

NAIC GROWTH FUND INC  
Form N-30D  
August 28, 2002

NAIC GROWTH FUND, INC.  
2002 SEMI-ANNUAL REPORT

n-30d

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Report to Shareowners:  
June 30, 2002

The first six months of 2002 has been trying for all investors. A combination of events sent the stock market reeling. The war on terrorism lingers on along with the burst bubble of the tech stocks, a slower than anticipated recovery in the world economies and questionable accounting practices by some corporations.

Investor confidence is at a low point, with many newer investors exiting the stock market. All of this has led to a gigantic drop in stock prices. In 2001, the Dow Jones Industrial Average was down 7.1% and the S&P 500 declined 13.0%. For the first six months of this year, they have eroded further, down 7.8% and 13.7% respectively. The Nasdaq is still the hardest hit. After a fall of 21.1% in 2001, another 25.0% has been lost this year. In the first half of 2002, the NAV for the Fund is down 3.4%.

For the most part, the managers have been holding stocks, although there have been few sales earlier in the year. Positions that were eliminated included ADC Telecommunications, American Power Conversion, CenturyTel, Clayton Homes, Dana, EMC Corporation, McDonald's and Molex. The result was approximately \$655,000 in long-term gains. The managers also trimmed positions with sales of 5,000 shares of Citigroup and 5,000 shares of Household international realizing about \$550,000 in long-term capital gains.

In addition to stocks prices retreating, dividend increases in stocks held have been at a much lower rate than in past years. Yields on money market funds and T-bills are also down. As a result, the Fund had less income this year than in the past. The Board of Directors voted not to pay a semi-annual dividend. Some steps have been taken to increase the total yield on the portfolio without trying to sacrifice growth.

Thomas E. O'Hara  
Chairman

Kenneth S. Janke  
President

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NAIC Growth Fund, Inc.  
Statement of Assets and Liabilities  
As of June 30, 2002 (unaudited)

### ASSETS

Investment securities		
-at market value (cost \$8,973,010)	\$18,970,905	
Short-term investments		
-at amortized cost	3,993,993	
Cash and cash equivalents	1,071,833	
Dividends & interest receivable	41,871	
Prepaid insurance	1,550	
Prepaid fees	15,000	
		24,095,152

### LIABILITIES

Dividends payable	0	
Accounts payable	47,601	47,601
 TOTAL NET ASSETS		 \$24,047,551

### SHAREOWNERS' EQUITY

Common Stock-par value \$0.001 per share; authorized 50,000,000 shares, outstanding 2,247,006 shares	\$ 2,248	
Additional Paid-in Capital	12,922,383	
Undistributed net investment income	19,751	
Undistributed net realized gain on investments	1,105,274	
Unrealized appreciation of investments	9,997,895	

SHAREOWNERS' EQUITY	\$24,047,551
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NET ASSET VALUE PER SHARE	\$ 10.70
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See notes to financial statements

NAIC Growth Fund, Inc.  
Statement of Operations  
For the six months ended June 30, 2002 (unaudited)

### INVESTMENT INCOME

Interest	\$ 41,303
Dividends	159,333
	200,636

### EXPENSES

Advisory fees	92,594
Legal fees	24,198
Transfer agent & custodian fees	18,400
Insurance	9,300

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Audit fees	9,000	
Printing	6,255	
Other fees & expenses	5,670	
Mailing & postage	5,430	
Other Professional Services	4,000	
Annual shareowners' meeting	3,300	
Directors' fees & expenses	3,045	
Net Expenses		181,192
Net investment income		19,444

REALIZED AND UNREALIZED GAIN ON INVESTMENTS

Realized gain on investments:		
Proceeds from sale of investment securities	2,226,603	
Cost of investment securities sold	1,121,328	
Net realized gain on investments		1,105,275
Unrealized appreciation of investments:		
Unrealized appreciation at beginning of year	11,952,273	
Unrealized appreciation at end of year	9,997,895	
Net change in unrealized appreciation on investments		(1,954,378)
Net realized and unrealized loss on investments		(849,103)
NET DECREASE FROM OPERATIONS		\$ (829,659)

See notes to financial statements

NAIC Growth Fund, Inc.

