

# 1999 Semi-Annual Report

## North Growth U.S. Equity Fund

### ECONOMIC MARKET AND REVIEW

We apologize for a belated semi-annual report. The timing, however, is rather fortunate since we now have all of the economic data and earnings reports for the first half of 1999 as well as Alan Greenspan's interpretation of this data which was released after the August 24 Federal Reserve Meeting. For the record, the Fed raised both the Fed Rate and the Discount Rate by  $\frac{1}{4}\%$  to bring them to  $5\frac{1}{4}\%$  and  $4\frac{3}{4}\%$  respectively. On October 6, 1999 the Federal Reserve left the rate unchanged with a bias to tightening. On October 7 and 8, more strong economic statistics were released. We believe interest rates will continue to rise.

Despite the fact that the US equity markets were up to record highs during the second quarter, some of the last year's excesses are beginning to correct. At the same time, others have just been getting more excessive. The valuation of earnings for the S&P 500 Index reached 27x trailing earnings and 33x 1999 projected earnings.

We don't believe that this level of valuation can be justified – even in today's low inflation environment. Notwithstanding our opinion, there are still a large number of strategists and academics offering ingenious justifications for these valuation levels even at a time when some of their main arguments are beginning to deteriorate. One skeptic, whose name I failed to record put it rather nicely as follows: ***“Devoid of memory, anchored in the present, inescapably optimistic about the future, “rational models” always have great difficulty adjusting themselves to simple reality. Everyone is too committed to say what they really think.”*** A bit cynical, but it does seem to have a ring of truth. There have been a number of changes in reality since the justifications for ultra high P/E multiples became completely articulated.

A simple market veteran might ask:

- ***Can spending increase faster than income forever?***
- ***Are record market PE levels justified so late in an economic cycle?***
- ***Why should foreigners consider US investments as a safehaven when many of the world's economies are moving out of the 1998 crisis environment, and the US current account deficit is running at almost 4% of GDP?***

The only things that the current market seems to be reacting to are inflation rates, any sign of strong economic growth which might support higher interest rates, and the Fed's intentions towards raising interest rates. Often, what the market is most concerned about is not the factor that ultimately heralds in a change in market direction. We believe that the greatest risk in the current market is the high valuations being placed on stocks relative to their earnings (i.e. P/E multiples are simply much too high). What triggers a change in sentiment towards valuations is highly unpredictable and essentially irrelevant. The important point about today's market is that valuations are at all-time high levels (by a significant amount) and that peak P/E multiples have never persisted for an extended period in the past.

Well, that's what we really think, and we have no reason not to say what we think. Fortunately, our 30% (plus or minus) buying reserve and the investment style to which we are committed seem appropriate for a period of downward P/E multiple adjustment.

Although US equity markets had rallied strongly from their October lows, at the end of 1998, North American investors were still preoccupied by an overwhelming array of uncertainties concerning global economic prospects.

## ECONOMIC MARKET AND REVIEW CONT...

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To many, the US economy seemed to be the one island of growth that was keeping much of the rest of the world from an economic meltdown.

Going into 1999, the mainstream US professional investment community, however, was quite sanguine. The consensus was that the leading US stocks of 1998 would continue to surge ahead because of the huge amount of money flowing into equity mutual funds. Where other than large cap stocks could all that money be put to work? Maybe it would rotate a bit from one big-cap industry group to another, but the overall direction would be up. Capital would also flow into the US as foreign investors sought out a safe haven in the world's most trusted currency and, in the case of equities, into strong performing large-cap, well-known US companies.

The relationship between market capitalization and performance that characterized 1998 was so unique we think it is worth reflecting on once again. This phenomenon is beginning to break down and should not be expected to be repeated anytime soon.

### *By Capitalization*

### *Unweighted Performance*

Over 20 Billion	25.94%
5 Billion – 20 Billion	6.19%
2 Billion – 5 Billion	- 6.11%
250 Million – 2 Billion	-16.63%
Under 250 Million	-24.14%

Source: Salomon Smith Barney

As is so often the case, things did not work out quite as the pundits thought they would. By March 1999, it became apparent that Korea and South East Asia were showing signs of recovery. Japan was producing many conflicting signals but there was some speculation that it was beginning to emerge from its ten year morass. As this report is being written, the strong Japanese Yen has become a central talking point and of great concern as to the future of the US interest rates and the direction of the US equity and bond markets. The current consensus is that the world economy has been improving for most of 1999. At the end of 1998, the consensus was that the world economy would be sluggish in 1999 and could begin to improve in 2000.

