

1998 ANNUAL REPORT

PERFORMANCE SUMMARY

The Fund's 1998 performance relative to the S&P 500 Index was very disappointing. We do not expect to keep up with the market when our core investment philosophy of seeking out companies with continuing strong growth prospects at reasonable price valuations is out of style. In 1998 the winning style was simply to invest in the very largest growth stocks despite the fact that they were selling at historically high price-earnings multiples. This divergence in styles produced a big divergence in the Fund's performance relative to the S&P 500 Index, which rose 28.6% during 1998 – the fourth year in a row of more than a 20% gain.

The fact that all of the Fund's performance shortfall can be attributed to a five-month period starting on May 8, 1998, is a small comfort. Nevertheless, that short-term set-back is now part of the long-term record of the Fund and must be made up in the future. From the Oct 8, 1998 low of the US equity markets through to December 31, 1998, the Fund gained 34.98% in US dollars versus a gain of 28.51% (including income) for the S&P 500 Index.

MARKET REVIEW

1998 was an extraordinary year for US equity markets. Despite virtually flat earnings for the year, the S&P 500 Index rose 28.6 % during 1998. The year started with the P/E multiple of the S&P Index at the high end of its historical range and ended the year on a decisive peak of 32.2 times trailing 12 month price-earnings (Source: Bloomberg, January 1, 1999).

The year started with a great deal of concern about how the economic crisis in Southeast Asia would affect the world economy (including the US economy). Later in the year, the collapse of the Russian economy followed by intensifying problems in Brazil gave investors much to be uneasy about.

Then, of course, there was a market correction of bear market proportions (and emotion) during the mid-July to early-October period. In the case of the S&P 500 Index, this would rank as the most painless bear market in living memory since it completely recovered to the pre-correction level in only 33 days and went on to set record highs by the end of the year.

Finally, there were two sideshows during the year: the collapse and bailout of the "Long-term Capital Management" hedge fund and the year-long meteoric rise in Internet stocks which reached a fevered pitch of speculation in the last 2 months of the year.

MARKET REVIEW CONT...

In equity markets, the most notable feature of the year was the dominance of the very largest growth stocks with extreme lack of performance breadth in the rest of the market. Precipitated by three US Federal Reserve rate cuts, the most significant economic development of the year was the global shift from fighting inflation to providing liquidity and economic stimulation.

It is probably not too surprising that an eight-year-old bull market should produce some excesses, but it isn't easy to put all of the above into perspective. We will try to prioritize this bewildering collection of observations and relate some of the specifics to sound investment principles.

BASIC INVESTMENT PRINCIPLES

STOCKS FOR THE LONG-TERM

Stocks are the best long-term security class for long-term investors. Despite periodic short-term corrections and bear markets, US equities have been the best investment option in that country in every decade of the century with the exception of the 30's.

Over the long-term stocks go up because earnings grow. There is a very close relationship between a company's stock price and its earnings record over an extended period of time, such as 35 years. Recently, we reviewed a collection of 450 charts showing the earnings history and the price history of a good cross-section of leading US companies. The charts provided graphic confirmation that stocks do not rise faster than their respective companies' earnings over the long-term. They also showed that prices are correlated to earnings over shorter periods (with some caveats).

Over the short-term, the fact that the market is always trying to anticipate future earnings sometimes produces confusing short-term variations in the relationship. Also, important general economic conditions, interest rates, as well as market psychology do result in P/E multiples expanding and contracting, sometimes over multi-year periods.

It is important to try to understand the factors behind these multiple swings in order to take advantage of inappropriate valuations. The market does tend to go to excesses when a stock is getting good results and is held in high esteem by the investment community. Determining how much multiple expansion is reasonable is one of the most difficult judgements a portfolio manager has to make.

Responsible investing requires turning away from stocks that are overvalued. Earnings might be expected to grow over the long-term but P/E levels cannot be expected to grow indefinitely and the record clearly shows that they do not. A flip through the 450 charts referred to puts considerable doubt on the wisdom of paying 40 to 100 times earnings for shares of even the greatest stocks.

