

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

Results & Commentary

July 1996

August 02, 1996

COMMENTARY

July turned out to be the long overdue market correction that we have talked about so often in previous reports. The Fund declined slightly more than the S&P 500 during the month, but not as much as the NASDAQ or the mid and small cap indexes. Year to date, the Fund has outperformed all of the indexes by a healthy margin.

A significant position in Intel was established during the selling climax that took place on July 16. Since then the market has been advancing nicely. This is a mature market, but the short term correction appears to be over. There is a lot of debate as to whether or not this is the case, with many market commentators forecasting a further decline before the "real" rally begins. When it is generally accepted that the market has resumed its long-term up trend we will likely begin to rebuild a cash position.

While the Fund's market timing has been good this year, selection has been the key to the above average market performance. As well as swinging from 16% to virtually 0% cash, there have been a number of stock switches recently as we attempt to focus on high potential stocks.

RESULTS

NAVPS: July 31, 1996

\$15.32 (Canadian)

PERFORMANCE COMPARISONS*

	Dec. 31, 95 to Mar. 29, 96	Mar. 29, 96 to June 30, 96	June 30, 96 to July 31, 96	Year to Date
U.S. Special Equity Fund \$Cdn	+10.3%	+6.4%	-5.0%	+11.6%
U.S. Special Equity Fund \$U.S.	+10.7%	+6.0%	-5.8%	+10.6%
S&P 500 \$U.S.	+5.4%	+4.5%	-4.4%	+5.2%
S&P Midcap \$U.S.	+6.4%	+2.8%	-6.7%	+2.0%
Russell 2000 \$U.S.	+5.1%	+5.0%	-8.7%	+0.8%
NASDAQ Composite \$U.S.	+4.9%	+7.8%	-8.7%	+3.3%

* Including income in all cases.

PORTFOLIO FUND VALUATION - JULY 31, 1996 (as a %)

Allied Healthcare (AHPI)	0.37
Amerilink Corp. (ALNK)	0.97
AMR Corporation (AMR)	2.52
Applied Materials Inc. (AMAT)	0.13
APS Holdings (APSI)	1.15
Astec Inds Inc. (ASTE)	0.67
Bay Networks (BAY)	0.09
Biowhittaker Inc. (BWI)	0.64
BMC West Corp (BMCW)	1.55
Carnival Corp (CCL)	1.72
Chesapeake Energy (CHK)	3.97
Clayton Homes, Inc. (CMH)	3.06
Columbia/HCA Healthcare (COL)	5.73
CompUSA Inc. (CPU)	2.11
Covenant Transportation (CVTI)	1.50
Diamond Offshore Drilling (DO)	1.26
Deere & Company (DE)	3.81
Destec Energy (ENG)	0.94
Digital Equipment (DEC)	1.89
Dress Barn Inc. (DBRN)	1.87
DSG International (DSGIF)	1.55
EMC Corp. (EMC)	1.14
Falcon Building Prod. (FB)	1.50
Fleet Financial Group, Inc. (FLT)	3.24
Fred Meyer Inc. (FMY)	0.71
Gap, Inc. (GPS)	3.17
Greyhound Lines Inc. (BUS)	0.75
Harcor Energy (HARC)	0.48
Harnischfeger Inds. (HPH)	1.20
Hi-Lo Automotive (HLO)	0.19
Intel Corp. Common (INTC)	0.41
Jones Apparel Group, Inc. (JNY)	4.81
Kellwood Co. (KWD)	1.07
Kemet Corporation (KMET)	0.48
Linear Technology (LLTC)	0.17
Mascotech Inc. (MSX)	0.68
Maverick Tube Corp. (MAVK)	0.97
Mesa Airlines Inc. (MESA)	0.96
Michaels Stores (MIKE)	0.29
Microsoft Corp. (MSFT)	0.31
Mississippi Chemical (MISS)	1.93
Mohawk Industries (MOHK)	0.76
Nike, Inc. (NKE)	5.49
Nine West Group (NIN)	2.58
Nucor Corp. (NUE)	0.38
O'Sullivan Industries (OSU)	0.60
Owosso Corp. (OWOS)	0.77
Pier 1 Imports Inc. (PIR)	1.61
Pope & Talbot (POP)	1.47
Praxair Inc. (PX)	4.09
Price/Costco Inc. (PCCW)	3.34
Singer Co. (SEW)	1.58
Texas Instruments Inc. (TXN)	0.23
Top Source Tech (TPS)	0.10
Vishay Intertechnology Inc. (VSH)	0.21
Wellpoint Health Networks (WLP)	1.51
Total Equities	92.67
Cash and Short Term Notes	7.33
TOTAL ASSETS	100.00%