

Phillips, Hager & North U.S. Special Equity Fund

Results & Performance

May 1995

May was another very good month for the U.S. Equity markets and the U.S. Special Equity Fund.

The mid and small cap sectors of the market continue to advance at a significantly slower pace than the large cap sector. Conservative large cap stocks seem to be responding well to lower interest rates and the current evidence of slowdown in U.S. economic activity. Reliable, moderate growth companies have caught the imagination of investors. These companies are timely given the current economic background, but are quite expensive relative to their long term growth potential.

The other sector of the market that has been a stand out is the large cap technology group. These companies are delivering very strong earnings growth which continues to exceed expectations. While the overall trend of these stocks has continued to be very strong, the very short term market action is becoming more volatile. The market is reacting positively to favourable earnings surprises and reacting to evidence of a slowing overall economy.

After some trimming, the Fund is continuing to hold its technology and energy stocks which have been very good investments. While retail and small cap stocks in general are not performing well, some of the Funds holdings in this area are beginning to perform better. Many small cap stocks are selling at very low price earning ratios given their past growth rates and potential for future growth. This should be a rewarding area for investment at some point. In the mean time the market is just not interested.

The Fund will try to identify high potential investments in this sector of the market and time their purchase advantageously. It will probably require expectations of a re-acceleration of the economy to get these stocks performing.

RESULTS

NAVPS: May 31, 1995

\$13.79 (Canadian)

PERFORMANCE COMPARISONS*

	Dec. 31, 92 to Dec. 31, 93	Dec. 31, 93 to Dec. 31, 94	Dec. 1, 95 to Mar. 31, 95	Apr. 30, 95 to May 31, 95	Year to Date
U.S. Special Equity Fund \$Cdn	+15.1%	+0.4%	+7.7%	+2.7%	10.6%
U.S. Special Equity Fund \$U.S.	+10.7%	-3.5%	+7.9%	+4.9%	+13.1%
S&P 500 \$U.S.	+10.1%	+1.3%	+9.7%	+7.1%	+17.5%
S&P Midcap \$U.S.	+14.3%	-3.5%	+8.2%	+4.6%	+13.2%
Russell 2000 \$U.S.	+18.4%	-1.9%	+4.5%	+3.8%	8.5%
NASDAQ Composite \$U.S.	+16.2%	-1.9%	+9.0%	+6.1%	+15.6%

* Including income in all cases.

PORTFOLIO FUND VALUATION - May 31, 1995

Allied Healthcare (AHPI)	0.54
Amerilink Corp. (ALNK)	0.27
AMR Corporation (AMR)	1.52
Applied Materials Inc. (AMAT)	1.14
Astec Inds Inc. (ASTE)	1.28
Aviall Inc. (AVL)	1.24
Bay Networks (BNET)	2.70
Bic Corp Common (BIC)	1.28
BMC West Corp (BMCW)	0.43
Chesapeake Energy (CSPK)	7.63
Clayton Homes, Inc. (CMH)	3.37
CML Group Inc. (CML)	0.27
Columbia Healthcare (COL)	7.56
CompUSA Inc. (CPU)	0.19
Covenant Transportation (CVTI)	0.56
Deere & Company	3.20
Designs Inc. (DESI)	0.97
Destec Energy (ENG)	0.44
Dress Barn Inc. (DBRN)	1.71
DSG International (DSGIF)	1.64
Duracraft (DUCR)	1.16
EMC Corp. (EMC)	3.41
Falcon Building Prod. (FB)	0.32
Fleet Financial Group, Inc. (FLT)	2.58
Fossil Inc.	0.63
Fred Meyer Inc. (FMY)	0.99
Gap, Inc.	1.27
Harnischfeger Inds. (HPH)	1.87
Intel Corp Common (INTC)	3.33
Jones Apparel Group, Inc. (JNY)	3.74
Kellwood Co. (KWD)	0.94
Limited Inc. (LTD)	3.30
Linear Technology (LLTC)	0.91
Magma Copper Co. Class B (MCU)	1.28
Mascotech Inc. (MSX)	1.73
Maverick Tube Corp. (MAV)	0.33
Mesa Airlines Inc (MESA)	0.96
Microsoft Corp (MSFT)	0.63
Mississippi Chemical (MISS)	0.35
Mohawk Industries (MOHK)	0.89
Nike, Inc. (NKE)	2.92
Nine West Group (NIN)	2.58
Owosso Corp. (OWOS)	0.42
Physician Corp. America (PCAM)	2.44
Pier 1 Imports Inc. (PIR)	1.06
Praxair Inc. (PX)	3.68
Price/Costco Inc. (PCCW)	3.19
Pyxis Corp. Common (PYXS)	0.89
Seitel Inc. (SEI)	3.14
Singer Co. (SEW)	2.62
Texas Instruments Inc. (TXN)	3.85
Top Source Tech (TPS)	0.22
TRC Companies Inc. (TRR)	0.53
Wellpoint Health Networks (WLP)	2.15
Wholesome & Hearty Foods	1.72
Total Equities	91.76%
Cash and Short Term Notes	8.24%
TOTAL ASSETS	100.00%