



December 1998





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GBC Asset Management Inc.

December 31, 1998

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Canadian Growth Fund Celebrates 10th Anniversary

In November of 1998 GBC marked an important anniversary, ten years of providing excellent returns to investors in our GBC Canadian Growth Fund. Since inception in November of 1988, the Fund has provided investors with a compounded annual growth rate of 18.2%. According to the Globe and Mail December Report on Mutual Funds this ranks the Canadian Growth Fund **as the number one Canadian Equity Fund over ten years.**

To place this achievement in perspective, had you invested \$100,000 in the Fund at inception, that original investment would have grown to a healthy \$539,759 today. Conversely if you maintained a portfolio of all the stocks in the TSE 300 Index over this same ten years your original investment would have grown to only \$259,700. Powerful incentive to practice patient investing.

Pembroke Management celebrates 30th Anniversary

Ian Soutar and Scott Taylor founded Pembroke Management Limited in the fall of 1968. Thirty years later, they are still hard at work delivering superior investment returns to their clients. The two founding partners have wisely added 4 more partners in the last twelve years, thereby assuring Pembroke's valued clients of at least another 30 years of excellent returns.

Greydanus Boeckh & Associates Celebrates 15th Anniversary

In January of 1999, GBC Canadian Bond Fund Managers Greydanus Boeckh & Associates will celebrate fifteen years of superb investment returns. The Fund currently holds top quartile performances in all time periods from six months to ten years. Tony Boeckh, who also acts as Editor-in Chief of the "Bank Credit Analyst", is celebrating his 30th anniversary with the world-renowned publication.

Stewart, Ivory Celebrates 125 years in Business

Manager of the GBC International Growth Fund, Stewart, Ivory of Edinburg and its predecessor organizations have been managing investment portfolios since 1873. Manager of The International Growth Fund since 1995, Stewart, Ivory delivered second quartile performance for the Fund in 1998.

GBC Asset Management Clients Benefit From Experienced Managers

The past year has been one of extremes in both domestic and foreign equity and bond markets. Individual investors and professional managers alike with limited experience suffered through the ups and downs of financial markets. There is no effective substitute for experience when market gyrations call for patience and focus to make it through tough times. We at GBC Asset Management believe we have a team of experienced managers in place that is without equal in the investment industry of today.

GBC ASSET MANAGEMENT INC.

Performance

December 31, 1998

The GBC Canadian Growth Fund

Compound Annual Rates of Return:

	%	Ranking
1 Year	0.16	87/253
2 Years	12.77	15/201
3 Years	19.84	7/165
5 Years	13.49	12/135
10 Years	17.68	1/86

Management Fee	1.75%
Mgt. Expense Ratio	1.86%
<i>(includes the Mgt. Fee and all Fund expenses)</i>	

The GBC International Growth Fund

Compound Annual Rates of Return:

	%	Ranking
1 Year	21.65	65/196
2 Years	13.27	92/166
3 Years	11.38	82/126
5 Years	5.78	67/75

Management Fee	1.50%
Mgt. Expense Ratio	1.87%
<i>(includes the Mgt. Fee and all Fund expenses)</i>	

The GBC Money Market Fund

Compound Annual Rates of Return:

	%	Ranking
1 Year	3.82	76/137
2 Years	3.04	71/118
3 Years	3.31	64/109
5 Years	4.17	42/90
10 Years	6.46	27/49

Management Fee	.50%
Mgt. Expense Ratio	.75%
<i>(includes the Mgt. Fee and all Fund expenses)</i>	

The GBC North American Growth Fund Inc.

Compound Annual Rates of Return:

	%	Ranking
1 Year	4.47	151/175
2 Years	14.05	116/135
3 Years	12.97	96/109
5 Years	11.98	63/69
10 Years	14.47	24/33
15 Years	12.60	13/20

Management Fee	1.50%
Mgt. Expense Ratio	1.90%
<i>(includes the Mgt. Fee and all Fund expenses)</i>	

The GBC Canadian Bond Fund

Compound Annual Rates of Return:

	%	Ranking
1 Year	8.83	23/157
2 Years	8.57	30/143
3 Years	9.47	26/133
5 Years	8.27	21/96
10 Years	10.75	11/60

Management Fee	1.00%
Mgt. Expense Ratio	1.09%
<i>(includes the Mgt. Fee and all Fund expenses)</i>	

Source of all returns: Globe & Mail Report on Mutual Funds. All figures in Canadian dollars.

