

North Growth U.S. Equity Fund

1999 ANNUAL REPORT

North Growth Management is a privately-owned, independent, British Columbia company that specializes in portfolio management for high net-worth investors.

NORTH GROWTH MANAGEMENT LTD.

SUITE 830, ONE BENTALL CENTRE
505 BURRARD STREET
VANCOUVER, BC V7X 1M4

PHONE: (604)688-5440
FAX: (604)688-5402
E-MAIL: INFO@NORTHGROWTH.COM

Highlights

Reasonable Expectations	page 3
History of the US markets in the 90s	page 4
New Product Announcement	page 7
Outlook 2000	page 8
Performance Results	page 10
Portfolio Holdings	page 12
Financials	page 18

ACHIEVING GOOD LONG-TERM RESULTS

We feel that our successful fund management can be attributed to understanding and applying three basic concepts. To start we must state that our unqualified belief that the most important factor contributing to our good past record has been our basic investment philosophy of investing in growing companies whose stock can be bought at a reasonable price. "Growth at a reasonable price". We like this approach because it works and it makes good common sense.

The second is simply having a well-trained, motivated team of compatible people putting in their best effort at analysis and decision making. The most important factors contributing to successful money management are so self-evident that they might not

seem worth mentioning. The secret is that they must be practiced and that requires a great deal of effort.

*Thirdly, it should be apparent that there are long-term investment philosophies that differ from our "Growth at a reasonable price" approach that also produce good long-term results. The simple fact is that they all produce their best results at different times. A consistent investment philosophy is the best assurance of good long-term results. At times it is difficult to stay with this discipline. **Nevertheless that is what we are doing and we believe 2000 is a logical and past due time for a change in market leadership to our style of growth investing.***

1999 Annual Fund Report

North Growth Management Ltd.

PERFORMANCE SUMMARY

During 1999 the North Growth US Equity Fund did better than in 1998, rising 14.9% in US Dollars versus a 21% increase for the S&P Index. Obviously not the level of relative performance that we expect to deliver. In hindsight there is no possible way we could have maintained our long-standing investment philosophy of buying growing companies at a reasonable price and kept up to the markets of 1998 and 1999. The problem remained that in 1999 the top performing stocks all had very high price/earnings ratios, were predominantly large-cap, and, in the case of the very highest performers, were internet-related. Smaller and mid-cap non-tech stocks did not fare well even though many reported strong earnings gains and represented reasonable valuations relative to their respective earnings.

This report will attempt to put this seemingly irrational situation into perspective. We don't think the market is currently rational which is considered heresy by many, but not by Milton Friedman who recently stated, "I believe the markets are efficient in the long run, but in the short run they're far from efficient. People are gambling in these stocks". He was referring to the internet and internet-related high-tech stocks.

The end of a century and the beginning of a new millennium surely is an occasion for an annual report of special significance. This report is probably the most significant report that I have ever written for reasons that have nothing to do with the new millennium and everything to do with what I have observed over 38 years as a security analyst/portfolio manager.

REASONABLE INVESTMENT EXPECTATIONS

During the 20th century, despite re-occurring market corrections, US equities have outperformed US fixed income vehicles in every decade except the 30s.

What are reasonable investment expectations following the 1990s? The 1990s have been a very good period for US equity investors. Our calculations show that the average annual compounded return for the decade just ended was 18.2% for the S&P 500. Going back to the beginning of 1926, the average annual return for the S&P 500 index was 11.4%. After a strong period such as the 90s people's expectations tend to rise when they probably should be moderated in consideration of the long-term trend.

There are two important observations to be made on this point. Even if, after a particularly good decade for equity returns, the next decade comes in at a lower level, equities are still likely to outperform the other major financial asset classes. Decades when the return on the S&P 500 equities was greater than the 90s were the 50s and the 20s. Small company stocks outperformed the S&P 500 in the 30s (but not by much), the 40s, the 60s, and the 70s.

THE END OF A MILLENNIUM

A SHORT HISTORY OF THE US MARKETS DURING THE 90S

1990 was a typical bear market of modest proportions relating to developing economic problems. The current bull market started in 1991. The beginning of the economic recovery was very modest and there was widespread worry that it would just stall out. Small-cap stocks were the clear market leaders during 1991 through 1993. 1994 saw a pause in the market's progress as Alan Greenspan raised short-term rates at the first sign of accelerating growth. At the beginning of 1995 we noted that the S&P 500 was selling at 16 times trailing earnings and 14 times estimated 1995 earnings. It wasn't until 1995 and 1996 that investors became less cautious and P/E multiples began to rise. By mid-1997 the P/E levels of many large-cap stocks were at historically high levels. The market mood was embracing the concept that these were good reliable companies that were able to prosper in a world where there seemed to be no pricing power. The biggest companies with worldwide franchises were assumed to be best positioned to cope with this environment. It did not matter what you paid for them; if they were going up you had to own them. In this environment, the relative P/E multiples of small-cap stocks declined steadily despite the fact that they were delivering good earnings performances. The same phenomenon also applied to mid-cap stocks.

By the summer of 1998 small- and mid-cap stocks had reached levels that had historically represented good buying opportunities and a switch in market leadership from large-cap stocks to small-cap stocks. Apart from the inevitable swings from bull to bear markets and back to bull markets, the rotation from large-cap market leadership that has reached levels of over-valuation to smaller cap stock market leadership is one of the most regular

cycles affecting US equity markets. The illiquidity panic from August through October of 1998 hit illiquid small-cap stocks particularly hard despite their attractive valuations. On October 8th they were at bargain prices and did rally nicely as the Fed cut the discount rate.

By the end of January 1999, the interest in small-cap stocks began to wane and the big-cap mantra began to throb through the market again. 1999, however, was developing a new emphasis. There was a "rationalization" taking place in the excess valuations of large-cap stocks. It was no longer necessary just to be large to outperform the market. Large-cap stocks that were not getting good short-term results were falling in price. Large cap stocks with good earnings, however, advanced to produce even more excessive P/E multiples. The market for these stocks had got so far removed from past reference points based on price/earnings levels relative to earnings growth rates, that any reference to P/E levels was downplayed or, in many "research reports", simply dropped. "You can't pay too much for a good company".