This has been a short review of the thinking behind our "growth at a reasonable price" philosophy. While we could have improved our 1998 performance by better relating to the prevailing mood of the marketplace, even in hindsight we feel that, despite the "reasons" for the large-cap leadership, 1998 was an anomalous year. We would have had to abandon all claims of having a consistent investment strategy in order to have participated significantly in the areas of strength that propelled the S&P 500 Index forward during 1998.

THE EFFECT OF MARKET CAPITALIZATION ON PERFORMANCE DURING 1998

Although we included this data in our December report, the amazing relationship between market capitalization and performance characterized 1998, and warrants repeating.

COMMON EQUITY UNWEIGHTED PRICE PERFORMANCE-1998

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 : Solomon Smith Barney

Even within this large-cap phenomenon, the market gains were very concentrated. Salomon Smith Barney expressed this by pointing out that the top 10 contributors to the S&P 500's gain during 1998 accounted for 43% of the total gain. The top fifty performers in the S&P 500 during 1998 accounted for 87.5% of the index's total gain and only eight of these stocks had a market capitalization of less than \$20 billion.

MARKET LEADERSHIP ALTERNATES BETWEEN LARGE-CAP STOCKS AND SMALL-CAP STOCKS

Next to bull markets following bear markets, the fact that market leadership alternates between large-cap stocks and small-cap stocks is one of the most dependable characteristics of the stock market. Historically, the relative price-earnings ratios of large-cap stocks will rise for a number of years and then start to decline relatively as the market begins to focus on the better value available amongst smaller-cap stocks.

The secular trends of better small-cap performance typically last for three or more years. Small-cap stocks were clearly the market leaders from 1975 to mid-1983, although most observers site 1977 to 1983 as the boom period. The last period of small-cap market leadership started in 1990 and carried through into 1993.

The relative valuations of small-cap stocks remain at rock bottom. In our 1998 Semi-Annual Report we pointed out that the relative P/E ratios of small-cap stocks were at levels that are indicative of a change of market leadership from large-cap stocks to small-cap stocks. These relationships got even more attractive by October 8th. At that time, small-caps had never been more deeply oversold.

We have pointed out in earlier monthly reports that small-cap and emerging growth stocks always seem to finish their periods of underperformance with a violent decline. The October 8th selling climax certainly qualified as a violent end as small-cap stocks declined roughly 15% over the preceding 3-week period. While oversold climaxes are significant, it is the extreme low of the relative P/E ratios of small-cap stocks compared to the P/E ratios of large-cap stocks that we find most compelling. Price-to-sales and price-to-book value also favour small-cap stocks at this time.

1999 OUTLOOK

GLOBAL UNCERTAINTIES

We expect the US equity markets to experience significant price swings and very little overall progress during 1999. Periods of market weakness will provide timely opportunities for buying equities before the world economy begins its expected acceleration in 2000.

For the second year in a row North American investors are focused on the uncertainties in global economic prospects. Time, fortunately, works to solve these problems. Some of the earlier casualties, such as Southeast Asia, are beginning to stabilize. On the other hand, Brazil's economic problems, and the threat they pose to other countries in South and Central America, have just recently become significant concerns. There will continue to be concerns about the global economic environment, but there isn't much left that could come as a big negative surprise.

It is hard to feel confident when so many of the world's economies have been plunged into recession. However, since the US Federal Reserve started cutting short-term rates in response to the financial crisis of September and October of last year, policies of lower interest rates and greater liquidity have been adopted virtually worldwide. Lowering rates is the most powerful economic tool that governments can use to encourage economic growth. The World Monetary Fund is expecting global economic growth of about 2% in 1999, approximately the same as in 1998. By the year 2000, the stimulus already in place is expected to result in acceleration in the global growth rate to over 3%.

US MODERATION

US growth in GDP is expected to moderate from approximately 4% in 1998 to 2% in 1999. Last year the US economy performed very well in light of the problems in the rest of the world. A combination of strong capital investment domestically and strength in consumer spending, including spending on durable goods and housing, offset the drag of slowing exports and rising imports.

