
PHILLIPS, HAGER & NORTH SPECIAL U.S. EQUITY FUND
RESULTS & COMMENTARY
JULY 1997

COMMENTARY

The market continued to rise rapidly during July. The same Patterns that have been present earlier in the year persisted. Signs of slower economic growth were received well with interest rates falling and bonds and stocks rallying strongly on this news. Signs of stronger growth produced the opposite result.

The NASDAQ Composite benefited from a strong technology sector. Obviously our cash position held back the fund's performance as did the earlier trimming of technology stocks.

The market does appear over extended on a short term basis. Over exuberant purchases of equity based mutual funds and high levels of insider selling are warning signs of trouble ahead.

Moderate inflation and low interest rates, however, provide the rationale for high valuations and a rising stock market. The problem is how high is reasonable and how long this condition will last.

It is our tendency not to keep up to the market in such times since the most "overvalued stocks" tend to be the largest advancers on good days, nevertheless, the Fund's portfolio seems to be very healthy. While we may have sold some stocks that we felt were over valued and raised some cash, we also have been steadily adding new investments which we believe have significant growth potential.

Yours truly,



Rudy North

RESULTS

NAVPS: July 31/97 - \$19.50 Cdn

PERFORMANCE COMPARISONS*

	Dec. 31, 96 to Mar. 31, 97	Mar. 31, 97 to June 30, 97	June 30, 97 to July 31, 97	Year to Date
U.S. Special Equity Fund \$Cdn	3.8%	13.0%	6.4%	24.8%
U.S. Special Equity Fund \$U.S.	2.7%	13.3%	6.6%	24.1%
S&P 500 \$U.S.	2.7%	17.5%	8.0%	30.2%
S&P Midcap \$U.S.	-1.5%	14.7%	9.9%	24.2%
Russell 2000 \$U.S.	-5.5%	16.7%	4.7%	15.3%
NASDAQ Composite \$U.S.	-5.4%	18.7%	10.6%	23.8%

* Source Bloomberg "Total Return Analysis"

Note - Including income in all cases.

Average Annual Compound Rate of Returns as of July 31/97

	1 Year	2 Years	3 Years	4 Years
U.S. Special Equity Fund \$Cdn	44.6%	29.7%	28.7%	21.5%

* Results are after all management fees and other expenses

PHILLIPS, HAGER & NORTH SPECIAL U.S. EQUITY FUND

Portfolio Valuation - July 31, 1997 (as a %)

CompUSA Inc. (CPU)	4.64
Diamond Offshore Drilling (DO)	3.69
AMR Corporation (AMR)	3.25
Wendy's International (WEN)	2.90
Inacom Corp (INAC)	2.90
Precision Castparts (PCP)	2.87
Kellwood Co. (KWD)	2.76
Amerilink Corp. (ALNK)	2.64
Clayton Homes, Inc. (CMH)	2.57
Northwest Pipe Co. (NWPX)	2.41
Wellpoint Health Networks(WLP)	2.39
Xerox Corp. (XRX)	2.31
Dress Barn Inc. (DBRN)	2.22
Green Tree Financial (GNT)	2.22
Sierra Healthcare (SIE)	2.13
Mississippi Chemical (GRO)	1.99
Comcast Corp CL A Special(CMCSK)	1.93
Deere & Company (DE)	1.84
Carnival Corp (CCL)	1.82
Dsg International Ltd (DSGIF)	1.82
Costco Companies. (COST)	1.74
Nextel Communications (NXTL)	1.72
Owosso Corp. (OWOS)	1.65
Greyhound Lines Inc. (BUS)	1.63
Greenbrier Cos Inc (GBX)	1.55
Lone Star Steakhouse (STAR)	1.40
Chesapeake Energy (CHK)	1.36
Singer Co NV (SEW)	1.26
Biowhittaker Inc. (BWI)	1.19
Mesa Airlines Inc. (MESA)	1.19
Claire's Stores (CLE)	1.15
Covenant Transportation (CVTI)	1.13
Digital Equipment Corp (DEC)	1.07
Costilla Energy (COSE)	1.03
Tommy Hilfiger Corp (TOM)	1.03
Pier 1 Imports Inc. (PIR)	1.02
Integrated Health (IHS)	0.99
Orcad Inc. (OCAD)	0.99
Maverick Tube Corp. (MAVK)	0.99
O'Sullivan Industries (OSU)	0.97
Michaels Stores Inc (MIKE)	0.94
Harnischfeger Inds. (HPH)	0.91
BMC West Corp (BMCW)	0.78
APS Holdings (APSI)	0.52
Fred Meyer Inc. (FMY)	0.52
Microsoft Corp. (MSFT)	0.41
Bay Networks (BAY)	0.36
Harcor Energy (HARC)	0.34
Intel Corp. Common (INTC)	0.33
Hewlett Packard(HWP)	0.25
Texas Instruments Inc. (TXN)	0.25
3Com (COMS)	0.24
Ceridian(CEN)	0.20
Sun Microsystem Inc (SUNW)	0.20
Omnipoint Corp(OMPT)	0.17
Applied Materials (AMAT)	0.17
Intervoice (INTV)	0.11
Jones Apparel Group, Inc. (JNY)	0.09
EMC Corp. (EMC)	0.09
Total Equities	83.00
Cash and Short Term Notes	17.00
TOTAL ASSETS	100.00%