Statements of Changes in Net Assets

	six months ended	year ended
	June 30, 2002	December 31, 2001

FROM OPERATIONS:

Net investment income	\$ 19,444	\$ 79,412
Net realized gain on investments	1,105,275	1,370,543
Net change in unrealized appreciation on investments	(1,954,378)	(1,854,878)
Net decrease/increase from operations	(829,659)	(404,923)

DISTRIBUTIONS TO STOCKHOLDERS FROM:

Net investment income	0	80,695
Net realized gain from investment transactions	0	1,370,543
Total distributions	0	1,451,238

FROM CAPITAL STOCK TRANSACTIONS:

Dividend reinvestment	869,088	1,607,357
Cash purchases	98,913	230,222
Net increase from capital stock		

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transactions	968,001	1,837,579
Net increase/(decrease) in net assets	138,342	(18,582)

TOTAL NET ASSETS:

Beginning of period	\$23,909,209	\$23,927,791
End of period (including undistributed net investment income of \$19,444 and \$307, respectively)	\$24,047,551	\$23,909,209

Shares:

Shares issued to common stockholders under the dividend reinvestment and cash purchase plan	88,164	158,525
Shares at beginning of year	2,158,842	2,000,317
Shares at end of year	2,247,006	2,158,842

See notes to financial statements

NAIC Growth Fund, Inc.  
Financial Highlights (a)

	six months ended					
	June 30, 2002	years ended December 31,				
	(unaudited) 2001	2000	1999	1998	1997	
Net asset value at beginning of year	\$11.08	\$11.96	\$11.22	\$10.86	\$9.56	\$7.89
Net investment income	.01	.04	.09	.08	.12	.09
Net realized and unrealized gain (loss) on investments	(.39)	(.25)	2.18	.76	1.68	1.99
Total from investment operations	(.38)	(.21)	2.27	.84	1.80	2.08
Distribution from:						
Net investment income	-	(.04)	(.09)	(.09)	(.11)	(.09)
Realized gains	-	(.63)	(1.44)	(.39)	(.39)	(.32)
Total distributions	-	(.67)	(1.53)	(.48)	(.50)	(.41)
Net asset value at end of period	\$10.70	\$11.08	\$11.96	\$11.22	\$10.86	\$9.56
Per share market value, Ask	11.05	10.75	11.00	10.25	10.75	15.25
Per share market value, Bid	10.55	10.25	10.50	10.00	10.25	14.50
Total Investment Return Annualized:						
Based on market value						
1 year	5.94%	3.70%	30.90%	2.85%	(25.42%)	58.50%
from inception	11.42%	11.66%	12.57%	10.28%	11.30%	17.84%

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Based on net asset value

1 year	(6.74%)	(1.59%)	27.27%	7.75%	18.84%	26.43%
from inception	11.55%	12.42%	13.81%	13.15%	13.79%	13.69%

Net Assets, end of year

(mil)	\$24,047.6	\$23,909.2	\$23,927.8	\$22,351.7	\$20,701.2	\$17,335.3
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Ratios to average net assets annualized:

Ratio of expenses to average net assets (b)	1.47%	1.57%	1.25%	1.00%	0.83%	0.96%
Ratio of net investment income to average net assets (b)	0.16%	0.32%	0.74%	.70%	1.13%	0.96%
Portfolio turnover rate	11.79%	1.77%	10.61%	4.20%	5.87%	6.31%

(a) All per share data for all periods has been restated to reflect the effect of a 15% stock dividend which was declared on August 18, 2000 and paid on September 29, 2000 to shareholders of record on September 18, 2000.

(b) For the years ended 2000, 1999, 1998, & 1997, the adviser voluntarily waived all or a portion of its fees. Had the adviser not done so in 2000, 1999, 1998, & 1997 the ratio of expenses to average net assets would have been 1.44%, 1.37%, 1.39%, & 1.69% and the ratio of net investment income to average net assets would have been 0.55%, 0.32%, 0.57%, & 0.23% for each of these years.

NAIC Growth Fund, Inc.

Portfolio of Investments - June 30, 2002 (unaudited)

% Common Stock	Shares	Cost	Market
2.3 Auto Replacement			
O'Reilly Auto*	20,000	\$242,606	\$551,200
9.8 Banking			
Citigroup	15,000	57,417	581,250
Comerica, Inc.	7,000	257,470	429,800
Bank One Corp.	7,000	212,495	269,360
Huntington Banc.	24,200	221,906	469,965
Synovus Financial	22,000	196,008	605,440
2.0 Building Products			
Johnson Controls	6,000	96,895	489,660
5.2 Chemicals			
OM Group, Inc.	10,000	344,650	620,000
Polyone Corp.	10,000	88,000	112,500
RPM	18,000	190,250	274,500
Sigma Aldrich	5,000	94,938	250,750
3.0 Consumer Products			
Colgate-Palmolive	8,000	98,500	400,400
Newell Rubbermaid	9,000	237,375	315,540