At the end of 1998, almost all commentators, including ourselves, endorsed the IMF prediction that the US economy would slow down in 1999 to a 2% GDP growth rate versus the unsustainable 4 ½ % rate of 1998. Industrial production in the US trended downward throughout 1998 (which was not surprising given the economic turmoil outside the US), with the exception of a surprise increase in the fourth quarter which seemed to have been caused by the Fed rate cuts and the stock market's amazing recovery during the quarter.

1999 has so far turned out exceptional economic results in terms of strong economic growth and low inflation rates. First and second quarter GDP growth was 3.95% and 3.93% respectively. Inflation, including the cost of labor, remains low despite the lowest unemployment rate in 30 years. The Fed is worried that the US economy is growing at a rate that is unsustainable and will lead ultimately to accelerating inflation. Fed policy is now definitely set on raising interest rates until the economy clearly slows down.

The short-term buzz about the economy hasn't seemed that useful during the past few years. A review of the economic and equity cycles of the 90s might be more useful in giving us insight into how conditions change. Possibly it will help us anticipate the next change.

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## ECONOMIC OVERVIEW OF THE 1990s

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The 1990 to 1999 period has been a great cycle and very profitable for investors. The only other period of economic growth to last so long occurred in the 60s, extended because of the Vietnam War build up. The current cycle however, has been based on a number of much healthier factors than a war build-up.

Initially the recovery got off to a very slow start, which was quite nerve wracking. Was the normal boom-bust cycle going to be replaced by an economic cycle that just petered out before it really got started? There was a lot of ink spilled on that notion. We favoured the concept that "slow and steady" is better than "boom and bust."

At the end of 1993, the economy showed a better rate of growth that seemed more normal to most bulls like ourselves. Unfortunately, Alan Greenspan saw it as a sign of re-emerging inflation and raised the Fed rate in May, 1994. The bond market sold off sharply and equity markets became decidedly difficult. By the end of 1994, many observers were beginning to recognize that the weak US Dollar during 1993 had been an important factor behind the decision to raise rates.

**At the end of 1994 the S&P 500 Index was trading at approximately 16x the latest 12-month earnings and 14x 1995 estimated earnings. The Fed Funds rate was 5.7%.**

By June 7, 1995 the Fed felt it had made its point and reduced interest rates. Corporate earnings also began to grow at a faster rate. Alan Greenspan was being hailed as a financial Wizard. Also in 1995, the "Large-Cap Market Leadership" began based on the premise that in a low inflationary environment pricing power would be virtually non-existent, and the companies most likely to be able to show unit volume growth would be the large international companies with strong brand recognition. That didn't appear very exciting at the time but turned out to be one hell of a good idea for the next four years. It also resulted in valuations for those companies rising to completely unrealistic levels given their long-term growth potential.

The restructuring of US companies in the early 90s was now coming through to earnings. Much of the improvement in earnings from 1995 onward was reinvested in capital spending to enhance productivity. This translated to capital spending on high-tech hardware and software. By the spring of this year Alan Greenspan

gave credibility to the theory that one of the main reasons for inflation staying low was the remarkably persistent improvement in productivity caused by this investment in high-tech capacity. Many economists endorsed this idea and some went as far as preaching that there is no reason that an economic cycle cannot go on forever. Maybe, but it has never been observed in the past.

By the fourth quarter of 1997 we were in the seventh year of a bull market, well beyond the span of an average cycle and into the period where imbalances usually develop in the economy. During October, 1997 the problem in South East Asia that had been escalating during the summer hit the Western markets hard as the Thai Baht was devalued. To many this looked like the end of the bull market but by January a novel idea began to gain credibility: **weak economies outside the US might challenge international earnings and hurt US exports but this could be offset by restrained inflation and low interest rates which would keep the US economy growing.**

We all know now that the US did benefit from low inflation and capital inflows. Some short-term disruption in semiconductor related products occurred and it was a terrible year for conventional capital goods and basic industries. However, consumer spending boomed and high-tech sales, especially communications related, soared. E-Commerce had certainly become a significant long-term trend in mainstream business innovation worldwide.

