

SEPTEMBER MONTHLY REPORT

October 19th, 1998

COMMENTARY

The Fund simply did not participate well in the September rally. This was particularly frustrating since the Russell 2000 had a good rebound during the month after its 19.4% decline in August.

The favourable relative valuation of mid- and especially small-cap stocks was presented in detail in our semi-annual report. Obviously these smaller-cap stocks became even better value during August. The August collapse in the Russell 2000 might have been the beginning of the end of the bear market in these stocks which by August 31 had declined 31.2 % from their April highs. In the next major market advance small-cap stocks should take the market leadership from the expensive large-cap stocks that propelled the S&P 500 P/E multiple to record levels in the first half of 1998.

The catalyst for the market turning up at the beginning of September seems to have been signs that Alan Greenspan was getting ready to start easing interest rates. The market began to speculate that a 1/2 of 1% cut was coming. By September 25th the market was beginning to drift off and the actual cut of only ¼ of 1% on September 29th was only able to produce a short-lived inter-day rally. This disappointment over the small rate cut was followed by the collapse of a large, highly leveraged hedge fund playing with derivatives. By October 1st the market was again in a vigorous decline.

In the days leading up to and including October 8th, investor concern grew rapidly and small-cap stocks were again being hit hard. At the close of October 8th, the market had traded down significantly from its September 24th recovery highs to a level where the Russell 2000 was off 36.9% from its high for the year, and the S&P 500 was off 19.4% from its high. **A level of investor concern that is typical of a selling climax occurred on October 8th. On October 9th the market rose sharply.**

There was no fundamental reason for this initial change in market direction. Late in the trading day of October 15th, one week later, Alan Greenspan unexpectedly lowered the Fed Funds rate another ¼ of 1%. After the second rate cut, smaller-cap stocks began to lead the market. The North Growth US Equity Fund started the rally slowly and then rebounded sharply as leadership moved to the Russell 2000. Over the course of the two rallies since the August 31st low, there has definitely been an improvement in the relative performance of smaller-cap stocks.

We aren't trying to become market technicians with this detailed account of the market's gyrations. We certainly don't believe that the bottom of a bear market can be pinpointed. The relevance of these observations is that **the market is behaving exactly as is typical after a significant decline**. Moreover, **this is the way the market will be behaving at the beginning of a new bull market**.

At the beginning of a new bull market, the economic outlook will be very uncertain and the market will likely start going up in the absence of any fundamental development. Given the current global economic problems it doesn't seem likely that the market, at least as measured by the S&P 500, has declined enough or put in enough time since it hit its highs on July 17th to warrant a new bull market following through uninterrupted from the current rally. However, a change in market leadership might be beginning and periods of weakness should definitely be considered as favourable points to put cash into stocks.

Yours truly,

A handwritten signature in black ink that reads "Rudy North". The signature is written in a cursive, flowing style.

Rudy North

PERFORMANCE RESULTS

AS OF SEPTEMBER 30, 1998

PERFORMANCE COMPARISONS*

	Dec. 31, 97 to Mar. 31, 98	Mar. 31, 98 to June 30, 98	June 30, 98 to Sept. 30, 98	Aug. 31, 98 to Sept. 30, 98	Year to Date
North Growth US Equity Fund \$CDN	10.9%	0.5%	-20.1%	-1.8%	-11.0%
North Growth US Equity Fund \$US	11.8%	-2.9%	-23.4%	0.5%	-16.9%
S&P 500 \$US	13.9%	3.3%	-9.9%	6.4%	6.0%
S&P 400 MidCap \$US	11.0%	-2.2%	-14.5%	9.3%	-7.1%
Russell 2000 \$US	10.3%	-4.6%	-20.3%	7.7%	-16.1%
NASDAQ Composite \$US	17.0%	3.3%	-10.5%	13.0%	8.2%

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

Note - Including income in all cases.

AVERAGE ANNUAL COMPOUND RATE OF RETURN

	1 Year	2 Years	3 Years	4 Years	5 Years
North Growth U.S. Equity Fund \$CDN	-15.7%	9.2%	16.3%	17.7%	14.2%
Average U.S. Equity Fund \$CDN **	2.4%	17.1%	16.1%	--	14.3%
Median U.S. Equity Fund \$CDN **	4.3%	17.7%	17.1%	--	15.5%

Results are after all management fees and other expenses

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

Return Since Inception (Annualized), Oct. 13, 1992 - Sept. 30, 1998 **17.0%**

NAVPS: SEPTEMBER 30TH/98

\$14.02 (CDN)

PORTFOLIO HOLDINGS

AS OF SEPTEMBER 30, 1998

Compaq Computer Corp (CPQ)	5.75
Xerox Corp (XRX)	4.90
Whirlpool Corp (WHR)	4.22
BJ's Wholesale Club (BJ)	3.77
Sun Microsystems Inc (SUNW)	3.68
Greenbrier Companies Inc (GBX)	3.47
Precision Castparts (PCP)	3.47
AMR Corp (AMR)	3.41
Kellwood Co (KWD)	3.30
Tommy Hilfiger Corp (TOM)	3.26
Northwest Pipe Co (NWPX)	3.19
Clayton Homes Inc (CMH)	3.18
Inacom Corp (ICO)	3.16
Greyhound Lines Inc (BUS)	2.77
CompUSA Inc (CPU)	2.77
SBS Technologies Inc (SBSE)	2.64
Pier 1 Imports Inc (PIR)	2.54
Dress Barn Inc (DBRN)	2.30
Barrett Business Services (BBSI)	2.16
Mesa Airlines Inc (MESA)	1.84
National Data Corp (NDC)	1.76
Owosso Corp (OWOS)	1.71
M/I Schottenstein Homes (MHO)	1.59
Integrated Health Services (IHS)	1.45
Nextel Communications Inc (NXTL)	1.45
Symantec Corp (SYMC)	1.43
International Specialty Products (ISP)	1.40
Louis Dreyfus(LD)	1.35
Praxair Inc (PX)	1.31
O'Sullivan Industries (OSU)	1.29
Costilla Energy (COSE)	1.16
Eastman Kodak (EK)	1.13
The Limited Inc (LTD)	1.02
Diamond Offshore Drilling (DO)	0.87
Alaska Air Group (ALK)	0.84
Texas Instruments Inc (TXN)	0.72
Cox Communications (COX)	0.35
Aluminum Company of America (AA)	0.29
Axent Technologies (AXENT)	0.25
Brinker Int'l (EAT)	0.24
Oracle (ORCL)	0.24
Analog Devices (ADI)	0.17
US Filter Corp (USF)	0.14
LSI Logic (LSI)	<u>0.13</u>
Total Equities	88.07
Cash and Short Term Notes	<u>11.93</u>
TOTAL ASSETS	100.00%