The narrow market leadership of 1998 got even narrower in 1999. A year-end rally that started near the end of October established internet-related, hi-tech and communications stocks of both large and small-cap companies as the year's market leadership. All this history is to emphasize that while the current cycle has been more drawn out than normal, the different phases it has passed through are entirely typical. The market does make large swings in P/E multiples over the course of a cycle and while the record high multiples of the last two years might seem to be becoming a permanent situation, such a notion is highly unlikely.

ECONOMIC OUTLOOK

The current economic cycle has been about as different as they get. As of February 2000, it will have reached a longevity record of 9 years. It seems to be in better health than the previous longest expansion that ended late in 1969. The two most significant differences are in the areas of productivity and inflation. You can't get much more basic than that!

During 1999, Alan Greenspan came to believe that demand, especially consumer demand, is outstripping supply. The economy is growing at an unsustainable rate. The only obvious restraint on the US economy is the tight labour market. Unemployment was down to 4.0% in January 2000. It is estimated that payroll growth needs to slow to the 175,000 range to prevent unemployment from falling lower. The Fed has its job cut

out for it since the 1999 average monthly payroll gain was 224,000, and in December payrolls rose by 315,000. Ultimately, a tighter labour market will be translated into wage inflation.

Fed tightening can take time to slow growth and the economy usually moves from rapid growth to weak growth without a convenient warning period.

The equity markets are the best early warning sign of a slowdown. Since we know the most important economic trend is rising short-term rates, and that important areas of the stock market are definitely overvalued, we must continue to pursue a policy that avoids these risks.

THE 1975-83 BULL MARKET IN SMALLER-CAP STOCKS

The most similar "recent" precedent to today's market was the market dominance of the Nifty Fifty stocks during the 1971-1972 bull market. They were large-cap growth stocks that became expensive (50-60 times earnings) in comparison to the rest of the market, similar to the even more expensive large-cap growth stocks that dominated the markets of 1998 and 1999. The Nifty Fifty declined more than other stocks once they began to correct. Even more damage was inflicted when they did not respond to subsequent market advances. Although the major market measures were volatile with little long-term trend, from the beginning of the bull market in January 1975 to the beginning of another bull market in mid-1982, small-cap stocks enjoyed one of their strongest advances. Accounts which Rudy was involved in that basically reflected our "Growth at a Reasonable Price" philosophy enjoyed above-average and significant growth during that period.

We never expect exact repeats of history. That would be too easy! We also do not expect complete rejections of identifiable developments that have repeatedly been played out with slight modifications in past markets. What happened the last time you heard a lot of people say, "This time is definitely different"? Ultimately, old tendencies will reappear. In hindsight, this will seem quite obvious. Many will bemoan what a great opportunity there would have been if the turn just hadn't happened so "fast" and one had had cash to invest.

INTERNET BOOM

Booms are usually based on legitimate events that get blown out of proportion by human nature. The internet boom, which became well established in 1998, reached truly manic proportions by the end of 1999. Many newcomers to the market believe that the internet-dominated new economy will continue to support the ever rising stock prices of the companies involved. This assumption is dangerous, as is the present level of euphoria surrounding these stocks. Booms invariably end in crashes.

What do we mean by “internet stocks”? At this point, just about every company has been permeated by internet technology. Many companies have seen their valuations inflate due to the excitement over a new way of doing business. In fact, it is hard to own a decent technology company these days that is not involved in some way in the internet boom. The real drivers of the speculative internet boom, however, can be found among the media/software “.com” companies, many of which have unproven business models, and some of which don’t have business models at all!

We don’t know whether or not the development of internet technology will be more or less significant than the development of the personal computer has been, but they are both of the same league. Both technologies will have had huge impacts on our society. The PC industry with its longer history has had its booms and crashes. Hundreds of high flying IPOs that were in some way related to the PC industry have gone out of business. On the other hand, huge enterprises have been built creating vast value for investors. On balance, over time, the industry has been one of the best areas for investment. This will likely also prove to be the case for the internet-based industry over the long-term.

In the case of the PC stocks bought during a period of heightened enthusiasm, the pay-off has been a long and harrowing wait. Most stock bought at such times gets sold at much lower prices during the intervening period. At the present time some “internet stocks” are at extreme risk and should not be owned by serious, responsible investors seeking long-term growth.

NEW PRODUCT ANNOUNCEMENT

We are now accepting subscriptions for our new Money Market product. The North Growth Canadian Money Market Fund is for your liquidity needs. Competitive net current yield without sacrificing quality or taking significant interest rate risk are the management principles of the Fund. Our 25 basis points (1/4 of 1% per year) all inclusive management fee makes this possible. Most money market funds

charge 50 basis points (1/2 of 1%) or more and one prominent fund that we are aware of charges 1.5%. We believe that in general Canadian Money Market Funds are charging too much for their services. As a result of these high fees, investors are either receiving inadequate returns on their liquid assets or are taking too much risk as the Fund manager tries to offset the impact of high fees by extending the duration of the Fund's in-

vestments. We believe that our mix of low fees, a well-diversified portfolio of high quality short-term notes with short terms to maturity provides the optimal mix for our clients' liquidity requirements.

If you want to know the current yield or other features of the Fund contact Rory North at (604)688-5440 or by e-mail at rory@northgrowth.com.

NORTH GROWTH CANADIAN MONEY MARKET FUND

Investment Objectives:

To achieve a high level of current income while preserving capital and maintaining liquidity.

Investment Strategy:

In order minimize interest rate risk and credit risk the Fund holds a well-diversified portfolio invested only in short-term money market securities of the highest quality. The maximum term to maturity of the Fund's investments is 183 days. Investments include: government (federal or provincial) guaranteed bonds, corporate bonds rated R-1 by the Dominion Bond Rating Service, and securitized instruments rated R-1.