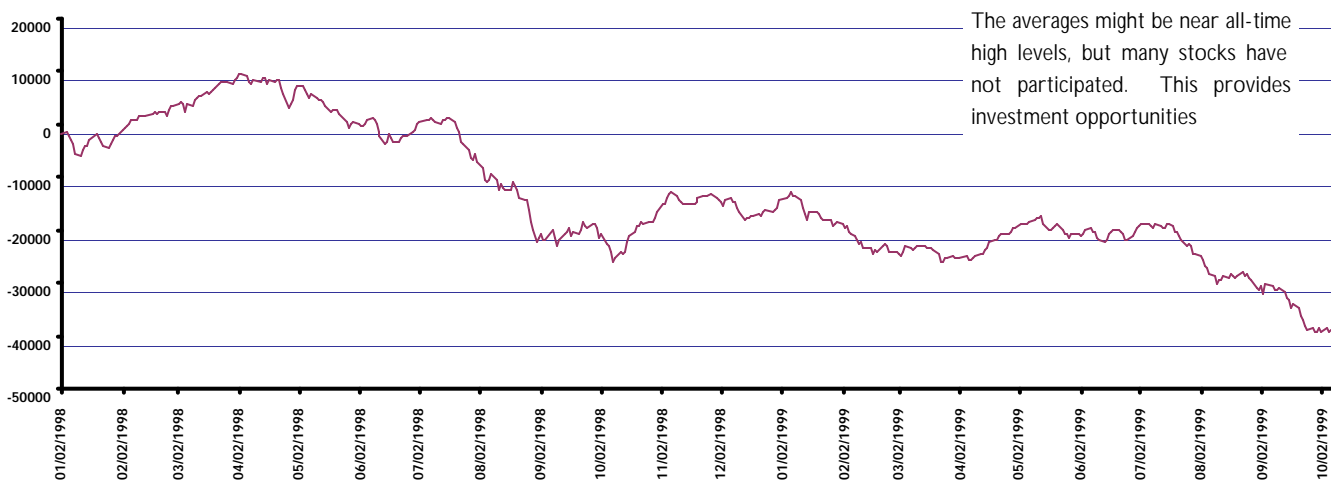
In summary we have been experiencing a great cycle that has benefits from a slow start and generally moderate continued growth. Monetary policy by the US Fed has been quite inspired and has lead the world through some difficult times, most notably the Russian Default and Long-Term Capital debacle of the last summer and fall. Nevertheless, good as it has been this cycle is not immortal and is beginning to show signs of old age. World recovery, a tight labour situation in the US and rising interest rates are current economic factors that we think are most likely to bring it to an end.

## THE MARKET OUTLOOK

While the market and the North Growth US Equity Fund have made significant recoveries from early October of 1998, most stocks have risen much less than the major averages would imply. By September 20, 1999, even the major averages lost their previous upside momentum. The DJIA and the S&P 500 have, as of September 20, registered no net gain since April, and the stronger NASDAQ Composite is unchanged since mid-July.

Currently, equity markets abound with valuation anomalies provide worthwhile investment opportunities. In 1998, despite very poor breadth in the market the average P/E multiple of the S&P 500 Index rose to record levels because of the appreciation of a small number of large-cap stocks. In 1999, an even more restricted number of large-cap stocks (mainly high tech) is performing well. This is creating some short-term concern about the overall market. However, and more importantly to us, these trends are creating great opportunities to invest in undervalued stocks.

**NYSE Cumulative Advance-Decline Line**  
January, 1998 - October 6, 1999



Equities are your best long-term investment. They do drop in price from time to time but over the long-term they are the best investment alternative. It is how an investor uses a short-term buying reserve to add to equity investments when stocks are under pressure that makes a cash reserve useful. To put it another way, having cash at the bottom of a scary sell-off might give you some short-term comfort but it can be a very expensive luxury unless you reinvest in the market before the market starts on its way back up. We are acutely conscious of this fact, and are working very hard to keep developing worthwhile investment candidates so we can become fully invested quickly when conditions seem right.

