

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

## Results & Commentary

February 1996

March 06, 1996

### COMMENTARY

February was a very good month for U.S. equity markets. The Phillips, Hager & North U.S. Special Equity Fund was up 3.6% (\$Cdn) for the month. This gain was achieved despite the fact that the Fund's cash position was raised from 4.3% at the end of January to 15.95% at the end of February.

The logic behind allowing cash to build is based on the observation that market sentiment has become quite buoyant since the end of 1995. Record inflows into U.S. equity mutual funds were recorded during the previous two months and managers have been aggressively chasing stocks. A short term correction in the next few months would be a logical aftermath of this burst of enthusiasm.

The emphasis on selection has not been abandoned for market timing. The healthy degree of group rotation during the 1995-1996 market advance has resulted in there being many interesting stock opportunities available. New purchases will be made even if the market does not cooperate with a convenient short term correction.

The technology sector continues to be volatile. During January, the Fund reinvested approximately 3.9% in the technology sector based on the observation that some of the leading companies had fallen significantly since late last summer and represented compelling value. By mid February, more pervasive weakness in demand and a faltering market rally in this sector led to the reversal the Fund's January purchases at an overall profit. A subsequent sharp sell off of the group was precipitated by an announcement of soft demand by the industry leader, Compaq Computer Corporation. This has made the sales look very timely.

### RESULTS

NAVPS: February 29, 1996

\$14.60 (Canadian)

### PERFORMANCE COMPARISONS\*

	Dec. 31, 95 to Jan. 31, 96	Jan. 31, 96 to Feb. 29, 96	Year to Date
<b>U.S. Special Equity Fund \$Cdn</b>	<b>+2.3%</b>	<b>+3.6%</b>	<b>+6.0%</b>
<b>U.S. Special Equity Fund \$U.S.</b>	<b>+1.6%</b>	<b>+3.8%</b>	<b>+5.5%</b>
S&P 500 \$U.S.	+3.4%	+0.9%	+4.4%
S&P Midcap \$U.S.	+1.5%	+3.4%	+5.0%
Russell 2000 \$U.S.	-0.1%	+3.2%	+3.1%
NASDAQ Composite \$U.S.	+0.8%	+3.9%	+4.7%

PORTFOLIO FUND VALUATION - FEBRUARY 29, 1996 (as a %)

Allied Healthcare (AHPI)	0.70
Amerilink Corp. (ALNK)	1.06
AMR Corporation (AMR)	2.96
Applied Materials Inc. (AMAT)	0.20
Astec Inds Inc. (ASTE)	0.83
Bay Networks (BAY)	0.17
Biowhittaker Inc. (BWI)	0.63
BMC West Corp (BMCW)	1.40
Carnival Corp (CCL)	1.90
Chesapeake Energy (CHK)	6.41
Clayton Homes, Inc. (CMH)	3.48
CML Group Inc. (CML)	0.33
Columbia/HCA Healthcare (COL)	6.46
CompUSA Inc. (CPU)	1.13
Covenant Transportation (CVTI)	1.22
Deere & Company (DE)	3.30
Designs Inc. (DESI)	0.53
Destec Energy (ENG)	0.33
Digital Equipment (DEC)	4.05
Dress Barn Inc. (DBRN)	1.35
DSG International (DSGIF)	2.24
EMC Corp. (EMC)	0.12
Falcon Building Prod. (FB)	1.35
Fleet Financial Group, Inc. (FLT)	2.32
Fred Meyer Inc. (FMY)	0.68
Gap, Inc. (GPS)	3.02
Greyhound Lines Inc. (BUS)	0.09
Harnischfeger Inds. (HPH)	1.55
Hi-Lo Automotive (HLO)	0.31
Intel Corp. Common (INTC)	0.33
Jones Apparel Group, Inc. (JNY)	4.08
Kellwood Co. (KWD)	0.64
Linear Technology (LLTC)	0.26
Mascotech Inc. (MSX)	0.67
Maverick Tube Corp. (MAVK)	0.89
Mesa Airlines Inc. (MESA)	1.34
Michaels Stores (MIKE)	0.34
Microsoft Corp. (MSFT)	0.28
Mississippi Chemical (MISS)	1.61
Mohawk Industries (MOHK)	0.65
Nike, Inc. (NKE)	3.65
Nine West Group (NIN)	2.21
Nucor Corp. (NUE)	0.45
O'Sullivan Industries (OSU)	0.45
Owosso Corp. (OWOS)	0.89
Physician Corp. of America (PCAM)	1.39
Pier 1 Imports Inc. (PIR)	1.33
Praxair Inc. (PX)	3.88
Price/Costco Inc. (PCCW)	2.96
Radsys Corp. (RSYS)	0.46
Singer Co. (SEW)	2.47
Texas Instruments Inc. (TXN)	0.28
Top Source Tech (TPS)	0.18
Vishay Intertechnology Inc. (VSH)	0.30
Wellpoint Health Networks (WLP)	1.91
<b>Total Equities</b>	<b>84.05</b>
<b>Cash and Short Term Notes</b>	<b>15.95</b>
<b>TOTAL ASSETS</b>	<b>100.00%</b>