Date of inception:	October 26, 1999
Load:	No Load
Annual Management Fee:	0.25%
Dividend Distribution:	The Fund's income is allocated daily and distributed monthly.
Trustee:	Royal Trust
Auditor:	Deloitte & Touche
Minimum Investment:	\$100,000 in BC

Net Current Yield as of March 21, 2000:

4.90%

OUTLOOK 2000: HIGH RISK AND ATTRACTIVE OPPORTUNITIES

THE RISK

The year 2000 poses high risks for the holders of the 1998 and 1999 market leaders. It wasn't until 1998 that US equity markets started showing an alarming split personality. Price/earnings multiples for the entire market have been rising since the 1990 bear market due to the very fortunate combination of economic growth, low inflation rates and low interest rates. What started out as a rational response to favourable conditions, however, has led to extreme excesses in some areas of the market. Now, when the US equity cycle is in its 10th year and the economy is still doing remarkably well, there are few in the investment industry who do not project more of the same. This is their typical view at the beginning of a new year. We do not believe that 2000 will bring more of the same. A change in market leadership is well overdue.

THE TRANSITION

Normally, market corrections cause concern even in the areas of the market that are not over-priced and do have positive business outlooks. Reasonably priced stocks tend not to go down as sharply as the over-priced stocks. Most importantly, a significant correction is the most likely incident to pop the bubble of euphoria that has been protecting the overvalued sector of the market. It is at this point that market leadership is most likely to change from an overvalued group to an undervalued group. It is during the following market advance that the new market leadership really becomes significant. When small-cap stocks assume market leadership they can more than make up the relative performance that they had lost in the prior period of large-cap leadership.

THE OPPORTUNITY

The brighter side of the picture is that much of the US market has been in an extended bear market since mid-1998 in absolute terms, and large-cap stocks have been leading the market for an even longer time. We are identifying more and more well-run growth companies (usually non-tech) amongst small- and mid-cap companies. Compared to past historic standards, they are selling at extremely attractive prices relative to a number of key factors such as sales, cash flow, earnings levels and growth rates. By these measures, they are selling at levels consistent with past changes in market leadership from large-cap to smaller-cap stocks. All of the valuation measures that we just mentioned are supportive of our "Growth at a Reasonable Price" investment philosophy.

The odds overwhelmingly favour US equities being the most financially rewarding investment class in that country for the first decade of the twenty-first century, but at a lower rate than that achieved in the 90's. The year 2000 is a logical time for smaller cap stocks and even value stocks to take over market leadership, entering their cycle of better returns. Our style of growth investing places great emphasis on "Growth at a Reasonable Price" and has an opportunity to regain its long-term relative growth record beginning in 2000.

In the 1998 Annual Report, the 1999 Semi-Annual Report, and in even more general terms in this report, *we have given a very thorough account of our investment philosophy and the historical observations on which it is based. All this material is available on request for the studios. We intend to refrain from repeating this material in future reports.*

This year we will concentrate all of the energy we can muster on fundamental analysis focused on individual stock selection. The candidates are there for the finding. We have a good selection of them in our portfolio already. By being out of favour for the past 2 or 3 years these stocks have lost the interest of the investment community. The result is that some of the prices of smaller growth companies make them truly exciting purchases. It is even more exciting that some of them are beginning to outperform the market. Any general market correction would represent an even more exceptional opportunity for buying these stocks. 2000 is likely to remain a volatile, split market for some time yet, but by the end of the year the split should favour a new market leadership which is much more to our liking. As that becomes apparent we will move decisively to becoming fully invested.

NORTH GROWTH US EQUITY

North Growth Management Ltd.

PERFORMANCE RESULTS

ANNUAL RESULTS

	1999	1998	1997	1996	1995	1994	1993
North Growth US Equity Fund \$CDN	7.2%	6.3%	29.1%	29.5%	25.0%	0.4%	15.1%
North Growth US Equity Fund \$US	13.9%	-0.8%	23.7%	28.9%	28.5%	-5.4%	10.8%
S&P 500 \$US	21.0%	28.6%	33.1%	22.7%	37.1%	1.3%	9.9%
S&P 400 MidCap \$US	14.7%	19.1%	32.0%	19.1%	30.7%	-3.6%	13.8%
Russell 2000 \$US	21.4%	-2.2%	22.1%	16.4%	27.4%	-1.8%	18.9%
NASDAQ Composite \$US	86.1%	40.1%	22.1%	23.0%	40.8%	-3.2%	14.8%

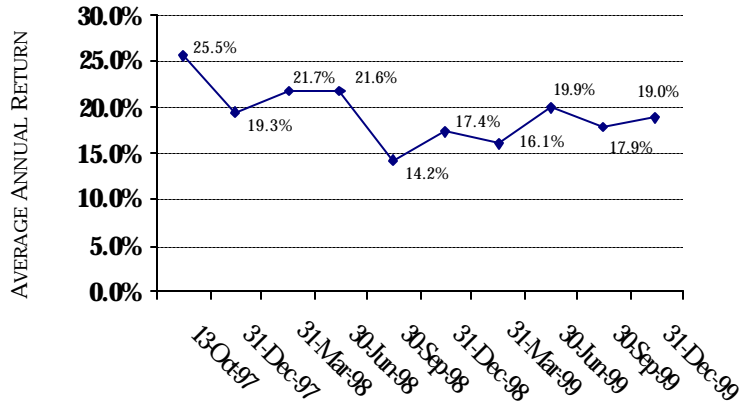
AVERAGE ANNUAL COMPOUND RATES OF RETURN

	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years
NGM US Equity Fund \$Cdn	7.2%	6.8%	13.7%	17.5%	19.0%	15.6%	15.6%

ANNUALIZED PERFORMANCE SINCE INCEPTION
(OCT. 13/92 - DEC. 31/99)
17.85%

NAVPS: DECEMBER 31/99 - \$17.24 CDN PRE-DISTRIBUTION
\$16.16 CDN POST-DISTRIBUTION

RUNNING 5-YEAR AVERAGE ANNUAL RETURN
(CDN \$)



ENDING DATES FOR SUCCESSIVE 5YR PERIODS

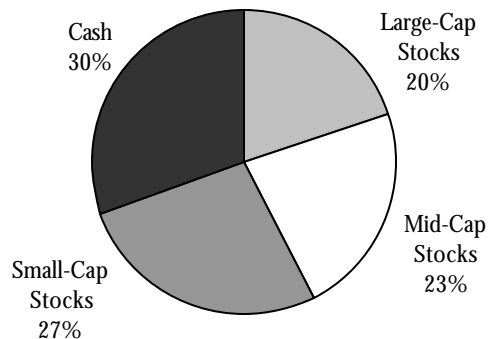
Historical 5-year average annual returns, examined quarterly, provide the long-term investor with appropriate insight into a Fund's past performance. Performance results presented in this way show every 5-year period in the Fund's history and the extent to which short-term market fluctuations have affected the results of each 5-year holding periods.