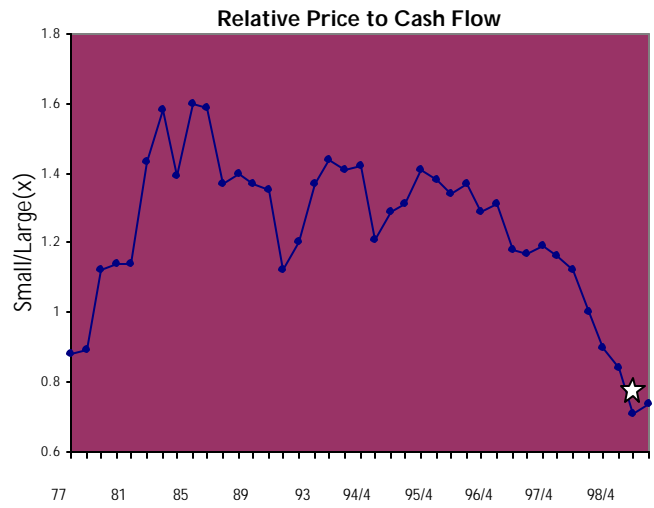
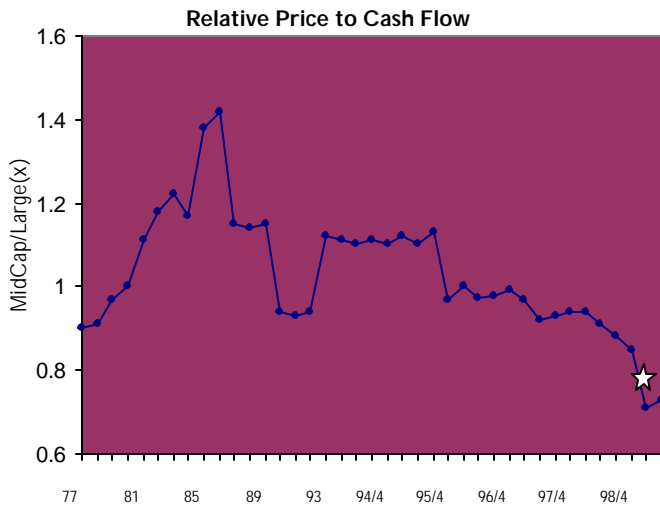
We will also try to communicate this development to our clients

at the appropriate time. Remember that a classic buying opportunity invariably occurs when all the news looks bleak on the surface and it is hard to feel enthusiastic about buying the stocks that you had been waiting to come down to a reasonable price.

We are finding companies that have, in our judgment, significant earnings growth potential and are selling at reasonable P/E multiples. We are adding them to our portfolio at the same time we are selling other stocks that have experienced good earnings, but have P/E multiples that have risen to levels where any shortfall from earnings expectations or a change in the current complacently optimistic market mood could precipitate a painful multiple revision.

**MID-CAP RELATIVE TO LARGE-CAP**

**SMALL-CAP RELATIVE TO LARGE-CAP**



*\*The low end of the historic range: this is where a change in market leadership to smaller-cap stocks usually takes place.*

We will continue to hold a buying reserve of approximately 30% until the average level of P/E multiples correct to more reasonable levels and we have found so many compelling investment ideas that we have used up all our cash. Our focus is to get our buying reserve back into the market opportunistically and into individual stocks which present the most significant growth prospects.

Yours truly,

Rudy North

## 1999 PERFORMANCE RESULTS

### SEMI-ANNUAL RESULTS

	Dec. 31/99 To Mar 31/99	Mar 31/99 To June 30/99	May 31/99 To June 30/99	Year To Date
<b>North Growth US Equity Fund \$Cdn</b>	<b>-2.5%</b>	<b>8.1%</b>	<b>5.3%</b>	<b>5.3%</b>
<b>North Growth US Equity Fund \$ US</b>	<b>-1.0%</b>	<b>11.5%</b>	<b>6.0%</b>	<b>10.4%</b>
S&P 500 \$US	5.0%	7.0%	5.5%	12.4%
S&P Midcap \$US	-6.4%	14.2%	5.4%	6.9%
Russell 2000 \$US	-5.4%	15.5%	4.5%	9.2%
NASDAQ Composite \$US	12.3%	9.2%	8.8%	22.7%