The US economy has been growing for eight years. The only other post-war expansion of similar length was the nine-year period from the end of 1960 to the end of 1969 which was believed to have been prolonged by the Vietnam build-up. At some point there must be a slowdown. The American GDP growth rate peaked in 1997 and steadily slowed during 1998 until an unexpectedly strong fourth quarter. The consumer, whose confidence was very high as a result of full-employment and possibly the quick recovery of the stock market, led this strength.

It is expected that the US economy will slow to a 2% growth rate for 1999. Going through a period of consolidation in 1999 with a 2% growth rate would be very healthy for the US economy. Over the longer-term, a pick-up in the global economy and commitment to monetary easing should keep the US economy growing closer to sustainable rate of 2.5 %.

1999 STRATEGY

The Fund will continue to be invested in businesses which we believe have significant growth potential and whose stocks are not overpriced. As always, stock selection will be the focus of our efforts. Last year's one-sided market has created many opportunities for investors seeking out attractive values.

Yours truly,

A handwritten signature in cursive script that reads "Rudy North".

Rudy North

PERFORMANCE RESULTS

ANNUAL RESULTS

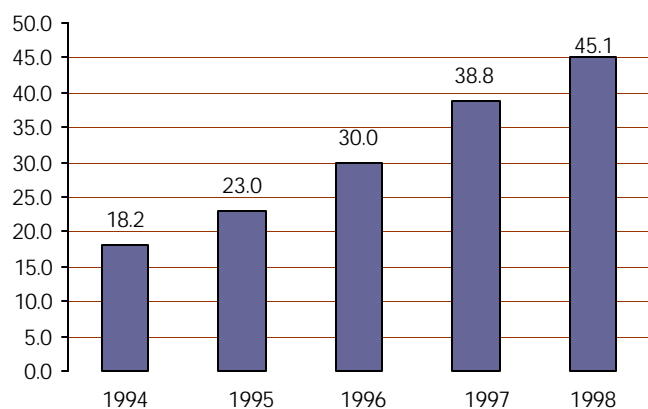
	1998	1997	1996	1995	1994	1993
NGM US Equity Fund \$Cdn	6.3%	29.1%	29.5%	25.0%	0.4%	15.1%
NGM US Equity Fund \$ US	-0.8%	23.7%	28.9%	28.5%	-5.4%	10.8%
S&P 500 \$US	28.6%	33.1%	22.7%	37.1%	1.3%	9.9%
S&P Midcap \$US	19.1%	32.0%	19.1%	30.7%	-3.6%	13.8%
Russell 2000 \$US	-2.2%	22.1%	16.4%	27.4%	-1.8%	18.9%
NASDAQ Composite \$US	40.1%	22.1%	23.0%	40.8%	-3.2%	14.8%

AVERAGE ANNUAL COMPOUND RATE OF RETURN

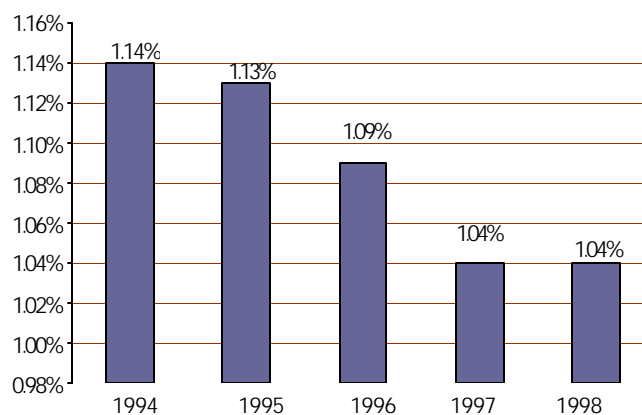
	1998	1997	1996	1995	1994	1993
NGM US Equity Fund \$CDN	6.3%	17.2%	21.1%	22.1%	17.4%	17.0%

PERFORMANCE SINCE INCEPTION (Oct 13/92 – Dec 31/98) - 19.7%

ASSETS UNDER ADMINISTRATION (MILLIONS)



MANAGEMENT EXPENSE RATIO (MER)



PORTFOLIO VALUATION – DECEMBER 31, 1998 (AS A %)