Historical annual compounded rates of return reflect changes in unit value and distributions reinvested. Past performance does not guarantee future results. Unit values and investment returns will fluctuate. Important information about The GBC Funds is contained in a simplified prospectus, which should be read carefully before investing. Copies of GBC's prospectus are available from GBC Asset Management Inc.

PEMBROKE MANAGEMENT LIMITED

Investment Philosophy

December 31, 1998



The Pembroke Team

clockwise from upper left:
Nicolas Chevalier
Michael Shannon
Jeffrey Tory
Ian Aitken
Scott Taylor
Ian Soutar

Managers of

The GBC Canadian
Growth Fund

The GBC North American
Growth Fund Inc.

growth
equity

Pembroke has always been at the forefront of identifying and analyzing small to medium-sized growth companies. These dynamic companies, often operated by owner-entrepreneurs, have provided superior investment returns over the long-term. Through judicious and disciplined monitoring, "losers" are typically shed promptly, while "winners" stay in the portfolios and are followed closely over many years.

Integral to Pembroke's time-tested success are stock selection criteria such as:

- a management team capable of managing rapid growth
- the potential for rapid growth in sales and earnings
- a proven track record
- a high degree of stock ownership by management
- a healthy financial condition
- a strong, competitive position in the marketplace
- a reasonable stock valuation

Before any new investment is made, Pembroke goes even further in its process of investigation. Visits are made to the company's offices and facilities, management is interviewed and references are thoroughly checked. Finally, when all criteria have been satisfied, investments are made gradually.

If expectations are not met, positions are sold, so that proceeds can better be deployed in existing high-potential investments or in new, more promising situations.



THE GBC CANADIAN GROWTH FUND

Pembroke Management Limited

December 31, 1998

Milestones

1998 marked an important year for The GBC Canadian Growth Fund and Pembroke Management, the manager of the Fund. The GBC Canadian Growth Fund celebrated its ten year anniversary in November while Pembroke celebrated its 30th anniversary in September.

These milestones were very significant because for the ten years ended November 30, 1998, The GBC Canadian Growth Fund was the number one ranked fund in Canada with a 10 year compound return of 17.6%. (An initial investment in the Fund has increased over 5 times!). During this same period the TSE 300 Total Return Index increased by a compound rate of 9.8%. These results were not, however realized in a straight line as there were several bumps on the road during this timeframe thus highlighting the importance of patience in the recipe for investment success.

Pembroke's 30th anniversary is also special because two of the founders of Pembroke, Ian Soutar and Scott Taylor are still very active in the firm and they have fostered a team environment which has upheld the tradition of investing in growth stocks for a limited number of clients. All of the partners at Pembroke are significant unitholders in The GBC Canadian Growth Fund, so they have great incentive to make the next ten years as good as the last ten.

1998 in Review

Canadian stocks had a generally disappointing year in 1998, particularly when viewed alongside the excitement produced by the U.S. markets. Although the overall indices finished the year with only a small loss, there was a significant amount of pain in many of the leading industry sectors. The resource sector was particularly weak in response to low commodity prices and subdued demand. The financial sector which was so strong in 1997, did not repeat its performance in 1998 as the summer's financial crisis weighed heavily on the group. Canadian emerging growth companies also fared poorly in 1998 as there was a flight to perceived quality and a marked preference displayed for liquidity. The fourth quarter rally repaired some of the late summer damage but there is still lingering apprehension due to the rapidity and the severity of the correction.

For the year ended December 31, 1998, The GBC Canadian Growth Fund closed at \$24.81 per unit, up slightly from \$24.77 at the end of 1997. This compares favourably with the TSE 300 Total Return Index which fell 1.6%. The TSE 200 Total Return Index and The Nesbitt Burns Small Cap Index which are representative of the smaller growth companies fared considerably worse falling 6.5% and 17.9% respectively. Although the Fund's absolute returns were uninspiring, the results are satisfactory in light of the overall market performance.

Within the Fund, the fortunes of the various sectors were mixed. The communications sector was the largest contributor in 1998, driven by strong performance from several stocks including the takeover of long distance



THE GBC CANADIAN GROWTH FUND

Pembroke Management Limited

December 31, 1998

provider Fonorola and the strong rally in the cable stocks, particularly Videotron and Cogeco. The technology and financial services stocks also produced positive returns led by CGI Group, a leading information services company with rapidly growing earnings and Fairfax Financial, a long term holding in the Fund which continues to make opportunistic acquisitions in the insurance industry.