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### 5.9 Electrical Equipment

Federal Signal	12,000	280,562	288,000
General Electric	20,000	324,991	581,000
Vishay Interch*	25,000	245,379	550,000

### 1.5 Electronics

Diebold	10,000	269,187	372,400
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### 8.8 Ethical Drugs

Bristol-Myers Squibb	6,000	101,400	154,200
Eli Lilly	6,000	91,687	338,400
Johnson & Johnson	4,000	45,500	209,040
Merck & Co., Inc.	10,000	379,816	506,400
Pfizer, Inc.	18,000	283,820	630,000
Wyeth	6,000	90,510	307,200

### 4.4 Financial Services

Household Int'l	14,000	127,866	695,800
State Street Boston	8,000	75,500	357,600

### 6.2 Food

Albertson's	7,000	235,331	213,220
ConAgra	14,000	254,915	387,100
Heinz, H.J.	10,000	343,075	411,000
McCormick & Co.	20,000	223,975	515,000

### 6.3 Hospital Supplies

Biomet Corp.	15,750	122,250	427,140
Invacare	10,000	245,375	370,000
Stryker Corp.	14,000	160,063	749,140

### 1.7 Industrial Services

Donaldson Co.	12,000	162,563	420,480
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### 4.8 Insurance

AFLAC, Inc.	20,000	143,906	640,000
American int'l Group	8,000	67,500	545,840

### 2.2 Machinery

Emerson Electric Co.	10,000	335,278	535,100
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### 5.2 Multi Industry

Carlisle	8,000	318,631	359,840
Pentair	7,000	171,894	336,560
Teleflex	10,000	277,938	571,500

### 1.4 Office Equipment

Hon Industries	12,000	283,938	326,640
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### 1.9 Realty Trust

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First Industrial Realty Trust	14,000	394,963	459,900
1.0 Semiconductor			
Intel	12,000	228,563	219,240
2.4 Soft Drinks			
PepsiCo	12,000	205,374	578.400
2.9 Transportation			
Sysco Corp.	20,000	142,750	544,400
78.9% Investment Securities		\$8,973,010	\$18,970,905

Short-term Investments

16.6 United States Treasury Bill, Maturing 7/25/02			\$3,993,993
4.7 Misc. Cash Equivalents			1,130,254
21.3%			\$5,124,247
Total Investments			\$24,095,152
(0.2%) All other assets less liabilities			(47,601)
100% TOTAL NET ASSETS			\$24,047,551

\* Non-Income Producing Security

Top Ten Holdings - NAIC Growth Fund, 6/30/02

Company	Market Value	% of Portfolio Investments
Stryker	\$749,140	3.9
Household Int'l	695,800	3.7
AFLAC	640,000	3.4
Pfizer	630,000	3.3
OM Group	620,000	3.3
Synovus Financial	605,440	3.2
Citigroup	581,250	3.1

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General Electric	581,000	3.1
PepsiCo	578,400	3.0
Teleflex	571,500	3.0

See notes to financial statements

NAIC Growth Fund, Inc.  
Notes to Financial Statements (unaudited)

### (1) ORGANIZATION

The NAIC Growth Fund, Inc. (the "Fund") was organized under Maryland law on April 11, 1989 as a diversified closed-end investment company under the Investment Company Act of 1940. The Fund commenced operations on July 2, 1990.

### (2) SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Fund not otherwise set forth in the notes to financial statements:

**Dividends and Distributions** - Dividends from the Fund's net investment income and realized net long- and short-term capital gains will be declared and distributed at least annually. Shareowners may elect to participate in the Dividend Reinvestment and Cash Purchase Plan (see Note 4).

**Investments** - Investments in equity securities are stated at market value, which is determined based on quoted market prices or dealer quotes. Pursuant to Rule 2a-7 of the Investment Company Act of 1940, the Fund utilizes the amortized cost method to determine the carrying value of short-term debt obligations. Under this method, investment securities are valued for both financial reporting and Federal tax purposes at amortized cost, which approximates fair value. Any discount or premium is amortized from the date of acquisition to maturity. Investment security purchases and sales are accounted for on a trade date basis. Interest income is accrued on a daily basis while dividends are included in income on the ex-dividend date.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Federal Income Taxes** - The Fund intends to comply with the general qualification requirements of the Internal Revenue Code applicable to regulated investment companies. The Fund intends to distribute at least 90% of its taxable income, including net long-term capital gains, to its shareowners. In order to avoid imposition of the excise tax applicable to



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regulated investment companies, it is also the Fund's intention to declare as dividends in each calendar year at least 98% of its net investment income and 98% of its net realized capital gains plus undistributed amounts from prior years.

