

FEBRUARY MONTHLY REPORT

March 7, 2003

Following their weakness in January, the major US markets, with the exception of the NASDAQ, posted another month of negative returns in February. The North Growth US Equity Fund declined -0.82% during the month, outperforming the S&P 500 Index's -1.50% return by 0.68%. The Canadian dollar continued to appreciate strongly against the US dollar in February, resulting in the Fund's -3.26% decline in Canadian dollars for the month.

The US economy can aptly be described as grinding along. Recovery from the depths of the economic slowdown in the 3rd quarter of 2001 has been slow. This isn't that unusual; a slow start to a new economic recovery does not mean that the recovery will abort, nor does it mean that the entire cycle will be weak, shorter than average or longer than average. Incidentally, as many readers will remember, the 1991-92 period, which was the beginning of the great economic expansion of the 1990's, was slow with the main measures of growth recording a pattern almost identical to what is emerging today. That period was also held back by the invasion of Kuwait and the response to Desert Storm. Even the most positive long-term investor gets worn down at such times.

Last month, we stated that "we believe a significant portion of the downside often associated with the beginning of a large scale military conflict has already occurred." In the short-term, the more the market falls because of the uncertainties and emotions associated with the Iraq situation, the greater the opportunity for investors to make advantageous equity purchases for the long-term. Obviously, none of us wishes for an even weaker market under these circumstances, but if that is what develops it should be recognized for what it is – a time to buy equities.

In recent months, we have discussed all of the favourable factors that are setting the stage for a cyclical recovery. None of this has changed. Monetary policy has been, and will continue to be, positive, fiscal policy is stimulative, inventories are low, companies have restructured, productivity gains continue, the prospect of operating leverage as the economy continues to recover is particularly bright, the economy and corporate earnings are growing, and, to top it all off, expectations are very low. Reiterating this positive setting when the market just seems to keep going down tends to get tiresome. Yes, it is a wearing period even for the most convinced bulls. That we feel this way is the result of normal human emotion and our tendency to be preoccupied by the short-term even though we know better – it is not logical but we cannot escape feeling deflated. These current feelings are similar to the opposite unrealistically optimistic emotions that made it so difficult to sell over-priced stocks when they were trading at record high price/earnings multiples of over-extended earnings during the first half of 2000.

Our discussion of the logic supporting a new bull market and the importance for long-term investors to be fully invested in equities is presented in much greater detail in our soon-to-be-released annual report. The repetition might be boring but the outlook is exciting.

The market has been extremely punishing to investors who owned over-priced stocks. That is history. Projecting the market experience of the past three years into the future is the most fundamental mistake that an investor could make at this time. It might sound arrogant, but the general gloom and doom regarding equity investment that dominates the mass media commentary today is typical for the beginning of a new bull market. It is overwhelmingly the closest to a confirmation of the bottom of a bear market that you will ever experience. It is completely at odds with the fundamental factors which drive new bull markets. Such a strange contradiction of emotion versus logic might intuitively be unsettling, but from an empirical point of view, it is what successful long-term investors recognize as a sign that a new bull market is developing.

The first half of a new bull market is a period when our “growth at a reasonable price” investment philosophy has historically produced our strongest absolute growth rates. It is time to be fully invested and highly focused on stock selection.

As a reminder, effective April 1, 2003, the minimum **initial** investment in the North Growth US Equity Fund will be increased to C\$250,000. This change has no effect on existing unitholders – the minimum subsequent purchase remains \$10,000.

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 visit www.northgrowth.com.

PERFORMANCE COMPARISONS: SHORT-TERM

	<i>Year to February 28, 03</i>	<i>Six months to February 28, 03</i>	<i>Three months to February 28, 03</i>	<i>Month of February 03</i>
North Growth US Equity Fund \$CDN	-7.66%	-0.14%	-14.08%	-3.26%
North Growth US Equity Fund \$US	-1.84%	4.89%	-9.39%	-0.82%
S&P 500 \$US	-4.08%	-7.29%	-9.72%	-1.50%
S&P 400 MidCap \$US	-5.23%	-7.79%	-9.13%	-2.38%
Russell 2000 \$US	-5.69%	-7.07%	-10.93%	-3.02%
NASDAQ Composite \$US	0.25%	2.01%	-9.41%	1.34%

PERFORMANCE COMPARISONS: LONG-TERM

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>
North Growth US Equity Fund \$CDN	-5.28%	12.81%	8.93%	15.17%
North Growth US Equity Fund \$US	2.25%	11.93%	8.02%	13.19%
S&P 500 \$US	-22.67%	-13.71%	-2.98%	8.64%
S&P 400 MidCap \$US	-18.67%	-3.09%	4.00%	11.35%
Russell 2000 \$US*	-22.07%	-13.29%	-3.48%	4.94%
NASDAQ Composite \$US*	-22.39%	-33.99%	-5.13%	7.14%

Source: Bloomberg "Total Return Analysis" as of March 3, 2003

** 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 - FEBRUARY 28, 2003 **16.29%**

NAVPS: FEBRUARY 28/03 **\$ 17.25** **CDN**
\$ 11.62 **US**

TOTAL ASSETS IN FUND **\$ 120.77** **MILLION CDN**

CANADIAN MONEY MARKET FUND
NET CURRENT YIELD AS OF FEBRUARY 28, 2003

2.54%