BASIC INDUSTRIES		TECHNOLOGY	
Aluminum Co. of America (AA)	0.25	Altera Corp (ALTR)	0.27
International Specialty Products (ISP)	1.40	Analog Devices (ADI)	1.30
Northwest Pipe Co. (NWPX)	2.33	Axent Technologies (AXNT)	3.61
U.S. Filter (USF)	2.25	Compaq Corp (CPQ)	5.27
Total	5.52	DSP Group (DSPG)	1.05
CONSUMER CYCLICAL		LSI Logic (LSI)	0.85
Jones Apparel Group, Inc. (JNY)	0.54	Micron Technology (MU)	0.58
Kellwood Co. (KWD)	2.58	National Data Corp (NDC)	3.08
Tommy Hilfiger Corp. (TOM)	4.02	Nextel Communications (NXTL)	1.43
Total	7.14	Oracle Corp. (ORCL)	1.42
CONSUMER DURABLES		SBS Technologies Inc. (SBSE)	0.90
O'Sullivan Industries (OSU)	1.18	Sun Microsystems (SUNW)	6.78
Total	0.92	Symantec Corp (SYMC)	1.99
CONSUMER NON-DURABLES		Texas Instruments Inc. (TXN)	0.99
Barrett Business Services (BBSI)	1.80	Total	29.52
Total	1.80	ENERGY	
CAPITAL GOODS		Costilla Energy (COSE)	0.01
Greenbrier Cos. Inc. (GBX)	2.90	Diamond Offshore Drilling (DO)	0.67
Owosso Corp. (OWOS)	1.04	Louis Dreyfus (LD)	2.13
Precision Castparts (PCP)	0.12	Total	2.81
Xerox Corp. (XRX)	5.73	HEALTHCARE	
Total	9.79	Sierra Healthcare (SIE)	1.52
CONSUMER STAPLES		Sun Healthcare Group (SHG)	0.14
Eastman Kodak	1.22	Total	1.66
Total	1.22	MEDIA/ENTERTAINMENT	
CREDIT CYCLICAL		Cox Communications (COX)	0.38
Clayton Homes, Inc. (CMH)	2.64	Total	0.38
M/I Schottenstein (MHO)	1.58	RETAIL	
Total	4.22	BJ's Wholesale Club (BJ)	4.00
TRANSPORTATION		Brinker International Inc. (EAT)	2.83
Alaska Air Group (ALK)	0.92	Dress Barn Inc. (DBRN)	2.42
AMR Corp. (AMR)	3.07	O'Charley's Inc. (CHUX)	1.46
Greyhound Lines Inc. (BUS)	3.35	Pier 1 Imports Inc. (PIR)	4.07
Mesa Airlines Inc. (MESA)	2.42	The Limited Inc. (LTD)	1.14
Total	9.76	Total	15.92
		Total Equities	91.63
		Cash and Short Term Notes	8.37
		TOTAL ASSETS	<u>100.00%</u>

FINANCIAL STATEMENTS

For the years ended December 31, 1998 and 1997

NORTH GROWTH U.S. EQUITY FUND

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, 1998 and 1997, the statement of investments as at December 31, 1998 and the statements of investment income and changes in net assets for the years ended December 31, 1998 and 1997. 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 generally accepted auditing standards. 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, 1998 and 1997, its investment portfolio as at December 31, 1998 and the results of its operations and the changes in net assets for the years ended December 31, 1998 and 1997 in accordance with generally accepted accounting principles.

Chartered Accountants

Vancouver, B.C.
February 19, 1999

NORTH GROWTH U.S. EQUITY FUND
 STATEMENTS OF NET ASSETS
 DECEMBER 31, 1998 AND 1997
 (in thousands of dollars except per unit amounts)

	1998	1997
ASSETS		
INVESTMENTS - at market value	\$ 45,144	\$ 38,469
CASH	80	403
ACCRUED INTEREST AND DIVIDENDS RECEIVABLE	38	24
	118	427
	\$ 45,262	\$ 38,896
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED CHARGES	123	106
PAYABLE FOR UNITS REDEEMED	-	10
INCOME TAXES PAYABLE (Note 3)	13	1
DISTRIBUTIONS PAYABLE TO UNITHOLDERS (Note 4)	1,785	8,495
	1,921	8,612
NET ASSETS	\$ 43,341	\$ 30,284
REPRESENTED BY:		
UNITHOLDERS' EQUITY (Note 5)	43,341	30,284
NET ASSET VALUE PER UNIT		
Prior to distributions payable	\$ 16.94	\$ 17.55
Distributions payable	(0.66)	(4.42)
After distributions payable	\$ 16.08	\$ 15.75