MANAGEMENT EXPENSE RATIO (MER)

1995	1996	1997	1998	1999
1.13%	1.09%	1.04%	1.04%	1.02%

SUMMARY OF PORTFOLIO

As at December 31st, 1999



PORTFOLIO FUND VALUATION

<i>Basic Industries</i>		<i>Energy</i>	
Schnitzer Steel (SCHN)	1.67	Devon Energy (DVN)	0.20
Total	1.67	Diamond Offshore Drilling (DO)	0.78
<i>Consumer Cyclical</i>		Louis Dreyfus (LD)	2.45
Jones Apparel Group, Inc. (JNY)	2.80	Stone Energy Corp (SGY)	0.23
Kellwood Co. (KWD)	1.91	Total	3.66
Timberland (TBL)	1.82	<i>Financial</i>	
Tommy Hilfiger Corp. (TOM)	1.15	City National Corp (CYN)	0.18
Total	7.68	FirstMerit Corp (FMER)	0.17
<i>Consumer Durables</i>		SouthTrust (SOTR)	1.03
O'Sullivan Industries (OSU)	0.07	Total	1.38
Total	0.07	<i>Healthcare</i>	
<i>Capital Goods</i>		Cardinal Health Inc (CAH)	0.53
Precision Castparts (PCP)	0.98	Manor Care Inc (HCR)	1.71
Total	0.98	St. Jude Medical Inc. (STJ)	2.14
<i>Consumer Staples</i>		Universal Health Services (UHS)	2.29
Ralcorp Holdings Inc (RAH)	1.24	Wellpoint Health Networks (WLP)	2.45
Wesley Jessen Vision (WJCO)	2.05	Total	9.12
Total	3.29	<i>Retail</i>	
<i>Credit Cyclical</i>		Albertson's Inc. (ABS)	2.21
Clayton Homes, Inc. (CMH)	1.67	BJ's Wholesale Club (BJ)	3.62
Total	1.67	Brinker International Inc. (EAT)	3.86
<i>Technology</i>		Michaels' Stores (MIKE)	1.31
3Com Corp (COMS)	2.38	O'Charley's Inc. (CHUX)	1.23
American Power Conversion (APCC)	1.50	Total	12.23
Analog Devices (ADI)	2.66	<i>Transportation</i>	
Compaq Corp (CPQ)	1.70	Mesa Airlines Inc. (MESA)	1.04
DSP Group (DSPG)	0.37	Total	1.04
LSI Logic (LSI)	3.01	Total Equities	69.35
Nextel Communications (NXTL)	3.14	Cash and Short Term Notes	30.65
Oracle Corp. (ORCL)	2.19	TOTAL ASSETS	<u>100.00%</u>
Sun Microsystems (SUNW)	0.95		
Symantec Corp (SYMC)	6.78		
Technitrol Inc. (TNL)	0.78		
Texas Instruments Inc. (TXN)	1.10		
Total	26.56		

PORTFOLIO DECEMBER 31, 1999

SYMANTEC CORP... is the world leader in utility software for business and personal computing, offering products and services focused on content security and remote device management. Its Norton utility software helps users perform housekeeping functions, such as controlling viruses and restoring, backing up, and organizing files. The company's pcANYWHERE and WinFax PRO products enable PC users to work from remote locations.

6.78

BRINKER INTERNATIONAL INC... operates, develops, and franchises a portfolio of restaurant chains: Chili's Grill & Bar, Romano's Macaroni Grill, On the Border Mexican Café, Cozymel's Coastal Mexican Grill, Maggiano's Little Italy, and Corner Bakery Cafe. Brinkers also operates and develops three smaller emerging concepts: eatZi's Market and Bakery, Big Bowl, and Wildfire.

3.86

BJ'S WHOLESALE CLUB INC... is the third largest wholesale club chain in the US (behind Costco and Sam's Club), operating primarily in the Northeast. BJ's provides its members with high-quality, brand name merchandise at prices that are consistently lower than the prices of supermarkets, traditional wholesalers, discount retailers and specialty retail stores.

3.62

NEXTEL COMMUNICATIONS INC... is a leading provider of fully integrated digital wireless services. Its all-in-one solution integrates digital cellular, voice mail, text/numeric paging and "Nextel Direct Connect", a digital two-way radio feature. The largest specialized mobile radio (SMR) operator in the US with over 3 million subscriber units, Nextel also has wireless holdings in Canada, Asia and Latin America.

3.14

LSI LOGIC CORP... designs, develops, manufactures and markets high performance semiconductors. LSI focuses on custom application specific integrated circuits (ASICs) and integrates system-level solutions on a single customized chip. The company's products are marketed to original equipment manufacturers in the networking, telecommunications and wireless, computers, consumer products, and storage industries.

3.01

JONES APPAREL GROUP INC... is a leading designer and manufacturer of a variety of apparel, including sportswear, jeanswear, suits and dresses. The company's products are marketed under nationally known brands such as Jones New York, Evan-Picone, Rena Rowan, and Lauren Ralph Lauren. Its subsidiary, Nine West Group, designs and manufactures shoes and accessories under brand names that include Nine West, Enzo Angiolini, Easy Spirit and Bandolino.

2.80

ANALOG DEVICES INC... designs, manufactures and markets a broad line of high performance analog (linear and mixed signal) and digital integrated circuits (ICs), including digital signal processors (DSPs). Its standard analog linear integrated circuits translate real-world phenomena such as pressure, temperature and sound into digital signals.

2.66

LOUIS DREYFUS NATURAL GAS CORP... is an independent energy company that acquires, develops, produces and markets natural gas and crude oil. The company operates primarily in Texas, Oklahoma, Kansas, Arkansas, Louisiana, New Mexico and the Gulf of Mexico.