The oil and gas sector was very weak in 1998, and the GBC holdings were not immune to the overall malaise. Low commodity prices and an overabundance of capital has hurt returns in the sector. One of the principal oil and gas holdings, Amber Energy, a rapidly growing production company found itself caught in a classic squeeze of too much debt and low oil prices. This resulted in the company being acquired at a low price by one of its competitors.

Fourth Quarter Review

The GBC Canadian Growth Fund rose 19.1% in the quarter ended December 31, 1998 to close at \$24.81 per unit. This compared favourably with the TSE 300 Total Return Index which rose 16.0% and the TSE 200 Total Return Index which increased 15.2%. The major contributors to the rally were several U.S. based technology holdings including Micrel, a supplier of semiconductors to communications and computing applications and Solectron, the world leader in outsourced manufacturing for the technology industry. The Canadian cable companies whose high speed data networks are seen as significant beneficiaries of the explosive growth in the Internet were also strong contributors in the quarter along with JDS Fitel which is a significant supplier of fiber optics to the telecommunications industry.

Outlook 1999

Despite all of the uncertainties, 1999 appears to have started off with a bang! The excitement generated by the Internet and the emergence of on-line retailing as a significant factor during this past Christmas season combined with ongoing significant merger and acquisition activity have given the North American stock markets new vigour.

The prospects for Canadian growth stocks are mixed. A two tier market for growth stocks has emerged in Canada over the past several years. There is a group of rapidly growing mid-sized companies which have good research coverage and are well recognized by investors which has resulted in valuations appropriate for the growth rates. On the other hand, the small cap sector in Canada is in a deep funk. This provides a terrific opportunity for patient investors willing to search out and own stocks temporarily out of the limelight.

The resource stocks are relatively cheap but need better commodity prices to catalyse the sector. Low stock prices in the group should lead to ongoing consolidation and this favours the well financed companies that are capable of being opportunistic. The key for the Fund is to position itself in companies where unit production growth is occurring so that when the eventual turn in commodity prices occurs, cash flow should explode!

THE GBC CANADIAN GROWTH FUND

Pembroke Management Limited

December 31, 1998

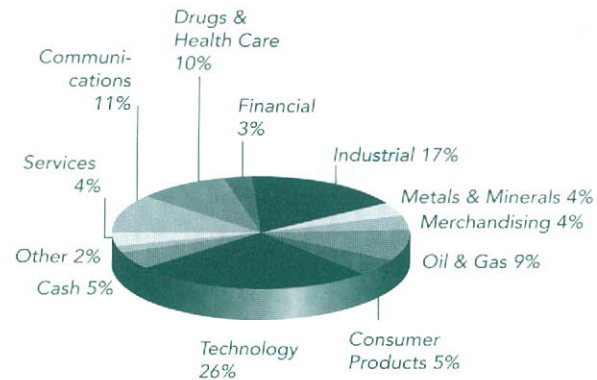
Growth prospects in the knowledge based industries are excellent and this group continues to gain prominence in the Canadian market. The major benefit to Canadian investors in this group is that these companies' markets are often North American or global in scope.

On balance, the valuations in the Canadian growth stock universe are quite reasonable so if earnings expectations are met for 1999, then the overall performance of the group should be satisfactory and The GBC Canadian Growth Fund should have a reasonable year. The success of the resource sector is the wild card as any significant increase in commodity prices could lead to a powerful rally in the stocks of this sector.

Fund Statistics

December 31, 1998

Investments:



Net Assets: \$217.4 million

Net Asset Value: \$24.81

**Capital Gains Distribution per
Unit as of December 31, 1998:
\$0.00**

THE GBC CANADIAN GROWTH FUND

Fund Statistics

December 31, 1998

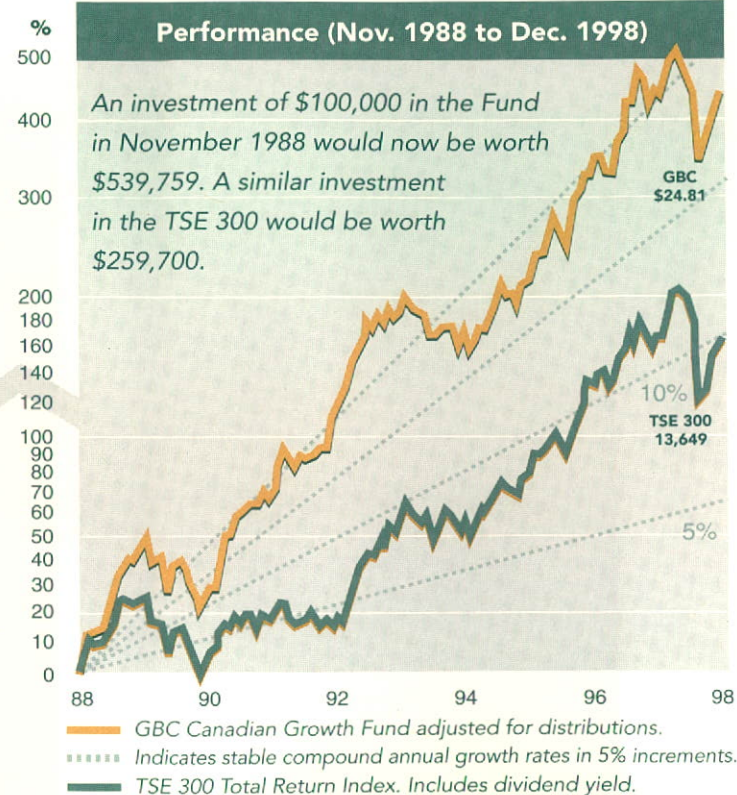
Sample \$100,000 Portfolio Dec. 31, 1998

Industry and Company	shares	market price	market value
COMMUNICATIONS			
Cogeco	106	20.30	\$2,152
Videotron Group	134	22.90	\$3,069
CONSUMER PRODUCTS			
AL Van Houtte	48	30.00	\$1,440
Four Seasons Hotels	37	45.00	\$1,665
DRUGS & HEALTH CARE			
MDS Health Group	92	29.50	\$2,714
Sepracor	10	88.13*	\$1,271
FINANCIAL SERVICES			
Fairfax Financial	4.6	540.00	\$2,484
INDUSTRIAL			
ATS Automation Tooling	106	19.90	\$2,109
Cinram International	72	18.60	\$1,339
Intertape Polymer Group	39	39.00	\$1,521
Linamar	50	26.00	\$1,300
Premdor	128	15.20	\$1,946
Spectra Premium	60	20.13	\$1,208
Toromont Industries	76	15.75	\$1,197
MINING			
Euro-Nevada Mining	72	25.00	\$1,800
Franco-Nevada Mining	52	29.35	\$1,526
OIL & GAS			
Berkley Petroleum	170	11.60	\$1,972
TECHNOLOGY			
CGI Group	45	30.25	\$1,361
Cognos	37	38.35	\$1,419
Geac Computer	108	39.80	\$4,298
JDS Fitel	46	38.00	\$1,748
Leitch Technology	37	39.90	\$1,476
Micrel	14	55.00*	\$1,178
Safeguard Scientifics	42	27.44*	\$1,764
Soletron	9	92.94*	\$1,280

Top 25 Holdings	\$45,237
Other Holdings	\$49,776
Cash	\$4,987
Total Portfolio	\$100,000

* U.S. dollars

Note: Market values are expressed in \$CDN. All share prices are expressed in their domestic currency. The number of shares is rounded.



10 Year Financial Summary

Fiscal Period	Net Assets (\$,'000)	Unit Value (\$)	Fiscal Period	Net Assets (\$,'000)	Unit Value (\$)
1998	217,358	24.81	1993	85,750	13.18
1997	209,814	24.77	1992	43,353	9.91
1996	151,838	19.51	1991	11,391	7.84
1995	96,934	14.42	1990	6,061	5.92
1994	78,691	12.41	1989	4,150	6.84

Unit values have been adjusted for distributions.



THE GBC NORTH AMERICAN GROWTH FUND INC.

Pembroke Management Limited

December 31, 1998

1998 was a roller coaster ride for The GBC North American Growth Fund and U.S. equity markets in general, especially in the second half of the year when markets first plummeted and then recovered in unprecedented form in the final quarter of the year. For the fourth quarter of 1998 the net asset value of the Fund rose 19.6% to a year end record of \$10.51 per share. For the entire year the gain was 4.5%. In sterling terms the Fund rose 23.0% in the fourth quarter but declined 2.4% for the year to 413 pence per share.

