

JULY MONTHLY REPORT

August 27th, 1998

COMMENTARY

July was a poor month for the performance of the Fund and August hasn't been any better to this date. Market corrections are a fact of life for investors. There have been 5 corrections of approximately 10% since the bull market began in 1991. Along with significant sector rotation throughout the cycle, these corrections have contributed to the above average length of the bull market.

Uncorrected markets develop excesses making corrections absolutely necessary for a healthy investment environment. By all standards we are due for a bear market at this time. The current market sell-off which began on July 20 for the market-leading S&P 500 will likely reach bear market status. Small- and mid-cap stocks, which were much less extended than the S&P 500, are much further into their corrective phase. As we stated in our recent semi-annual report, we expect market leadership to rotate to small-cap stocks during the next significant market advance.

To avoid completely boring our unitholders and other readers of these reports, this is the last time we intend to elaborate on the expected change of market leadership from large-cap to small-cap stocks. However, Smith Barney has recently issued a report titled "A Violent End", which is an appropriate last word on the situation:

"A Violent End"

"Recently, small-cap stocks have been actively punished--in many cases, simply for being small. It's no matter that the promised earnings have been dutifully delivered and the shares appear inexpensive by historic and comparative measures. Such stocks have routinely been marked down 20% or more over the past few weeks..."

The recent fallout between large-cap stocks and investors failed to raise interest in small-caps... The recent shelling of small-cap growth stocks may actually exceed similar periods of investor capitulation. The ultimate removal of the marginal investor in the smaller stocks historically has set the stage for a strong, extended rally by that group."

The well-documented article makes several more points and provides good quantitative information. We will send the entire report to any unitholders who would like to read it.

THE END OF TWO PART LECTURE *

Last year at this time we were enjoying a very rewarding four-month rally in small-cap stocks. The Smith Barney report quoted points out two other significant rallies in small-cap stocks that rose out of short-term periods of over-selling (i.e. following reactions in June 1994 and July 1996) even though small-cap stocks have been in a secular downtrend relative to large-cap stocks since 1993. These were rallies during an overall bull market. If the eight-year-old bull market resurrects itself over the short-term we could again see a significant short-term rally in small-cap stocks.

However, it would seem more likely to us that we will see the market decline on balance until the large-cap leadership ends. At some point during such a decline, or at the beginning of the next bull market, expect the next multi-year period in which small-cap stocks show superior results. We are concentrating our research on stock selection that would make the most out of such a change of leadership.

Yours truly,



Rudy North

* See Semi-Annual for Part 1.

PERFORMANCE RESULTS

AS OF JULY 31, 1998

PERFORMANCE COMPARISONS*

	<i>Dec. 31, 97 to Mar. 31, 98</i>	<i>Mar. 31, 98 to June 30, 98</i>	<i>Jun 30, 98 to July 31, 98</i>	<i>Year to Date</i>
North Growth US Equity Fund \$CDN	10.9%	0.5%	-3.4%	7.6%
North Growth US Equity Fund \$US	11.8%	-2.9%	-6.2%	1.8%
S&P 500 \$US	13.9%	3.3%	-1.1%	16.5%
S&P 400 MidCap \$US	11.0%	-2.2%	-3.9%	4.4%
Russell 2000 \$US	10.3%	-4.6%	-8.2%	-3.3%
NASDAQ Composite \$US	17.0%	3.3%	-1.2%	19.5%

* Source: Bloomberg "Total Return Analysis" as of August 01, 1998.

Note - Including income in all cases.

AVERAGE ANNUAL COMPOUND RATE OF RETURN

	<u>1 Year</u>	<u>2 Years</u>	<u>3 Years</u>	<u>4 Years</u>	<u>5 Years</u>
North Growth U.S. Equity Fund \$CDN	11.3%	27.0%	23.7%	23.9%	21.0%
Average U.S. Equity Fund \$CDN **	18.1%	29.3%	21.9%	--	18.8%
Median U.S. Equity Fund \$CDN **	18.2%	29.3%	22.9%	--	19.6%

Results are after all management fees and other expenses

** reported by the Globe & Mail, Report on Mutual Funds, August 27, 1998

NAVPS: JULY 31ST/98

\$16.95 (CDN)

PORTFOLIO HOLDINGS

AS OF JULY 31, 1998

Xerox Corp (XRX)	5.01
Compaq Computer Corp (CPO)	4.91
Whirlpool Corp (WHR)	4.46
Inacom Corp (ICO)	3.72
Tommy Hilfiger Corp (TOM)	3.66
Dress Barn Inc (DBRN)	3.62
AMR Corp (AMR)	3.60
Kellwood Co (KWD)	3.20
BJ's Wholesale Club (BJ)	3.12
Northwest Pipe Co (NWPX)	3.11
Greenbrier Companies Inc (GBX)	3.04
Greyhound Lines Inc (BUS)	3.03
Precision Castparts (PCP)	3.00
Sun Microsystems Inc (SUNW)	2.87
Toll Brothers Inc (TOL)	2.68
Clayton Homes Inc (CMH)	2.67
Pier 1 Imports Inc (PIR)	2.57
CompUSA Inc (CPU)	2.49
SBS Technologies Inc (SBSE)	2.48
Mesa Airlines Inc (MESA)	2.38
Symantec Corp (SYMC)	2.16
Barrett Business Services (BBSI)	2.09
Integrated Health Services (IHS)	1.94
M/I Schottenstein Homes (MHO)	1.67
Carnival Corp (CCL)	1.62
Praxair Inc (PX)	1.62
International Specialty Products (ISP)	1.60
Costilla Energy (COSE)	1.53
Owosso Corp (OWOS)	1.52
O'Sullivan Industries (OSU)	1.21
Nextel Communications Inc (NXTL)	1.03
Eastman Kodak (EK)	1.00
Nucor Corp (NUE)	0.95
Diamond Offshore Drilling (DO)	0.90
National Data Corp (NDC)	0.90
Alaska Air Group (ALK)	0.85
Ford Motor (F)	0.81
Dillards (DDS)	0.80
Texas Instruments Inc (TXN)	0.45
Cox Communications (COX)	0.26
Aluminum Company of America (AA)	0.23
FDX Corp (FDX)	0.22
The Limited Inc (LTD)	0.20
Analog Devices (ADI)	0.19
Louis Dreyfus Natural Gas (LD)	0.19
US Filter Corp (USF)	0.19
Adobe Systems (ADBE)	0.17
LSI Logic (LSI)	<u>0.17</u>
Total Equities	92.09
Cash and Short Term Notes	<u>7.91</u>
TOTAL ASSETS	100.00%