2.45

PORTFOLIO DECEMBER 31, 1999

AS A % OF
PORTFOLIO

WELLPOINT HEALTH NETWORKS... is a managed healthcare company that offers a spectrum of network-based health plans and specialty products including pharmacy benefit management, dental, vision, mental health, life and disability insurance. Wellpoint's managed care plans are offered through the Blue Cross of California and UNICARE.

2.45

3COM CORP... is the second largest maker and supplier (behind Cisco) of computer networking products for local area network (LAN) and wide area network (WAN) systems for the large enterprise, small business, home, and service provider markets. 3Com offers customers a broad range of data networking solutions that include routers, hubs, remote access systems, switches, adapters and modems. It is spinning off its Palm subsidiary which makes the market leading Palm electronic organizer and licenses Palm technology.

2.38

UNIVERSAL HEALTH SERVICES... is the third largest for-profit hospital management company in the US, operating more than 40 acute care and behavioral health centres and nearly 25 ambulatory surgical and radiation therapy centers in the US and Puerto Rico. The company's strategy is to build or purchase healthcare properties in rapidly growing markets, and then create a strong franchise based on exceptional service and effective cost control.

2.29

ALBERTSON'S INC... became the second largest US supermarket chain with its purchase of American Stores in 1999. Most of Albertson's supermarkets feature pharmacies and other specialty sections, such as floral, bakery, and video departments. They operate under the names Albertson's Food & Drugs, Seesel's, Smitty's, Buttrey Food & Drug/Bruno's, Jewel, and Acme Markets. Albertson's also operates the drugstore chains, Osco and Sav-On, as well as the Max Food & Drug no-frills discount warehouse stores.

2.21

ORACLE CORPORATION... is a world leading developer and supplier of software products for information management. In addition to its flagship database product, Oracle offers server solutions, enterprise business applications, and application development and decision support tools. The company's e-business solutions extend from front office customer relationship management to back office operational applications to platform infrastructure.

2.19

ST. JUDE MEDICAL... develops, manufactures and distributes medical devices to treat cardiovascular disease, and is the world's leading manufacturer of mechanical heart valves. The company's Heart Valve division makes both mechanical and tissue heart valves. The Cardiac Rhythm Management division makes pacemakers and implantable cardioverter defibrillators (ICDs), as well as a variety of cardiac catheters, guidewires, leads, and other equipment used to regulate heart rhythm. St. Jude's products are sold in more than 100 countries with international business representing 41% of total revenues.

2.14

WESLEY JESSEN VISIONCARE INC... is the leading developer, manufacturer and marketer of specialty soft contact lenses in the world. The company makes several lines of conventional and frequent-replacement soft contact lenses, including tinted lenses sold under the Durasoft, FreshLook and Wild Eyes names in the US, and Elegance, Eycon and Natural Touch outside the US. It also manufactures toric lenses for astigmatism. Premium lines feature greater clarity, less protein buildup, and UV protection. The company makes branded and private-label lenses in Australia, the UK, and the US. Foreign sales account for approximately 45% of total.

2.05

PORTFOLIO DECEMBER 31, 1999

KELLWOOD CO... and its subsidiaries, manufacture and market diversified lines of men's, women's and children's branded and private label clothing. Its products are sold through department stores in Canada, the U.S. and Europe. Specializing in the moderate priced segment, Kellwood's clothing lines include Kathie Lee (sold at WalMart), Koret and Sag Harbour. The Company also produces recreational camping goods.

1.91

TIMBERLAND CO... designs, develops and distributes premium footwear, apparel and accessories for men, women and children. Its products are sold in more than 60 countries worldwide through retail and factory outlet stores, department stores and athletic stores.

1.82

MANOR CARE INC... is the leading owner and operator of long-term care centres in the US. The company provides care for residents and patients through a network of long-term care centres, assisted living facilities, outpatient rehabilitation clinics, home health care offices and management services for professional organizations.

1.71

COMPAQ COMPUTER CORP... is a leading global computer company and is one of the largest supplier of personal computers. In addition, Compaq develops, manufactures and markets corporate servers, communications and networking products, and handheld portable systems. The company complements its hardware business with a wide variety of enterprise computing solutions and services. Although Compaq derives most of its revenues from business customers, the company also sells its products to home users, governments, schools, and students. Compaq sells and supports its products in more than 100 countries through a network of authorized Compaq marketing partners.

1.70

SCHNITZER STEEL INDUSTRIES... is one of the largest ferrous metals recyclers in the US. The company operates numerous metal collection and processing facilities as well as deep water terminals. Through its Cascade Steel Rolling Mills subsidiary, the company also produces a variety of steel products at its technologically advanced mini-mill in Oregon. Schnitzer steel sells its products in the US and Asia.

1.67

CLAYTON HOMES INC... is one of the leading producers of manufactured (mobile) homes in the US. The company sells its homes primarily in the Southwest through wholly-owned retail centres and independent dealers. It also provides financing services through its insurance subsidiary.

1.67

AMERICAN POWER CONVERSION... designs, manufactures and markets products that improve the reliability and productivity of computer systems by protecting hardware and data from the threat of power disturbances. Products include surge protectors, uninterruptible power supplies and various software products that help manage systems and networks when power fails. Disruption of power is one of the main causes of network downtime. With the growth of e-commerce and increased global independence on high availability networks, the company should be well positioned for continued revenue growth.

1.50

MICHAELS STORES INC... the largest arts and crafts specialty retailer in the US, selling a large variety of arts and crafts supplies, frames, dried flowers, wall decor and seasonal merchandise for the hobbyist and do-it-yourself home decorator. The company operates Michaels stores in the US, Canada, and Puerto Rico and Aaron Brothers stores on the West Coast of the US.

1.31

PORTFOLIO DECEMBER 31, 1999AS A % OF
PORTFOLIO

RALCORP HOLDINGS INC... is a leading manufacturer of private label foods. The company produces a variety of store brand foods that are sold under the individual labels of various grocery, mass merchandise and drug store retailers. Ralcorp's product mix includes ready-to-eat and hot cereals, crackers and cookies, snack nuts, mayonnaise and salad dressings.

