

# MERIDIAN GROWTH FUND<sup>SM</sup>

October 19, 2001

To Our Shareholders:

The Meridian Growth Fund's net asset value per share at September 30, 2001, was 24.11. This represents a decrease of 5.10% for the calendar year to date. The Fund's total return and average compound annual rate of return since inception, August 1, 1984, were 858.9% and 14.08%, respectively. On September 25, 2001, the Fund made a distribution of \$2.52 per share, consisting of \$2.43 long-term capital gain and \$0.09 short-term capital gain. The Fund's assets at the close of the quarter were invested 7.7% in cash and cash equivalents and 92.3% in stocks. Total net assets were \$157,680,709 and there were 6,987 shareholders.

Investors now expect that the terrorist attacks of September 11 will push the economy into recession. Stocks suffered their worst quarterly decline since the fourth quarter of 1987. The S&P 500 dropped 15.0 percent during the third quarter, the NASDAQ 30.7 percent and the Russell 2000 21.1 percent. The best performing sectors were precious metals and water utilities while the worst performing groups included the travel and computer software industries. From their respective peaks reached in the first quarter of 2000, the S&P 500 is down 29.3 percent, the NASDAQ 70.8 percent and the Russell 2000 34.0 percent. This is, by any historical measure, a long and deep bear market.

The Dow Jones Bond Index closed at 102.89, up from 102.37 at the end of June, reflecting lower interest rates due to the weak economy. The two-year government bond now yields a mere 2.8 percent while the long-term bond yields 5.4 percent.

We now expect GDP to decline during the next two or three quarters, and corporate profits will be reduced accordingly. Private sector debt is high, layoffs are increasing, especially in the travel industry, the leading indicators are pointing downward, and consumer confidence is at a low level. The news is not all bad, however. The economy has been weak for the past year and many of the excesses of the late nineties have been eliminated. Inventories are being reduced, marginal companies have gone out of business, equity markets are correcting and there has been little new capacity added. Most important, the economy is structurally sound and, in our opinion, measures have been put in place to restore economic growth. The Federal Reserve is increasing liquidity at a rapid pace and fiscal policy is turning expansionary with the recent tax cuts and increased spending, both current and planned. A year from now, it is possible that we will be more concerned with inflation than recession.

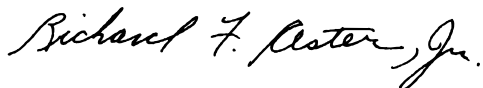
We don't know when the bear market will end, but we believe that much of the damage has been done, and this includes technology stocks. Non technology small and medium-sized growth stocks did not do nearly as well as the S&P 500 or the NASDAQ during the late nineties. Still, the Russell 2000 is down in excess of 30 percent from the peak reached eighteen months ago. The valuations in our universe are the best they have been for years, both on an absolute and relative basis. It may be difficult for awhile longer, but we believe that today's prices for good small and medium-sized growth stocks will prove attractive during the next year or two. We are focusing our research on well-financed companies with important market share that are addressing a growth market and trading at a reasonable valuation.

We established new positions in Applebee's International, Inc., Ethan Allen Interiors, Inc. and RadioShack Corporation during the quarter. We sold our shares of Precision Drilling Corporation and Zale Corporation.

Tektronix, Inc. is one of our technology holdings. The company is a leading provider of test, measurement and monitoring equipment, and holds either the number one or two position with most of its products. Tektronix serves many industries, the most important of which are computers, telecommunications and semiconductors. These markets are currently weak but management has done a good job controlling costs and remaining profitable. Tektronix will be a survivor. The company has no debt, a book value of \$11.00 per share, \$6.00 of which is cash. Currently selling for \$18.87 per share, we believe that during the next few years, as we return to a more normal economic environment, Tektronix will earn in excess of \$1.50 per share. This gives us significant opportunity for price appreciation with, in our view, limited risk.

We welcome those new shareholders who joined the Meridian Growth Fund during the quarter and appreciate the continued confidence of our existing shareholders.

Sincerely,



Richard F. Aster, Jr.

