth US Equity Fund \$US</b>	<b>-1.06%</b>	<b>8.50%</b>	<b>13.95%</b>	<b>-7.69%</b>
S&P 500 \$US	-22.10%	-10.30%	8.44%	-5.87%
S&P 400 MidCap \$US	-14.51%	-11.68%	5.83%	-4.11%
Russell 2000 \$US	-20.48%	-16.56%	6.16%	-5.56%
NASDAQ Composite \$US	-31.26%	-8.54%	14.07%	-9.65%

**PERFORMANCE COMPARISONS: LONG-TERM**

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
<b>North Growth US Equity Fund \$CDN</b>	<b>-2.01%</b>	<b>16.61%</b>	<b>12.56%</b>	<b>15.88%</b>
<b>North Growth US Equity Fund \$US</b>	<b>-1.06%</b>	<b>13.20%</b>	<b>10.38%</b>	<b>13.40%</b>
S&P 500 \$US	-22.10%	-14.53%	-0.58%	9.33%
S&P 400 MidCap \$US	-14.51%	-0.05%	6.40%	11.94%
Russell 2000 \$US*	-20.48%	-7.46%	-1.23%	5.65%
NASDAQ Composite \$US*	-31.26%	-30.79%	-2.88%	7.03%

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

*\* The ten 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 - DECEMBER 31, 2002** **17.49%**

**NAVPS: DECEMBER 31/02** **\$ 18.68** **CDN**

**TOTAL ASSETS IN FUND** **\$ 125.93** **MILLION CDN**

**CANADIAN MONEY MARKET FUND**

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

**2.52%**