1.24

O'CHARLEY'S INC... owns and operates approximately 120 casual dining restaurants in the Southwest and Midwestern US that appeal to value-oriented customers. The company offers good food at moderate prices, providing excellent customer service in a relaxed "neighbourhood" atmosphere. The company also maintains its own commissary through which it buys and distributes food and supplies to its restaurants and to other customers, such as grocery chains and wholesale clubs.

1.23

TOMMY HILFIGER CORP... through its subsidiaries, designs, sources and markets a broad range of men's and women's casual wear, athletic wear, children's wear, and accessories. The company also offers such products as fragrances, belts, bedding, home furnishings, and cosmetics through licensing arrangements.

1.15

TEXAS INSTRUMENTS INC... is a global semiconductor company and the world's leading designer and supplier of digital signal processing (DSP) solutions used in cellular phones, VCRs, camcorders, cars and modems. Semiconductors account for approximately 75% of total sales; the company's remaining businesses include materials and controls, educational and productivity solutions, and digital imaging.

1.10

MESA AIRLINES INC... together with its divisions and subsidiaries is a group of regional airlines operating in various regions across the United States. Mesa derives the majority of its revenue from code-sharing agreements with major air carriers; it operates as America West Express in the Southwestern US and US Airways Express in the Midwest and East.

1.04

SOUTH TRUST CORP... is a registered bank holding company. The Company provides a full range of banking services, either directly or through other affiliated bank-related subsidiaries, to business and retail customers in the Southeastern United States.

1.03

PRECISION CASTPARTS CORP... is a market leader in manufacturing large, complex, structural investment castings as well as airfoil castings used in jet aircraft engines. While the aerospace market accounts for over half of total sales, the company has expanded into the industrial gas turbine, fluid management, industrial metalworking tools and machines and other metal product markets.

0.98

SUN MICROSYSTEMS INC... is a leading supplier of enterprise network computing products including workstations, servers, software, microprocessors and a full range of services and support. Receiving much media attention is Sun's Java product, a programming language intended to create software that can run unchanged on any kind of computer operating system.

0.95

TECHNITROL INC... based in Philadelphia, Technitrol is a worldwide manufacturer that supplies electronic components, electrical contacts and assemblies and other precision-engineered parts and materials to manufacturers of network devices, telecommunications systems, computer equipment, electrical switching devices, and a variety of other products.

0.78

PORTFOLIO DECEMBER 31, 1999

DIAMOND OFFSHORE DRILLING INC... is involved primarily in the contract drilling of offshore oil and gas wells. It is a leader in deep water drilling with a fleet of multiple offshore rigs, consisting of semisubmersibles, jack-ups and drillships. Diamond operates in the waters off six continents.

0.78

CARDINAL HEALTH INC... a Fortune 100 corporation based in Ohio, provides services supporting health care. In addition to pharmaceutical distribution (Cardinal Distribution and National Specialty Services), Cardinal provides pharmaceutical packaging (PCI Services), pharmaceutical repackaging (National PharmPak), health-care product manufacturing, distribution, and consulting services (Allegiance), drug delivery systems development (R.P. Scherer), automated dispensing systems manufacturing (Pyxis), hospital pharmacy management (Owen), retail pharmacy franchising (Medicine Shoppe), and health care information systems development (Cardinal Information Corp).

0.53

DSP GROUP INC... develops and markets high performance, cost-effective Digital Signal Processing (DSP) Cores used in a wide range of applications for industries such as wireless communications, telephony and personal computing. By combining its DSP Core technology with its advanced speech processing algorithms, DSP Group also delivers a wide range of enabling application-specific integrated circuits for the telephony markets.

0.37

STONE ENERGY CORP... is an independent oil and gas company engaged in the acquisition, exploration, development, and operation of oil and gas properties onshore and offshore in the Gulf Coast Basin. The Company seeks properties that have an established production history, proved undeveloped reserves and multiple prospective reservoirs that provide significant development opportunities.

0.23

DEVON ENERGY CORP... is an oil and gas producer with reserves around the globe. The company has proved reserves in West Texas, New Mexico, Colorado and Wyoming in the US, and also operates in Western Canada (through NorthStar), Egypt, Venezuela and the Caspian Sea Region.

0.20

CITY NATIONAL CORP... operates City National Bank, a leading independent bank in California that provides a full range of banking services to small and mid-sized companies, and wealthy individuals.

0.18

FIRSTMERIT CORP... is a multi-bank holding company that, through its affiliates, operates as a regional banking organization providing a wide range of banking, fiduciary, financial, insurance, and investment services to corporate, institutional and individual customers throughout northern Ohio.

0.17

O'SULLIVAN INDUSTRIES HOLDINGS INC... designs, manufactures and sells a wide variety of ready-to-assemble furniture for use in the home, office and home-office including desks, computer tables, cabinets, home entertainment centres, audio equipment racks and microwave oven carts.

0.07

TOTAL EQUITIES	69.35
CASH AND SHORT TERM NOTES	30.65
TOTAL ASSETS	100.00%

Financial Statements

For the Year ended December 31st, 1999

N o r t h G r o w t h M a n a g e m e n t L t d .

AUDITORS' REPORT

To the Unitholders of
North Growth U.S. Equity Fund

We have audited the statements of net assets of North Growth U.S. Equity Fund as at December 31, 1999 and 1998, the statement of investments as at December 31, 1999 and the statements of investment income and changes in net assets for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1999 and 1998, its investment portfolio as at December 31, 1999 and the results of its operations and the changes in its net assets for the years ended December 31, 1999 and 1998 in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Vancouver, B.C.
February 18, 2000

NORTH GROWTH U.S. EQUITY FUND
STATEMENTS OF NET ASSETS
DECEMBER 31, 1999 AND 1998
(in thousands of dollars except per unit amounts)

	1999	1998
ASSETS		
INVESTMENTS - at market value	\$ 46,800	\$ 45,144
CASH	265	80
ACCRUED INTEREST AND DIVIDENDS RECEIVABLE	148	38
	413	118
	\$ 47,213	\$ 45,262
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED CHARGES	128	123
PAYABLE FOR UNITS REDEEMED	126	-
INCOME TAXES PAYABLE (Note 3)	-	13
DISTRIBUTIONS PAYABLE TO UNITHOLDERS (Note 4)	2,954	1,785
	3,208	1,921
NET ASSETS	\$ 44,005	\$ 43,341
REPRESENTED BY:		
UNITHOLDERS' EQUITY (Note 5)	44,005	43,341
NET ASSET VALUE PER UNIT		
Prior to distributions payable	\$ 17.24	\$ 16.74
Distributions payable	(1.08)	(0.66)
After distributions payable	\$ 16.16	\$ 16.08

Approved on behalf of the Manager, North Growth Management Ltd.



