

JUNE MONTHLY REPORT

July 20th, 2000

DEAR INVESTOR...

After two months of double digit declines the NASDAQ came back to life in June, surging 16.6%. The North Growth U.S. Equity Fund was up only 0.98% (US\$) for the month, although for the year it is up 19.25% (US\$) versus -2.5% for the NASDAQ. The weak relative performance of the Fund in June versus all the indices we track in this report was due entirely to our underweight position in the technology sector. We are not overly surprised by this bounce in technology stocks. It is, however, a bit frustrating because the primary drivers of this rally were a number of large-capitalization companies which we cannot own at this time due to our belief that they are trading at excessively high valuations even taking into account their very strong fundamentals.

Our underweight position of the financial sector versus the S&P 500 was a significant positive during June, as this sector remained under considerable selling pressure. Although the financials appear to be trading at low valuations based on trailing and forward P/E ratios, we remain comfortable with our minimal exposure to this sector due to our concerns regarding increasing leverage and deteriorating credit quality – classic late cycle phenomena.

The June rally was fuelled by a series of economic data releases that appear to indicate some moderation in the level of economic growth in the U.S. and relatively benign inflation readings. Expectations for the Federal Open Market Committee (FOMC) action following its June 27/28 meeting swung from the potential of an additional 50 basis point rate increase to a consensus of no increase. As a result, investor sentiment as measured by the Investment Services Bulls/Bears survey moved back to a very bullish level. Many market forecasters are now convinced that the Fed is through raising rates and that the U.S. economy is gliding into a soft landing. Naturally these same forecasters are drawing parallels to 1994 and are suggesting that the prospects for the market going forward could be parallel to the phenomenally strong markets we saw in 1995.

We do not share this unguarded optimism for two reasons. First, we are not convinced that the U.S. economy has slowed sufficiently for the Fed to call it quits. We share the FOMC's cautious views as expressed in its June 28 statement: "Nonetheless, signs that growth in demand is moving to a sustainable pace are still tentative and preliminary, and the utilization of the pool of available workers remains at unusually high levels." This statement appears to be more relevant today as a number of the indicators of a slowing in U.S. demand have subsequently been revised upwards; for example, May retail sales were revised from -0.3% to +0.3%. At this time, the market clearly believes the FOMC will not raise rates following its August 22nd meeting; however, we believe that this may prove to be overly optimistic.

Second, and more importantly, we believe that drawing too close of a parallel to 1994 is misguided. The most significant difference we would like to highlight is the valuations of U.S. equities. Exiting 1994 the S&P 500 was trading at approximately 16 times trailing earnings and 14 times forward earnings versus current multiples of approximately 30 times trailing and 25 times forward earnings. Furthermore, even in June 1995, when the Fed officially ended the monetary tightening cycle by cutting the Federal Funds rate by 25 basis points to 5.75%, the main debate was whether or not the U.S. economy was about to plunge into another recession. Today there is no debate— we are headed for a soft landing.

In my view, one of the key differences from an economic view point was that in 94/95 the U.S. dollar was extremely weak and had been for some time. The appreciation of the U.S. dollar over the last five years has had a significant dampening effect on U.S. inflation rates. Today, with a huge trade deficit running at a greater than \$360 billion annual rate and a very strong dollar, the risks are tilted to an inflationary exchange rate impact. Other differences between 94/95 and the present include: 6% unemployment then versus 4% now, and bearish sentiment then versus bullish sentiment now.

Despite our obvious caution with regard to the overall market valuations, we are quite upbeat with regards to the outlook for “growth at a reasonable price” investing. Rudy assures us that we may have never before been presented with a market that has so many investors exposed to excessive valuation risk while simultaneously offering sound investment values in a broad cross section of growing intermediate and smaller capitalization companies. The extremely concentrated nature of this market over the past few years has left good opportunities for diligent stock pickers to put new money to work.

Yours truly,



Rory North, CFA
Portfolio Manager

P.S. As Rudy is working on the semi-annual report I am filling in for the month.