\* Source: Bloomberg "Total Return Analysis" as of September 27, 1999

Note – Including income in all cases

### AVERAGE ANNUAL COMPOUND RATES OF RETURN

	1 Year	2 Years	3 Years	4 Years	5 Years
<b>North Growth U.S. Equity Fund \$CDN</b>	<b>0.5%</b>	<b>11.0%</b>	<b>16.8%</b>	<b>19.7%</b>	<b>19.9%</b>
Average U.S. Equity Fund \$CDN **	17.0%	21.7%	23.3%	-	21.1%
Median U.S. Equity Fund \$CDN **	16.6%	21.2%	22.6%	-	20.9%

-Results are after all management fees and other expenses

\*\* as measured by the Globe & Mail

NAVPS: JUNE 30/99:	\$16.94 CDN
TOTAL ASSET VALUE:	\$48,121,034.43

The North Growth US Equity Fund gained 5.3% (\$CDN) or 10.4% (\$US) during the first six months of 1999. The strengthening of the Canadian dollar hurt the Fund's performance by 5.1%.

## PORTFOLIO JUNE 30, 1999

AS A %OF  
PORTFOLIO

**XEROX CORP...** "The Document Company" develops, manufactures and services a wide range of copiers, laser printers and document publishing equipment worldwide. The company's research and development program concentrates on digital, colour and network systems. Nearly half of total company sales, digital products are Xerox's fastest growing segment.

4.22

**BJ'S WHOLESALE CLUB INC...** is the US's #3 wholesale club chain (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.

4.12

**SYMANTEC CORP...** is the world leader in utility software for business and personal computing. Security and assistance products (e.g. Norton antivirus and Norton Utilities) contribute more than half of the company's total revenues. The company also makes remote access products (pcANYWHERE, WinFax PRO, and ACT!).

2.91

**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.

2.88

**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.

2.83

**NATIONAL DATA CORP...** provides information services and systems for the healthcare market and electronic payment system market: services include electronic claims processing, database information for healthcare providers, credit card, debit card, cheque, smart card and purchase card processing services.

2.61

**TOMMY HILFIGER CORP...** through its subsidiaries, designs, sources and markets a broad range of classic apparel, accessories and footwear for men, women and children as well as fragrances and home furnishings.

2.53

**BRINKER INTERNATIONAL INC...** operates and develops restaurant chains ("concepts") such as Chili's Grill & Bar, Romano's Macaroni Grill, On the Border Mexican Café, Cozymel's Coastal Mexican Grill, Maggio's Little Italy, and the Corner Bakery. Brinkers also operates and develops a market store and bakery concept called Eatzi's Market and Bakery.

2.38

## PORTFOLIO JUNE 30, 1999

AS A %OF  
PORTFOLIO

**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.

2.36

**WELLPOINT HEALTH NETWORKS...** is a managed health care 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 name in its home state, and elsewhere (eg. Texas and Georgia) through UNICARE.

2.19

**ANALOG DEVICES INC...** primarily designs, manufactures and markets a broad line of high performance analog (linear and mixed signal) and digital integrated circuits. Analog linear integrated circuits are chips that translate real-world phenomena such as pressure, temperature and sound into digital signals.

2.17

**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.

2.07

**JONES APPAREL GROUP INC...** is a leading designer and manufacturer of better priced women's sportswear, suits and dresses. Jones' products are marketed under nationally known brands such as Jones New York, Evan-Picone, Rena Rowan, and Lauren Ralph Lauren. Its recently acquired subsidiary, Nine West Group, designs and manufactures shoes and accessories under the brand names that include Nine West, Enzo Angiolini, Easy Spirit and Bando-lino.

2.07

**ORACLE CORPORATION...** is one of the world's leading developers and suppliers of software products for information management and software companies providing server technologies, application development, business intelligence tools and business applications. The Company's flagship database product runs on hardware ranging from notebooks to mainframes. Consulting, technical support and other services account for over half of total sales.

2.07

**KELLWOOD CO.** and its subsidiaries, manufacture and market diversified lines of men's, women's and children's branded and private label clothing 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.

2.05

**PIER 1 IMPORTS INC.** ... consists of a chain of retail stores that sell a wide variety of furniture, decorative home furnishings, dining and kitchen goods, accessories and other specialty items for the home.