Rudy North, President

NORTH GROWTH U.S. EQUITY FUND
STATEMENTS OF INVESTMENT INCOME
DECEMBER 31, 1999 AND 1998
(in thousands of dollars except per unit amounts)

	1999	1998
INVESTMENT INCOME		
Dividends - net of withholding taxes	\$ 138	\$ 200
Interest	613	181
	751	381
EXPENSES		
Audit and Accounting fees	7	6
Management fees (Note 6)	492	475
Trustseeship fees	7	9
Other	-	13
	506	503
NET INVESTMENT INCOME (LOSS) (Note 3)	\$ 245	\$ (122)
NET INVESTMENT INCOME (LOSS) PER UNIT		
(based on the monthly weighted average number of units outstanding during the year)		
	\$ 0.09	\$ (0.05)

NORTH GROWTH U.S. EQUITY FUND
STATEMENTS OF CHANGES IN NET ASSETS
DECEMBER 31, 1999 AND 1998
(in thousands of dollars)

	1999	1998
ADDITIONS TO NET ASSETS		
Proceeds from sale of investments	\$ 135,262	\$ 75,083
Investments at average cost, beginning of year	36,282	30,506
Cost of investments purchased ⁽¹⁾	133,949	78,908
	170,231	109,414
Investments at average cost, end of year	(37,661)	(36,282)
Cost of investments sold ⁽²⁾	132,570	73,132
Net realized gain on sale of investments	2,692	1,951
Net investment income (loss)	245	(122)
Sale of Fund units	1,882	7,484
Fund units issued on reinvestment of distributions	1,754	8,374
Increase in unrealized appreciation of investments	277	899
	\$ 6,850	\$ 18,586
DEDUCTIONS FROM NET ASSETS		
Distributions to unitholders payable out of		
Net investment income	262	-
Net realized gain on sale of investments	2,692	1,785
	2,954	1,785
Payments on redemption of Fund units	3,232	3,744
	6,186	5,529
INCREASE IN NET ASSETS	664	13,057
NET ASSETS, BEGINNING OF YEAR	43,341	30,284
NET ASSETS, END OF YEAR	\$ 44,005	\$ 43,341

⁽¹⁾ Includes purchases of short-term notes of \$110,525 in 1999 and \$40,312 in 1998.

⁽²⁾ Includes maturities of short-term notes of \$100,002 in 1999 and \$40,168 in 1998.

NORTH GROWTH U.S. EQUITY FUND
STATEMENTS OF INVESTMENTS
DECEMBER 31, 1999 AND 1998
(in thousands of dollars)

Number of Shares	Foreign Common Shares	Average Cost (\$)	Market Value (\$)	% of Total Assets
16,500	3Com Corporation	680	1,119	2.37
22,300	Albertson's, Inc.	1,184	1,038	2.20
18,500	American Power Conversion Corp.	482	704	1.49
9,300	Analog Devices, Inc.	307	1,248	2.64
32,300	BJ's Wholesale Club, Inc.	860	1,701	3.60
52,300	Brinker International Inc.	1,611	1,812	3.83
3,600	Cardinal Health, Inc.	213	249	0.53
1,800	City National Corporation	88	86	0.18
59,190	Clayton Homes, Inc.	630	785	1.66
20,400	Compaq Computer Corporation	724	797	1.69
1,300	DSP Group Inc.	34	174	0.37
2,000	Devon Energy Corporation	70	95	0.20
8,300	Diamond Offshore Drilling, Inc.	283	366	0.78
2,400	FirstMerit Corporation	90	80	0.17
33,600	Jones Apparel Group, Inc.	1,364	1,315	2.79
31,900	Kellwood Company	975	895	1.90
14,500	LSI Logic Corporation	398	1,413	2.99
44,000	Louis Dreyfus Natural Gas Corporation	971	1,151	2.44
34,800	Manor Care, Inc.	1,037	804	1.70
71,000	Mesa Air Group, Inc.	642	487	1.03
15,000	Michaels Stores, Inc.	568	617	1.31
9,900	Nextel Communications, Inc., Class A	306	1,473	3.12
30,500	O'Charley's Inc.	566	578	1.22
45,700	O'Sullivan Industries Holdings, Inc.	47	34	0.07
6,350	Oracle Corporation	191	1,027	2.18
12,200	Precision Castparts Corp.	463	462	0.98
20,200	Ralcorp Holdings Inc.	556	581	1.23
28,600	Schnitzer Steel Industries, Inc.	695	784	1.66
8,900	South Trust Corporation	514	486	1.03
22,700	St. Jude Medical Inc.	1,090	1,005	2.13
2,100	Stone Energy Corporation	81	108	0.23
4,000	Sun Microsystems, Inc.	61	447	0.95
37,600	Symantec Corporation	1,073	3,181	6.73
5,700	Technitrol Inc.	294	366	0.78
3,700	Texas Instruments Incorporated	148	517	1.10
11,200	Timberland Company	501	855	1.81
16,100	Tommy Hilfiger Corporation	524	542	1.15
20,700	Universal Health Services Inc., Class B	829	1,076	2.28
12,100	WellPoint Health Networks Inc.	1,233	1,152	2.44
17,600	Wesley Jessen VisionCare, Inc.	765	962	2.04
		23,148	32,572	69.00

NORTH GROWTH U.S. EQUITY FUND
STATEMENTS OF INVESTMENTS
DECEMBER 31, 1999 AND 1998
(in thousands of dollars)

Face Value (1)	Short Term Notes (2)	Average Cost (\$)	Market Value (\$)	% of Total Assets
8,500	Export Development Corporation	12,329	12,083	25.59
1,500	Ford Credit Canada Limited	2,184	2,145	4.54
		14,513	14,228	30.13
	Total Investments	\$ 37,661	\$ 46,800	99.13
	Other Assets		413	0.87
	Total Assets		\$ 47,213	100.00

(1) Stated in U.S. Dollars

(2) Investments are grouped by issuer, earn interest at rates ranging from 5.76% to 6.10% and mature between January 18, 2000 and February 07, 2000.