The following information is based upon Federal income tax cost of portfolio investments as of June 30, 2002:

Gross unrealized appreciation	\$ 10,029,329
Gross unrealized depreciation	(31,434)
Net unrealized appreciation	\$ 9,997,895
Federal income tax cost	\$ 8,973,010

Expenses -The Fund's service contractors bear all expenses in connection with the performance of their services. The Fund bears all expenses incurred in connection with its operations including, but not limited to, management fees (as discussed in Note 3), legal and audit fees, taxes, insurance, shareowner reporting and other related costs. Such expenses will be charged to expense daily as a percentage of net assets. The Advisory Agreement provides that the Fund may not incur annual aggregate expenses in excess of two percent (2%) of the first Ten Million Dollars of the Fund's average net assets, one and one-half percent (1 1/2%) of the next Twenty Million Dollars of the average net assets, and one percent (1%) of the remaining average net assets for any fiscal year. Any excess expenses shall be the responsibility of the Investment Adviser, and the pro rata portion of the estimated annual excess expenses will be offset against the Investment Adviser's monthly fee. A director of the Fund provides professional services to the fund. The fees for those services amounted to \$4,000 for the six months ended June 30, 2002.

### (3) MANAGEMENT ARRANGEMENTS

Investment Adviser - Growth Fund Advisor, Inc., serves as the Fund's Investment Adviser subject to the Investment Advisory Agreement, and is responsible for the management of the Fund's portfolio, subject to review by the board of directors of the Fund. For the services provided under the Investment Advisory Agreement, the Investment Adviser receives a monthly fee at an annual rate of three-quarters of one percent (0.75%) of the average weekly net asset value of the Fund, during the times when the average weekly net asset value is at least \$3,800,000. The Investment Adviser will not be entitled to any compensation for a week in which the average weekly net asset value falls below \$3,800,000.

Plan Agent - Standard Federal Bank (SFB) serves as the Fund's custodian pursuant to the Custodian Agreement. As the Fund's custodian, SFB receives fees and compensation of expenses for services provided including, but not limited to, an annual account charge, annual security fee, security transaction fee and statement of inventory fee. American Stock Transfer & Trust Company serves as the Fund's transfer agent and dividend

disbursing agent pursuant to Transfer Agency and Dividend Disbursement Agreements. American Stock Transfer & Trust Company receives fees for services provided including, but not limited to, account maintenance fees, activity and transaction processing fees and reimbursement of out-of-pocket expenses such as forms and mailing costs.

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### (4) DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The Fund has a Dividend Reinvestment and Cash Purchase Plan (the "Plan") which allows shareowners to reinvest dividends paid and make additional contributions. Under the Plan, if on the valuation date the net asset value per share is lower than the market price at the close of trading on that day, then the Plan Agent will elect on behalf of the shareowners who are participants of the Plan to take the dividends in newly issued shares of the Fund's common stock. If net asset value exceeds the market price on the valuation date, the Plan Agent will elect to receive cash dividends, and will promptly buy shares of the Fund's common stock on whatever market is consistent with best price and execution. The number of shares credited to each shareowner participant's account will be based upon the average purchase price for all shares purchased.

### (5) DISTRIBUTIONS TO SHAREOWNERS

No distributions were made this year to date. The tax character of distributions paid during 2001 and 2000 was as follows:

Distributions paid from:	2001	2000
Ordinary income	\$80,695	\$186,201
Long-term capital gain	1,370,543	2,875,672
	1,451,238	3,061,873

As of June 30, 2002, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$19,751
Unrealized appreciation	9,997,895

### (6) Investment transactions

Purchases and sales of securities, other than short-term securities for the period ended June 30, 2002, were \$1,187,677 and \$2,226,603, respectively.

### (7) FINANCIAL HIGHLIGHTS

The Financial Highlights present a per share analysis of how the Fund's net asset value has changed during the years presented. Additional quantitative measures expressed in ratio form analyze important relationships between certain items presented in the financial statements. The Total Investment Return based on market value

assumes that shareowners bought into the Fund at the bid price and sold out of the Fund at the bid price. In reality, shareowners buy into the Fund at the ask price and sell out of the Fund at the bid price. Therefore, actual returns may differ from the amounts stated.