2.00

## PORTFOLIO JUNE 30, 1999

AS A %OF  
PORTFOLIO

**NEXTEL COMMUNICATIONS INC.** ...provides a wide array of digital and analog wireless communications services to its customers in and around major urban centers of the United States using frequencies licensed to its subsidiaries.

1.98

**GREENBRIER COS INC.**... is a leading supplier of transportation equipment and services to the railroad and related industries. It is one of the largest manufacturers of railcars in North America.

1.93

**NORTHWEST PIPE COMPANY**... manufactures welded steel pipes. Northwest is the leading supplier in Canada and the United States of large diameter, high-pressure steel pipe used for water transmission. Northwest also manufactures smaller diameter, electric resistance welded steel pipe for use in construction, agriculture and industry.

1.65

**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.

1.62

**CLAYTON HOMES INC.**... is one of the largest 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.

1.54

**ALASKA AIR GROUP INC.**... is the holding company for Alaska Airlines, Inc. and Horizon Air Industries Inc. Alaska is a major airline that operates an all jet fleet in six western states. Horizon is a regional airline operating jet and turbo-prop aircraft.

1.54

**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.

1.50

**O'CHARLEY'S INC.**... owns and operates approximately 100 restaurants in the Southwest and Midwest that appeal to traditional casual dining and value-oriented customers. This means good food at moderate prices in a relaxed "neighbourhood" atmosphere with excellent customer service.

1.48

## PORTFOLIO JUNE 30, 1999

AS A %OF  
PORTFOLIO

**RECISION 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.

1.45

**DELHAIZE AMERICA INC...** formerly Food Lion Inc., is a holding company for its supermarket subsidiaries in the Southeastern and Mid-Atlantic United States. Its stores operate as Food Lion, a chain with a strong presence in the Carolinas and Virginia, Kash n' Karry and Save n' Pack. The company recently expanded its business into the Northeast with its purchase of the Hannaford Bros. supermarket chain.

1.25

**AMR CORPORATION...** is a worldwide leader in scheduled passenger, freight and mail jet service, operating as American Airlines, American Eagle and Reno Air. The company leads Oneworld, an extensive marketing alliance with British Airways, Canadian Airlines, Cathay Pacific and Qantas. AMR also provides information technology solutions to the travel and transportation industry, and owns a majority of the SABRE computer reservations system.

1.24

**HCR 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.

0.96

**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.

0.95

**SBS TECHNOLOGIES...** designs, manufactures and sells board level products for the standard bus embedded industrial computer industry. The products are used mostly in military and space applications in relatively small protected market niches, as well as in medical imaging and communications applications.

0.88

**MICHAELS STORES INC...** the US's largest arts and crafts specialty retailer, selling arts, crafts, framing, floral, decorative wall decor and seasonal merchandise for the hobbyist and do-it-yourself home decorator. The company operates Michaels stores across the US, in Canada, and in Puerto Rico and Aaron Brothers stores on the West Coast in the US.

0.88

**THE LIMITED INC...** is a specialty retailer, operating stores under the names The Limited, Lerner New York, Express, Lane Bryant, Henri Bendel, Structure and Gadyon's Trading Co. The Limited also owns approximately 84% of Intimate Brands, the operator of Victoria's Secret and Bath & Body Works stores.

0.79

## PORTFOLIO JUNE 30, 1999

AS A %OF  
PORTFOLIO

**RALCORP HOLDINGS INC...** is a leading manufacturer of private label foods, and 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.

0.79

**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.

0.74

**UNIVERSAL HEALTH SERVICES INC...** is the third largest for-profit hospital management company in the United States. It owns and operates acute care hospitals, behavioral health centers, ambulatory surgery centers and radiation oncology centers. Acute care constitutes about 80% of revenues.

0.73

**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.

0.72

**APPLIED MATERIALS INC...** develops, manufactures, markets and services semiconductor wafer fabrication equipment and related spare parts for the worldwide semiconductor industry. Its customers include companies that manufacture semiconductor devices for use in their own products and companies that manufacture semiconductor devices for sale to others.

0.65

**SCHNITZER STEEL INDUSTRIES...** collects, processes and recycles steel scrap and manufactures finished steel products by operating one of the largest steel scrap recycling businesses in the United States and a technologically advanced steel mini-mill.

0.65

**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, modems, and the "PalmPilot".

0.54

**GATEWAY INC...** develops, manufactures, markets and supports a broad line of desktop and portable PCs, digital media PCs, servers, workstations and PC-related products used by individuals, families, businesses, government agencies and educational institutions.

