

JULY MONTHLY REPORT

DEAR INVESTOR...

Earlier in August we informed all our clients that Rudy was in the hospital suffering from a cardiac condition and we were uncertain as to when he would return to the daily management of your Fund. We are very happy to inform you that Rudy has been at home since August 4th. For the past week we have been speaking with him on a daily basis pertaining to the Fund and have had one meeting at his residence. Rudy was in the office for a couple of hours on August 16th and plans to gradually increase the amount of time that he spends in the office throughout his recovery.

Although July was a weak month for US equities as a whole, the Fund posted strong relative returns. The -1.1% US\$ return for the month was better than that of all the indices that we report regularly. At the end of July the Fund's 9.2% US\$ year-to-date return edged ahead of the S&P 500 return for the first time since January.

During July the markets exhibited extreme volatility as participants continued to focus intensely on inflation and interest rate expectations. The market continued its late June rally until Friday, July 16th, with the S&P 500 posting a new all time high of 1418.78 based on optimism that the ¼% increase of the Federal reserve overnight rate would be the last increase of the year. However, by the following Monday sentiment had changed dramatically, resulting in a sharp market sell off. Investors began to reinterpret the change in the Fed's bias to Neutral as meaning it was unlikely the Fed would raise rates between FOMC meetings, but that it gave little indication of the Fed's actions following the next FOMC meeting. Concerns that the Fed would raise rates again after its August 24th meeting were fueled further by Chairman Greenspan's July 22nd Humphrey-Hawkins testimony in which he sounded decidedly Hawkish.

"...The already shrunken pool of job-seekers and considerable strength of aggregate demand suggest that the Federal Reserve will need to be especially alert to inflation risks. ***Should productivity fail to continue to accelerate and demand growth persist or strengthen, the economy could overheat.*** That would engender inflationary pressures and put the sustainability of this unprecedented period of remarkable growth in jeopardy. ***One indication that inflation risks were rising would be a tendency for labor markets to tighten further.*** But the FOMC also needs to continue to assess whether the existing degree of pressure in these markets is consistent with sustaining our low-inflation environment. *If new data suggest it is likely that the pace of cost and price increases will be picking up*, the Federal Reserve will have to act promptly and forcefully so as to preclude imbalances from arising that would only require a more disruptive adjustment later-one that could impair the expansion and bring into question whether the many gains already made can be sustained." - excerpt from Alan Greenspan's HH Testimony July 22, 1999 emphasis added.

Subsequent to this testimony the second quarter productivity numbers indicated a slow-down in productivity growth and a number of employment measures indicated the continued tightening of the US labour supply.

During this period of market volatility we continue to sell overpriced stocks and reallocate assets to areas where we can find more attractive valuations. The Fund continues to maintain a 25-30% cash reserve.

Those of you who read this commentary on a regular basis may have noticed a substantial improvement in our reported 1 year results. As Rudy has commented on numerous occasions, changes in annual performance results are impacted by both the removal of the prior period's first month and the addition of the most recent month. The improvement in the current 1 year C\$ performance from 0.5% in June to 5.9% in July was due to the +1.8% C\$ return in July 99 replacing the -3.4 % return generated in July 98. Barring any major correction in the second half of August, we anticipate a fairly significant improvement in our 1 year performance to August 31 due to the removal of the very poor August 98 period.

On a more positive note the second quarter reporting season is now largely behind us and in aggregate corporate America posted some very impressive earnings – up 14.7% according to First Call. Our equities were no exception. We continue to see great opportunities in some of our existing names and our efforts to identify attractively priced new names goes unabated.

Yours truly,

A handwritten signature in black ink, appearing to read 'Rory North', with a long horizontal flourish extending to the right.