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, 1998 AND 1997

(in thousands of dollars except per unit amounts)

	1999	1998
INVESTMENT INCOME		
Dividends - net of withholding taxes	\$ 200	\$ 150
Interest	181	247
	381	397
EXPENSES		
Audit and Accounting fees	6	6
Management fees (Note 6)	475	400
Trustseeship fees	9	9
Other	13	-
	503	415
NET INVESTMENT INCOME (LOSS) (Note 3)	\$ (122)	\$ (18)
NET INVESTMENT INCOME (LOSS) PER UNIT		
(based on the monthly weighted average number of units outstanding during the year)		
	\$ 0.05	\$ (0.01)

NORTH GROWTH U.S. EQUITY FUND
STATEMENTS OF CHANGES IN NET ASSETS

DECEMBER 31, 1998 AND 1997

(in thousands of dollars except per unit amounts)

	1999	1998
ADDITIONS TO NET ASSETS		
Proceeds from sale of investments	\$ 75,083	\$ 89,208
Investments at average cost, beginning of year	30,506	22,444
Cost of investments purchased ⁽¹⁾	78,908	88,761
	109,414	111,205
Investments at average cost, end of year	(36,282)	(30,506)
Cost of investments sold ⁽²⁾	73,132	80,699
Net realized gain on sale of investments	1,951	8,509
Net investment income (loss)	(122)	(18)
Sale of Fund units	7,484	1,230
Fund units issued on reinvestment of distributions	8,374	3,596
Increase in unrealized appreciation of investments	899	496
	\$ 18,586	\$ 13,813
DEDUCTIONS FROM NET ASSETS		
Distributions to unitholders payable out of		
Net realized payments on redemption of Fund units	3,744	1,416
Net realized gain on sale of investments	1,785	8,495
	2,954	1,785
	5,529	9,911
INCREASE IN NET ASSETS	13,057	3,902
NET ASSETS, BEGINNING OF YEAR	30,284	26,382
NET ASSETS, END OF YEAR	\$ 43,341	\$30,284

NORTH GROWTH U.S. EQUITY FUND
STATEMENTS OF INVESTMENTS

DECEMBER 31, 1998

(in thousands of dollars except per unit amounts)

Number of Shares	Foreign Common Shares	Average Cost (\$)	Market Value (\$)	% of Total Assets
15,200	AMR Corporation	977	1,384	3.06
34,800	AXENT Technologies	994	1,631	3.60
6,100	Alaska Air Group, Inc.	313	414	0.91
1,300	Altera Corporation	81	121	0.27
1,000	Aluminum Company of America	108	114	0.25
12,200	Analog Devices, Inc.	380	587	1.30
25,400	BJ'S Wholesale Club, Inc.	1,354	1,804	3.99
62,300	Barrett Business Services, Inc.	1,165	812	1.79
28,800	Brinker International Inc.	775	1,275	2.82
56,190	Clayton Homes, Inc.	506	1,190	2.63
37,000	Compaq Computer Corporation	1,626	2,379	5.25
800	Costilla Energy, Inc.	14	5	0.01
1,600	Cox Communications, Inc. Class A	75	170	0.38
14,800	DSP Group Inc.	391	474	1.05
8,300	Diamond Offshore Drilling, Inc.	283	301	0.67
5,000	Eastman Kodak Company	631	552	1.22
166,200	Greyhound Lines, Inc.	927	1,513	3.34
30,400	International Specialty Products, Inc.	803	632	1.40
7,200	Jones Apparel Group, Inc.	206	244	0.54
30,400	Kellwood Company	902	1,165	2.57
15,600	LSI Logic Corporation	364	386	0.85
44,000	Louis Dreyfus Natural Gas Corpora-	971	961	2.12
21,200	M/I Schottenstein Homes, Inc.	719	715	1.58
91,200	Mesa Air Group, Inc.	824	1,093	2.41
3,400	Micron Technology, Inc.	206	264	0.58
18,600	National Data Corporation	1,052	1,389	3.07
17,800	Nextel Communications, Inc., Class A	550	645	1.43
42,600	Northwest Pipe Company	1,097	1,053	2.33
30,500	O'Charley's Inc.	566	661	1.46
33,000	O'Sullivan Industries Holdings, Inc.	473	531	1.17
9,700	Oracle Corporation	384	641	1.42
72,000	Owosso Corporation	803	469	1.04
123,537	Pier 1 Imports, Inc.	1,649	1,835	4.05
800	Precision Castparts Corp.	61	54	0.12
14,300	SBS Technologies, Inc.	509	406	0.90
21,200	Sierra Health Services, Inc.	757	685	1.51
6,400	Sun Healthcare Group	61	64	0.14
23,300	Sun Microsystems, Inc.	1,426	3,059	6.76
26,900	Symantec Corporation	742	897	1.98
3,400	Texas Instruments Incorporated	272	446	0.99
46,950	The Dress Barn, Inc.	1,215	1,093	2.41