0.47

## PORTFOLIO JUNE 30, 1999

AS A %OF  
PORTFOLIO

**ALTERA CORP...** designs, manufactures and markets programmable logic devices (PLDs) and associated development tools. PLDs are semiconductor integrated circuits that can be programmed on-site using software tools that run on personal computers and workstations. The company's products serve a wide range of markets, including telecommunications, data communications, computers and industrial applications.

0.29

**SIERRA HEALTH SERVICES INC...** is a managed health care company that operates primarily in Nevada and Texas. It provides and administers the delivery of comprehensive health care programs, offering home and hospice care, standard insurance, and health administrative services to employers, government agencies and individuals through its health maintenance organization (HMO).

0.27

**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.

0.27

**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.

0.22

**WESLEY JESSEN VISIONCARE INC...** is the leading specialty lens developer, manufacturer and marketer of world-wide specialty soft contact lenses. Its well-known colour lenses are sold under the Durasoft, FreshLook and Wild Eyes names in the US, and Elegance, Eycon and Natural Touch outside the US. Wesley Jesson also makes toric lenses for astigmatism and premium lenses that feature UV protection and less protein buildup.

0.21

**INTEGRATED HEALTH SERVICES INC...** is a leading provider of post-acute health care services and operator of nursing homes in the US. Through its geriatric care facility network in 47 states it provides a wide variety of rehabilitative, hospice and diagnostic services. The company also operates institutional pharmacies and a contract therapy business.

0.21

**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.

0.20

PORTFOLIO JUNE 30, 1999

AS A %OF  
PORTFOLIO

**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.

0.20

**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.

0.14

TOTAL EQUITIES	71.26
CASH AND SHORT TERM NOTES	28.74
<hr/>	
TOTAL ASSETS	100.00

# FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30TH, 1999 AND 1998

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N O R T H   G R O W T H   U . S .   E Q U I T Y   F U N D

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## NORTH GROWTH U.S. EQUITY FUND

## STATEMENTS OF NET ASSETS

JUNE 30, 1999 AND 1998

(unaudited) (in thousands of dollars)

	1999	1998
<b>ASSETS</b>		
INVESTMENTS - at market value	\$ 34,293	\$ 42,584
CASH AND SHORT-TERM NOTES	13,915	5,264
ACCRUED INTEREST AND DIVIDENDS RECEIVABLE	44	14
	13,959	5,178
	\$ 48,252	\$ 47,762
<b>LIABILITIES</b>		
ACCOUNTS PAYABLE AND ACCRUED CHARGES	131	131
<b>NET ASSETS</b>	\$ 48,121	\$ 47,631
<b>NET ASSET VALUE PER UNIT</b>	\$ 16.94	\$ 17.55

NORTH GROWTH U.S. EQUITY FUND  
STATEMENTS OF INVESTMENT INCOME

JUNE 30, 1999 AND 1998

(unaudited) (in thousands of dollars)

	1999	1998
<b>INVESTMENT INCOME</b>		
Dividends - net of withholding taxes	\$ 69	\$ 77
Interest	243	82
	312	159
<b>EXPENSES</b>		
Management fees	249	252
Trusteeship fees	4	6
Audit fees	3	3
	256	261
<b>NET INVESTMENT INCOME (LOSS) (Note 3)</b>	\$ 56	\$ (102)

NORTH GROWTH U.S. EQUITY FUND  
 STATEMENTS OF CHANGES IN NET ASSETS  
 SIX MONTHS ENDED JUNE 30, 1999 AND 1998  
 (unaudited) (in thousands of dollars)

	1999	1998
<b>ADDITIONS TO NET ASSETS</b>		
Proceeds from sale of investments	\$ 19,133	\$ 21,684
Investments at average cost, beginning of year	32,448	27,241
Cost of investments purchased	9,631	24,200
	42,079	51,441
Investments at average cost, end of year	(25,074)	(34,615)
Cost of investments sold	17,005	16,826
Net realized gain on sale of investments	2,128	4,858
Net investment income (loss)	56	(102)
Sale of Fund units	1,357	7,313
Fund units issued on reinvestment of distributions	1,754	8,374
Increase in unrealized appreciation of investments	357	10
	\$ 5,652	\$ 20,453
<b>DEDUCTIONS FROM NET ASSETS</b>		
Payments on redemption of Fund units	872	3,106
<b>INCREASE IN NET ASSETS</b>	<b>4,760</b>	<b>17,347</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>43,341</b>	<b>30,284</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 48,121</b>	<b>\$ 47,631</b>