# Meridian Growth Fund

## Schedule of Investments

September 30, 2001

	<u>Shares</u>	<u>Value</u>
COMMON STOCK - 92.3%		
BANKING & FINANCE - 2.8%		
Pacific Century Financial Corp.* .....	188,200	\$ 4,398,234
CELLULAR COMMUNICATIONS - 2.4%		
American Tower Corp. ....	277,000	3,847,530
CONSUMER SERVICES - 3.6%		
Regis Corporation* .....	267,300	5,602,608
HEALTH SERVICES - 16.0%		
Davita, Inc. ....	264,800	5,388,680
Health Management Associates .....	233,400	4,845,384
Lincare Holdings, Inc. ....	152,000	4,038,640
Province Healthcare Company .....	149,000	5,474,260
Renal Care Group, Inc. ....	178,200	<u>5,483,214</u>
		25,230,178
INDUSTRIAL PRODUCTS - 2.1%		
Tektronix, Inc. ....	184,500	3,226,905
INDUSTRIAL SERVICES - 10.5%		
Expeditors International of Washington, Inc.* .....	75,000	3,551,250
Paychex, Inc.* .....	136,200	4,291,662
Republic Services, Inc. ....	258,400	4,186,080
United Stationers .....	150,000	<u>4,480,500</u>
		16,509,492
INSURANCE - 3.9%		
Mercury General Corporation* .....	154,500	6,133,650
LEISURE & AMUSEMENT - 1.2%		
Royal Caribbean Cruises Ltd.* .....	179,600	1,927,108
RESTAURANTS - 14.0%		
Applebee's International, Inc.* .....	162,600	4,796,700
CEC Entertainment, Inc. ....	119,600	4,078,360
Jack in the Box .....	167,000	4,676,000
P.F. Chang's China Bistro .....	102,000	3,663,840
Sonic Corporation .....	161,200	<u>4,887,584</u>
		22,102,484

# Meridian Growth Fund

(Schedule of Investments Continued) September 30, 2001

COMMON STOCK (continued)	<u>Shares</u>	<u>Value</u>
RETAIL - 15.8%		
Bed, Bath and Beyond, Inc. ....	159,300	\$ 4,055,778
Casey's General Stores, Inc.* ....	275,600	3,276,884
Cost Plus, Inc. ....	178,000	3,268,080
Electronics Boutique Holdings Corp. ....	101,800	2,743,510
Ethan Allen Interiors, Inc.* ....	114,000	3,135,000
Kohl's Corporation ....	92,000	4,416,000
RadioShack Corporation* ....	64,000	1,552,000
Tweeter Home Entertainment Group, Inc. ....	184,000	<u>2,509,760</u>
		24,957,012
TECHNOLOGY - 13.4%		
Autodesk, Inc.* ....	73,600	2,359,616
Genesis Microchip Incorporated ....	98,500	2,771,790
Integrated Device Technology, Inc. ....	70,000	1,408,400
JDA Software Group, Inc. ....	158,200	2,078,748
KEMET Corporation ....	247,500	4,073,850
Molex Inc. - Class A* ....	129,250	3,140,775
Synopsys, Inc. ....	93,300	3,742,263
Zebra Technologies Corporation ....	43,100	<u>1,614,526</u>
		21,189,968
TELECOMMUNICATIONS EQUIPMENT - 1.1%		
Plantronics, Inc. ....	106,000	1,807,300
TELECOMMUNICATIONS SERVICES - 3.8%		
Centurytel, Inc.* ....	176,700	5,919,450
TRANSPORTATION - 1.7%		
Atlantic Coast Airlines Holdings, Inc. ....	202,000	<u>2,686,600</u>
TOTAL COMMON STOCK (Identified cost \$116,590,348) ....		145,538,519
CASH AND OTHER ASSETS LESS LIABILITIES - 7.7% ....		<u>12,142,190</u>
NET ASSETS - 100% ....		<u>\$157,680,709</u>
Shares of capital stock outstanding ....		<u>6,541,268</u>
Net asset value per share ....		<u>\$24.11</u>

\* income producing

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This report is submitted for the information of shareholders of Meridian Growth Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

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