

# MAY MONTHLY REPORT

## DEAR INVESTOR...

In our April report we mentioned that May was shaping up to be a good month. For the whole month of May the Fund was up 2.2% (US\$), outperforming all of the indices that we track in the above table. This strong relative performance has continued in June to date.

Since early April, last year's market leadership (large-cap, high multiple stocks) appears to be well into a corrective phase. There has also been a dramatic pick-up in the cyclical stocks of the Dow Jones index and a general improvement in market breadth factors, which have benefited small-and mid-cap stocks. Your Fund's investment strategy benefits from these developments.

In his June 17<sup>th</sup> testimony to the Joint Economic Committee of Congress, Alan Greenspan made the reassuring statement that "while bubbles that burst are scarcely benign, the consequences need not be catastrophic for the economy". (!) His main message was that "for monetary policy to foster maximum sustainable economic growth, it is useful to preempt forces of imbalance before they threaten economic activity". This has been generally interpreted as an indication that he will support a 0.25% increase during the Fed's policymaking Open Market Committee on June 29<sup>th</sup> & 30<sup>th</sup>. Investors seem to think that such a move would be "just right" (as in Goldilocks) and the market continued to rally following the previous day's strength, which was sparked by an unchanged CPI.

The S&P 500 Index is still at record P/E multiples of 33.4 times trailing earnings and 29.4 times 1999 expected earnings. \* These levels are excessive even in today's benign inflationary environment. They will be corrected over time. This market overvaluation is the reason for the Fund holding up to 30% cash recently as we sell off stocks in the portfolio that we feel have become overvalued.

We are, however, still finding attractive stocks that fit our "growth at a reasonable price" philosophy. New positions are being steadily added to the portfolio. We will step up our purchases of new ideas and add to existing positions during market corrections.

The change in market leadership that we have been seeing presents the ideal environment for stock selection. The Fund is holding up better than the large-cap indices during market weakness and we feel this could also prove to be the case during a more significant correction.

\* Source: Bloomberg

Yours truly,



Rudy North

# PERFORMANCE RESULTS

AS OF MAY 31, 1999

## PERFORMANCE COMPARISONS\*

	Dec. 31/98 to Mar. 31, 99	Mar. 31, 99 to Apr. 30, 99	Apr. 30, 99 to May 31, 99	Year to Date
North Growth US Equity Fund	-2.5%	-0.6%	3.3%	0.1%
North Growth US Equity Fund \$US	-1.0%	2.9%	2.2%	4.1%
S&P 500 \$US	5.0%	3.9%	-2.4%	6.5%
S&P 400 MidCap \$US	-6.4%	7.9%	0.4%	1.4%
Russell 2000 \$US	-5.4%	9.0%	1.5%	4.5%
NASDAQ Composite \$US	12.3%	3.3%	-2.8%	12.8%

\* Source: Bloomberg "Total Return Analysis" as of June 01, 1999.

Note - Including income in all cases.

## AVERAGE ANNUAL COMPOUND RATE OF RETURN

	1 Year	2 Years	3 Years	4 Years	5 Years
North Growth U.S. Equity Fund \$CDN	-3.4%	9.4%	14.3%	19.1%	17.4%
Average U.S. Equity Fund \$CDN **	15.2%	21.1%	20.6%	--	19.3%
Median U.S. Equity Fund \$CDN **	14.7%	20.1%	20.5%	--	18.8%

Results are after all management fees and other expenses

\*\* reported by the Globe & Mail, Report on Mutual Funds, June 18, 1999

**Return Since Inception (Annualized), Oct. 13, 1992 - May 31, 1999**      **18.3%**

**NAVPS: MAY 31ST/99**

**\$16.09 (CDN)**

**TOTAL ASSETS IN FUND**

**\$46,092,282(CDN)**

# PORTFOLIO HOLDINGS

AS OF MAY 31, 1999

Xerox Corp (XRX)	4.22
BJ's Wholesale Club (BJ)	4.22
National Data Corp (NDC)	3.02
Symantec Corp (SYMC)	2.94
Louis Dreyfus (LD)	2.74
Tommy Hilfiger Corp (TOM)	2.71
Brinker Int'l (EAT)	2.58
O'Sullivan Industries (OSU)	2.43
LSI Logic (LSI)	2.39
Wellpoint Health Networks (WLP)	2.24
Pier 1 Imports Inc (PIR)	2.07
Compaq Computer Corp (CPQ)	1.97
Sun Microsystems (SUNW)	1.89
Kellwood Co (KWD)	1.88
Greenbrier Companies Inc (GBX)	1.80
Analog Devices (ADI)	1.74
Northwest Pipe Co (NWPX)	1.72
Jones Apparel Group Inc. (JNY)	1.69
Clayton Homes Inc (CMH)	1.62
Alaska Air Group (ALK)	1.60
The Limited Inc (LTD)	1.55
Nextel Communications Inc (NXTL)	1.53
Mesa Airlines Inc (MESA)	1.50
Oracle (ORCL)	1.46
Precision Castparts (PCP)	1.45
O'Charley's Inc (CHUX)	1.27
AMR Corp (AMR)	1.25
Food Lion Inc (FDLNA)	1.22
Texas Instruments Inc (TXN)	1.19
Ralcorp Holdings Inc (RAH)	0.98
Timberland (TBL)	0.95
SBS Technologies Inc (SBSE)	0.84
Michaels Stores (MIKE)	0.81
Southtrust (SOTR)	0.78
Diamond Offshore Drilling (DO)	0.72
Owosso Corp (OWOS)	0.68
Universal Health Services (UHS)	0.59
3Com Corp (COMS)	0.58
HCR Manor Care (HCR)	0.56
Gateway 2000 Inc (GTW)	0.51
Applied Materials (AMAT)	0.51
Schnitzer Steel (SCHN)	0.46
Aluminum Company of America (AA)	0.35
Altera Corp (ALTR)	0.29
Stone Energy (SGY)	0.25
City National Corp (CYN)	0.23
Devon Energy (DVN)	0.22
Firstmerit Corp (FMER)	0.21
Sierra Health Services (SIE)	0.20
DSP Group (DSPG)	<u>0.11</u>
<b>Total Equities</b>	<b>70.72</b>
<b>Cash and Short Term Notes</b>	<b><u>29.28</u></b>
<b>TOTAL ASSETS</b>	<b>100.00%</b>