North Growth Canadian Money Market Fund Update

The North Growth Canadian Money Market Fund currently has a yield of 5.58% (July 19/00) net all expenses. We don't believe this can be beaten given the quality and convenience that the Fund provides.

The Fund is eligible for self-administered RRSPs.

Where to Find NGM Fund Prices

NGM funds are listed in the *Globe & Mail* and the *Vancouver Sun* under the heading “pooled funds”. They can also be found on globefund.com and morningstar.ca. For those who prefer, we can e-mail our daily summary sheet to you every day that the market is open. To be added to our list please contact Caroline North at caroline@northgrowth.com or 688-5440.

PERFORMANCE RESULTS

AS OF JUNE 30, 2000

PERFORMANCE COMPARISONS*

	Year to June 30, 00	Six Months to June 30, 00	Three Months to June 30, 00	Month of June 00
North Growth US Equity Fund \$CDN	22.29%	22.29%	3.75%	-0.09%
North Growth US Equity Fund \$US	19.21%	19.21%	1.57%	0.98%
S&P 500 \$US	-0.42%	-0.42%	-2.66%	2.47%
S&P 400 MidCap \$US	8.98%	8.98%	-3.29%	1.47%
Russell 2000 \$US	3.05%	3.05%	-3.77%	8.74%
NASDAQ Composite \$US	-2.46%	-2.46%	-13.23%	16.64%

* Source: Bloomberg "Total Return Analysis" as of July 03, 2000.

Note - Including income in all cases.

AVERAGE ANNUAL COMPOUND RATE OF RETURN

	1 Year	2 Years	3 Years	4 Years	5 Years
North Growth US Equity Fund \$CDN	24.46%	11.84%	15.34%	18.70%	20.61%
Median U.S. Equity Fund \$CDN **	5.3%	-	16.9%	--	19.3%
Average U.S. Equity Fund \$CDN **	7.1%	-	17.1%	--	19.8%

Results are after all management fees and other expenses

** reported by the Globe & Mail, Report on Mutual Funds, July 20, 2000

Return Since Inception (Annualized), Oct. 13, 1992 - June 30, 2000 **19.69%**

NAVPS: JUNE 30TH/00 \$ 19.76 (CDN)

TOTAL ASSETS IN FUND \$ 57.55 (CDN)

CANADIAN MONEY MARKET FUND

Net Current Yield as of July 19, 2000:

5.58%

PORTFOLIO HOLDINGS

AS OF JUNE 30, 2000

St Jude Medical	4.71
Louis Dreyfus Natural Gas	3.54
Universal Health Services CL B	3.49
Jones Apparel Group Inc	3.39
Wesley Jessen Vision	3.08
Brinker International Inc	3.08
Michaels Stores Inc	3.06
Precision Castparts	2.93
Timberland	2.84
BJ's Wholesale Club	2.74
Cardinal Health Inc	2.68
Delhaize America Inc	2.32
Wellpoint Health Networks	2.25
American Power Conversion	2.15
Symantec Corp	1.80
Nextel Communications Inc	1.70
Compaq Computer Corp	1.59
O'Charley's Inc	1.52
Synopsys Inc	1.49
Clayton Homes Inc	1.38
Alza Corp	1.37
TJX Companies	1.33
HCR Manor Care Inc	1.22
Sigma-Aldrich	1.20
Albertson's Inc	1.20
Schnitzer Steel	1.17
Biomet Inc	1.10
Dentsply International	1.05
Mesa Airlines	1.01
Snap-On Inc	0.99
FirstMerit Corp	0.90
Federal Signal Corp	0.88
Diamond Offshore Drilling	0.75
Stone Energy Corp	0.71
Devon Energy Corp	0.67
Technitrol	0.65
City National Corp	<u>0.16</u>
Total Equities	68.10
Cash and Short Term Notes	<u>31.90</u>
TOTAL ASSETS	100.00%