NORTH GROWTH U.S. EQUITY FUND
STATEMENTS OF INVESTMENTS

DECEMBER 31, 1998

(in thousands of dollars except per unit amounts)

Number of Shares	Foreign Common Shares	Average Cost (\$)	Market Value (\$)	% Total Assets
60,500	The Greenbrier Companies, Inc.	1,211	1,310	2.89
11,500	The Limited, Inc.	437	514	1.14
19,700	Tommy Hilfiger Corporation	1,283	1,812	4.00
28,900	United States Filter Corporation	908	1,014	2.24
14,300	Xerox Corporation	1,398	2,587	5.72
	Total Investments	\$ 32,449	\$ 41,351	91.36
Face Value (1)	Canadian Short-term Notes (2)			
500	Nova Scotia Power Incorporated	767	760	1.68
1,500	Ontario Hydro	2,295	2,271	5.02
500	Province Of Quebec	771	762	1.68
	Total Investments	\$ 36,282	\$ 3,793	8.38
	Other Assets		118	0.26
	Total Assets		\$ 45,262	100.00

(1) Stated in U.S. Dollars

(2) Investments are grouped by issuer, earn interest at rates ranging from 5.07% to 5.50% and mature between January 5, 1999 and March 1, 1999.

NORTH GROWTH U.S. EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998 and 1997

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, 1998 and 1997

4. DISTRIBUTIONS TO UNITHOLDERS

It is 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, 1998, 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</i>			
<i>Out of</i>			
Year	Net Investment Income	Net Realized Gain on Sale of Investments	Total
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
1994	0.00	0.87	0.87

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, 1998 and 1997

5. UNITHOLDERS' EQUITY (continued)

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

	1998	1997
Balance, beginning of year	1,922,986.930	1,688,509.326
Issued during the year		
<i>Sales</i>	473,995.798	74,785.399
<i>On reinvestment of distributions</i>	531,662.052	230,174.891
	1,005,657.850	304,960.290
	2,928,644.780	1,993,469.616
Redeemed during the year	233,566.063	70,482.686
Balance, end of year	2,695,078.717	1,922,986.930

The net asset value per unit at the end of each of the five years ended December 31, 1998, based on the number of units outstanding at year-end, was as follows:

Net Asset Value per Unit

	Prior to Distributions	Distributions Payable	After Distributions Payable
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
1994	13.34	(0.87)	12.47

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% of the net asset value of the Fund.

NORTH GROWTH U.S. EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998 and 1997

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:

Period	Average Asset Value	Management Expense Ratio
1998	\$44,211,000	1.04%
1997	37,271,000	1.04
1996	26,852,000	1.09
1995	20,397,000	1.13
1994	17,172,000	1.14

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 \$110,000 in 1998 and \$84,000 in 1997.

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 the year 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. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 affecting the Fund, including those related to the efforts of the unitholders, suppliers, or other third parties, will be fully resolved.