NORTH GROWTH U.S. EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

1. THE FUND

The North Growth U.S. Equity Fund (the "Fund") is an open-ended mutual fund established under the laws of the Province of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the investment fund industry in Canada, and reflect the following policies:

Basis of determining market value

Each investment security, other than short-term notes, is valued at the closing sales price thereof as reported by the principal securities exchange on which the security is traded. If no sale is reported, the average of the latest bid and ask price is used. The principal amounts of short-term notes are valued at the equivalent of their original cost.

Investment transactions and income

Investment transactions are accounted for on the day that a buy or sell order is executed. Dividend income, including stock dividends, is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Realized gains and losses on investment transactions and the unrealized appreciation or depreciation of investments are computed on an average cost basis.

Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing on the balance sheet date except for the historical cost of investments which are translated at the rate of exchange prevailing on the date of purchase. The proceeds from sale of investments and investment income in foreign currencies are translated into Canadian dollars at the approximate rate of exchange prevailing on the dates of such transactions. Gains and losses from transactions in the translation of foreign currencies are considered to be investment transactions and accordingly, are included in the net realized gain or loss on sale of investments.

Unrealized appreciation or depreciation of investments

The unrealized appreciation or depreciation of investments represents the aggregate of the difference between their average cost and market value at the balance sheet date.

3. INCOME TAXES

The Fund is classified as a "Unit Trust" under the Income Tax Act. The Fund distributes to its unitholders all of its annual taxable income, including its taxable net realized capital gains, with the result that the Fund is not liable for any income taxes other than, in certain circumstances, the alternative minimum tax.

NORTH GROWTH U.S. EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

4. DISTRIBUTIONS TO UNITHOLDERS

It is the policy of the Fund to make annual distributions to unitholders of its taxable net investment income and net realized capital gains on sale of investments, which are subsequently reinvested in additional units of the Fund unless a unitholder elects to receive his or her proportionate share of any distributions in cash.

In each of the five years ended December 31, 1999, the distributions per unit, based on the number of units outstanding on the record dates for the distributions, were as follows:

<i>Distributions Per Unit Out of</i>				
<i>Year</i>	<i>Net Investment Income</i>	<i>Net Realized Gain on Sale of Investments</i>	<i>Total</i>	
1999	\$0.09	\$0.99	\$1.08	
1998	0.00	0.66	0.66	
1997	0.00	4.42	4.42	
1996	0.08	2.09	2.17	
1995	0.00	1.86	1.86	

5. UNITHOLDERS' EQUITY

Unitholders' equity includes the Fund units outstanding, retained net investment income and net realized gains or losses on sale of investments, and unrealized appreciation or depreciation of investments.

There is one class of authorized units and the number of units that may be issued is unlimited. Fund units are sold, and are redeemable at the holder's option, in accordance with the provisions of the Trust Deed at the prevailing net asset value per unit.

The registered unitholder may request redemption of Fund units at any time by submitting a written request to the Manager. A redemption request must include the amount to be redeemed and the surrender of the unit certificate or receipt document, if any, properly signed or endorsed. A redemption will be transacted on the same market day if such a request is received by the Manager prior to 1:00pm Vancouver time, otherwise it will be transacted on the next market day. Payment will be made within three business days after the applicable market day. There is no charge on redemption of Fund units.

NORTH GROWTH U.S. EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

5. UNITHOLDERS' EQUITY (continued)

The number of units issued and redeemed during the year were as follows:

	1999	1998
Balance, beginning of year	2,695,078.717	1,922,986.930
Issued during the year		
<i>Sales</i>	115,572.873	473,995.798
<i>On reinvestment of distributions</i>	109,062.803	531,662.052
	224,635.676	1,005,657.850
	2,919,714.393	2,928,644.780
Redeemed during the year	195,941.444	233,566.063
Balance, end of year	2,723,772.949	2,695,078.717

The net asset value per unit at the end of each of the five years ended December 31, 1999, based on the number of units outstanding at year-end, was as follows:

<i>Year</i>	<i>Net Asset Value per Unit</i>		
	<i>Prior to Distributions Payable</i>	<i>Distributions Payable</i>	<i>After Distributions Payable</i>
1999	\$17.24	\$(1.08)	\$16.16
1998	16.74	(0.66)	16.08
1997	20.17	(4.42)	15.75
1996	17.79	(2.17)	15.62
1995	15.59	(1.86)	13.73

6. MANAGEMENT FEES AND OTHER EXPENSES

North Growth Management Ltd. is the Manager of the Fund and provides research, accounting, sales and management services, and acts as investment advisor. Management fees are calculated and payable quarterly at the annual rate of 1%

NORTH GROWTH U.S. EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

6. MANAGEMENT FEES AND OTHER EXPENSES (continued)

The management expense ratio is the aggregate of all fees and other expenses paid or payable by the Fund expressed as a percentage of its average net asset value before deduction of such expenses. For this purpose, the expenses exclude the Goods and Services Tax included therein, which is not recoverable by the Fund, and commissions incurred in connection with portfolio transactions. The management expense ratio during each of the last five years was as follows:

<i>Period</i>	<i>Average Asset Value</i>	<i>Management Expense Ratio</i>
1999	\$46,333,000	1.02%
1998	44,211,000	1.04
1997	37,271,000	1.04
1996	26,852,000	1.09
1995	20,397,000	1.13

The management expense ratio may vary from mutual fund to mutual fund.

7. PORTFOLIO TRANSACTIONS

Commissions paid or payable to investment dealers and brokers in connection with portfolio transactions aggregated \$101,000 in 1998 and \$110,000 in 1998.

8. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Fund, including those related to unitholders, suppliers, or third parties, have been fully resolved.