### 2002 ANNUAL MEETING

The 2002 annual meeting of shareholders was held on April 18, 2002 for the following purposes:

1. To elect a Board of nine (9) Directors;
2. To ratify or reject the selection of Arthur Andersen LLP as independent auditors of the Fund for the calendar year ending December 31, 2002.

The following Directors were elected for Proposal 1: Thomas O'Hara, Kenneth Janke, Lewis Rockwell, Carl Holth, Peggy Schmeltz, Cynthia Charles, Benedict Smith, James Lane, and Luke Sims. Cynthia Charles resigned from the Board of Directors,

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effective April 18, 2002 due to medical reasons. For Proposal 2, shareholders ratified the selection of Arthur Andersen LLP as independent accountants of the Fund.

### Tabulation Report

	For	Against	Abstain	Withheld
Proposal 1 - Election of Directors				
Thomas O'Hara	1,954,208	49,257		
Kenneth Janke	1,961,438	42,027		
Lewis Rockwell	1,951,638	51,825		
Carl Holth	1,961,242	42,223		
Peggy Schmeltz	1,957,113	46,352		
Cynthia Charles	1,948,645	54,818		
Benedict Smith	1,949,170	54,295		
James Lane	1,959,651	43,814		
Luke Sims	1,975,451	28,012		
 Proposal 2 - Selection of Arthur Andersen LLP	 1,428,424	 496,983	 78,062	
Total shares issued and outstanding on record date:	2,238,776			

### CHANGE IN ACCOUNTANTS

At a meeting held on May 9, 2002, the Board of Directors of NAIC Growth Fund, Inc., at the recommendation of its Audit Committee, approved the engagement of Plante & Moran, LLP as its independent auditors for the fiscal year ending December 31, 2002 to replace the firm of Arthur Andersen LLP ("Andersen"), who were dismissed as the independent auditors of the Fund effective May 9, 2002.

The reports of Andersen on the Fund's financial statements for the past two years did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audits of the Fund's financial statements for the fiscal years ended December 31, 2001 and 2000 and in the subsequent interim period, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Andersen, would have caused it to make a reference to the matter in its report. In addition, there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

The Fund has requested Andersen to furnish it a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. Andersen has informed the Fund that it is no longer furnishing such letters.

The Fund has not had any discussions nor received any written opinion or oral advice from Plante & Moran, LLP during the two most recent fiscal years and in the subsequent interim period with respect to either the application of accounting principles to a specified transaction, either completed or proposed, or as to the type of audit opinion that might be rendered on the Fund's financial statements.

NAIC Growth Fund, Inc.

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### Board of Directors

Thomas E. O'Hara  
Chairman,  
Highland Beach, FL

Lewis A. Rockwell  
Secretary,  
Grosse Pointe Shores, MI

Carl A. Holth  
Director,  
Clinton Twp., MI

Kenneth S. Janke  
President,  
Bloomfield Hills, MI

Benedict J. Smith  
Director,  
Birmingham, MI

James M. Lane  
Director,  
Highland Beach, FL

Peggy L. Schmeltz  
Director,  
Bowling Green, OH

Luke E. Sims  
Director,  
Milwaukee, WI

### Shareowner Information

The ticker symbol for the NAIC Growth Fund, Inc., on the Chicago Stock Exchange is GRF. You may wish to visit the Chicago Stock Exchange web site at [www.chicagostockex.com](http://www.chicagostockex.com).

The dividend reinvestment plan allows shareowners to automatically reinvest dividends in Fund common stock without paying commissions. Once enrolled, you can make additional stock purchases through monthly cash deposits ranging from \$50 to \$1,000. For more information, request a copy of the Dividend Reinvestment Service for Stockholders of NAIC Growth Fund, Inc., from American Stock Transfer & Trust Company, P.O. Box 922 Wall Street Station, New York, NY 10038, telephone 1-800-937-5449.

Questions about dividend checks, statements, account consolidation, address changes, stock certificates or transfer procedures write American Stock Transfer & Trust Company, P.O. Box 922 Wall Street Station, New York, NY 10038, telephone 1-800-937-5449.

Shareowners or individuals wanting general information or having questions, write NAIC Growth Fund, Inc., P.O. Box 220, Royal Oak, Michigan 48068. Telephone 877-275-6242 or visit us at our website at

[www.naicgrowthfund.com](http://www.naicgrowthfund.com).