Rory North

PERFORMANCE RESULTS

AS OF JULY 31, 1999

PERFORMANCE COMPARISONS*

| | Year to Date | Six Months to July 31, 99 | Three Months to July 31, 99 | Month ending July 31, 99 |
|-----------------------------------|--------------------|---------------------------------|-----------------------------------|--------------------------------|
| North Growth US Equity Fund \$CDN | 7.2% | 2.7% | 10.7% | 1.8% |
| North Growth US Equity Fund \$US | 9.2% | 3.2% | 7.1% | -1.1% |
| S&P 500 \$US | 8.9% | 4.5% | -0.2% | -3.1% |
| S&P 400 MidCap \$US | 4.6% | 8.8% | 3.6% | -2.1% |
| Russell 2000 \$US | 6.2% | 4.9% | 3.1% | -2.8% |
| NASDAQ Composite \$US | 20.5% | 5.5% | 3.8% | -1.8% |

* Source: Bloomberg "Total Return Analysis" as of August 19, 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 | 5.9% | 8.6% | 19.5% | 19.0% | 20.1% |
| Median U.S. Equity Fund \$CDN ** | 14.5% | 15.5% | 24.3% | -- | 20.0% |
| Average U.S. Equity Fund \$CDN ** | 15.8% | 16.7% | 24.8% | -- | 20.1% |

Results are after all management fees and other expenses

** reported by the Globe & Mail, Report on Mutual Funds, Aug 19, 1999

Return Since Inception (Annualized), Oct. 13, 1992 - July 31, 1999 **19.1%**

NAVPS: JULY 31ST/99

\$17.24 (CDN)

TOTAL ASSETS IN FUND

\$49,129,446(CDN)

PORTFOLIO HOLDINGS

AS OF JULY 31, 1999

| | |
|----------------------------------|---------------------|
| BJ's Wholesale Club | 4.03 |
| Xerox Corp | 3.51 |
| Symantec Corp | 3.49 |
| LSI Logic | 3.12 |
| Jones Apparel Group Inc | 3.10 |
| Brinker International Inc | 2.97 |
| Louis Dreyfus Natural Gas | 2.58 |
| National Data Corp | 2.57 |
| Tommy Hilfiger Corp | 2.56 |
| O Sullivan Industries | 2.21 |
| Wellpoint Health Networks | 2.14 |
| Oracle Corp | 2.14 |
| Nextel Communications Corp | 2.13 |
| Greenbrier Cos Inc | 2.11 |
| Analog Devices | 1.88 |
| Northwest Pipe Co | 1.79 |
| Kellwood Co | 1.73 |
| Pier 1 Imports Inc | 1.68 |
| Mesa Airlines Inc | 1.66 |
| Alaska Air Group | 1.65 |
| Texas Instruments Inc | 1.50 |
| Universal Health Services CL B | 1.45 |
| O Charleys Inc | 1.44 |
| Clayton Homes | 1.42 |
| Timberland | 1.40 |
| Precision Castparts | 1.35 |
| Food Lion Inc CL A | 1.26 |
| SBS Technologies | 1.06 |
| HCR Manor Care Inc | 1.02 |
| Ralcorp Holdings Inc | 1.01 |
| Southtrust Corp | 1.00 |
| Michaels Stores Inc | 0.85 |
| Diamond Offshore Drilling | 0.81 |
| Sun Microsystems Inc | 0.81 |
| Applied Materials Inc | 0.64 |
| Schnitzer Steel | 0.55 |
| Owosso Corp | 0.52 |
| 3Com Corp | 0.50 |
| Compaq Computer Corp | 0.49 |
| Wesley Jessen Vision | 0.43 |
| Sierra Health Services | 0.40 |
| Stone Energy Corp | 0.29 |
| Altera Corp | 0.29 |
| Devon Energy Corp | 0.23 |
| FirstMerit Corp | 0.20 |
| City National Corp | 0.19 |
| DSP Group | 0.16 |
| Integrated Health Services | <u>0.15</u> |
| Total Equities | 70.45 |
| Cash and Short Term Notes | <u>29.55</u> |
| TOTAL ASSETS | 100.00% |