## NORTH GROWTH U.S. EQUITY FUND

## STATEMENTS OF ASSETS

JUNE 30, 1999

(unaudited) (in thousands of dollars)

Number of Shares	Foreign Common Shares	Average Cost (\$)	Market Value (\$)	% of Total Assets
6,700	3Com Corporation	319	262	0.54
6,000	AMR Corporation	386	599	1.24
12,100	Alaska Air Group, Inc.	713	739	1.54
2,600	Altera Corporation	81	140	0.29
14,200	Analog Devices, Inc.	469	1,043	2.17
2,900	Applied Materials, Inc.	232	313	0.65
45,100	BJ'S Wholesale Club, Inc.	1,201	1,984	4.12
28,800	Brinker International Inc.	775	1,146	2.38
1,800	City National Corp.	88	99	0.21
44,190	Clayton Homes, Inc.	398	739	1.54
1,300	DSP Group Inc.	34	68	0.14
2,000	Devon Energy Corporation	70	105	0.22
8,300	Diamond Offshore Drilling, Inc.	283	345	0.72
2,400	FirstMerit Corp.	90	99	0.21
34,500	Food Lion, Inc., Class A	477	599	1.24
2,600	Gateway 2000 Inc.	223	224	0.47
13,000	HCR Manor Care Inc.	474	460	0.96
8,600	Integrated Health Services, Inc.	100	101	0.21
19,800	Jones Apparel Group, Inc.	689	993	2.06
24,800	Kellwood Company	736	984	2.04
20,200	LSI Logic Corporation	554	1,363	2.83
44,000	Louis Dreyfus Natural Gas Corpo-	971	1,388	2.88
71,000	Mesa Air Group, Inc.	642	781	1.62
9,500	Michaels Stores, Inc.	310	426	0.89
20,100	National Data Corporation	1,144	1,257	2.61
13,000	Nextel Communications, Inc., Class	402	955	1.98
32,600	Northwest Pipe Company	839	792	1.65
30,500	O'Charley's Inc.	566	714	1.48
45,700	O'Sullivan Industries Holdings, Inc.	715	1,137	2.36
18,350	Oracle Corporation	552	997	2.07
38,600	Owosso Corporation	431	325	0.68

## NORTH GROWTH U.S. EQUITY FUND

## STATEMENTS OF NET ASSETS

JUNE 30, 1999

(unaudited) (in thousands of dollars)

Number of Shares	Foreign Common Shares	Average Cost (\$)	Market Value (\$)	% of Total Assets
58,437	Pier 1 Imports, Inc.	780	962	2.00
11,200	Precision Castparts Corp.	675	696	1.45
16,200	Ralcorp Holdings Inc.	460	381	0.79
14,300	SBS Technologies, Inc.	509	424	0.88
9,500	Schintzer Steel Industries, Inc.	228	311	0.65
10,400	Sierra Health Services, Inc.	236	220	0.46
6,300	SouthTrust Corporation	367	354	0.74
2,100	Stone Energy Corp.	81	130	0.27
9,900	Sun Microsystems, Inc.	303	998	2.07
37,600	Symantec Corporation	1,073	1,403	2.92
3,400	Texas Instruments Incorporated	272	721	1.50
60,500	The Greenbrier Companies, Inc.	1,211	929	1.93
5,729	The Limited, Inc.	218	380	0.79
4,600	Timberland Company	407	458	0.95
11,300	Tommy Hilfiger Corporation	736	1,215	2.52
5,000	Universal Health Services Inc., Class B	371	349	0.73
8,500	Wellpoint Health Networks Inc.	942	1,055	2.19
2,100	Wesley Jessen VisionCare, Inc.	92	99	0.21
23,500	Xerox Corporation	1,149	2,031	4.22
	Total Investments	\$ 25,074	\$ 34,293	71.27
	Other Assets		13,828	28.73
	Total Assets		\$ 48,121	100.00