GBC's results for the final quarter of 1998 and full year trailed both the Russell 2000 growth and the Standard & Poor's 500 indices, both calculated in Canadian dollar terms. For the quarter the Russell index of smaller company growth stocks rose 23.8% and for all of 1998, 8.5%. The Standard & Poor's 500 index of large capitalization companies rose 21.5% in the last quarter of 1998 and 37.8% for the full year.

For GBC, 1998 was a disappointing year. While many funds that focus on smaller capitalization companies underperformed the large capitalization company averages, there were ample opportunities to capitalize on successful smaller companies as well. GBC did not own enough big winners to offset the impact of the inevitable losers that arise from a portfolio of emerging growth companies.

For the past five years the U.S. market has become increasingly influenced by institutional, momentum oriented investors that seek out companies exhibiting rapid earnings growth and are prepared to pay almost any price for these shares. Typically these have been highly liquid growth companies like Microsoft, Dell and Cisco but have also included a limited number of newly formed companies involved in the Internet, electronic commerce and data networking. While the vast majority of stocks exhibited limited share price appreciation in 1998, a short list of winners appreciated so strongly that the overall market averages, often dominated by these same stocks, have shown remarkable buoyancy. For instance, ten stocks accounted for over one half of the Standard & Poor's 500 Index gain in 1998.

It is reasonable to assume that these trends will continue until a stock market decline of sufficient magnitude and length convinces investors of the risks associated with extreme valuations. It is impossible to forecast when this will happen or what will cause it but the risk reward ratio in many of today's market leaders appears decidedly unappealing. Only after a market break is a change of leadership likely. At that point the extreme valuation differences between recent winners and losers might well narrow with market leadership switching to smaller capitalization and more reasonably valued companies.

In the long run, superior portfolio returns are achieved by holding significant positions in companies that produce above average growth in earnings per share. GBC has needed more investments in companies like Solectron (\$4 to \$93), Safeguard Scientific (\$10-\$27), ResCare (\$6-\$25) and O'Reilly Automotive (\$13-\$47) and larger positions in them. In retrospect, because of valuation concerns, these positions have often been pared back in size too early before they were allowed to become major (5%) positions. Additionally, certain underperforming company stocks

THE GBC NORTH AMERICAN GROWTH FUND INC.

Pembroke Management Limited

December 31, 1998

were tolerated too long because they appeared too cheap to sell or were expected to resume growth in the near future. In a market where rapid near term earnings growth is valued at extraordinary premiums while the rest of the market is practically ignored, the performance penalty for missing a few of the big winners has been severe. Following a thorough review of your managers investment procedures with GBC's board of directors, several initiatives will be undertaken in 1999 in an attempt to improve investment performance. These are aimed at providing the manager with greater flexibility in terms of the size of an initial holding while imposing greater discipline in terms of minimum holding weightings after an investment has been in the portfolio for six months or more.

1999 Outlook

Another year of volatile stock prices is expected for the coming year. On the positive side money flows continue strongly into equities and interest rates are likely to remain stable. Valuations are rich, however, and earnings growth limited. We anticipate only modest returns for U.S. stock in 1999, but more broadly based than the extreme selectivity of 1998. Areas of opportunity appear to be in healthcare, the consumer sector and perhaps energy. The Internet and electronic commerce sectors appear greatly over exploited. More significantly we believe returns for the emerging growth sector will exceed those from the highly valued larger growth companies.

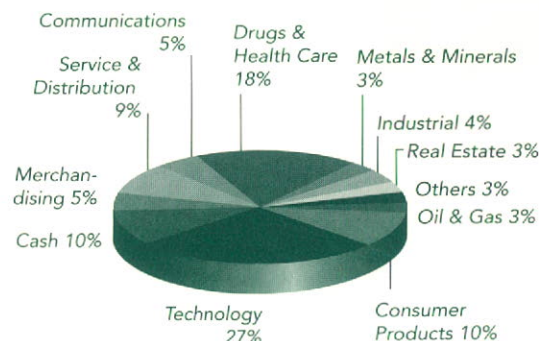
Directors

Donald E. Dunn will not be standing for re-election at the Annual Meeting in March because he has reached retirement age for a GBC director. Mr. Dunn joined the GBC board in January 1981 and since 1988 has also chaired the GBC Audit Committee. He has made a significant contribution to GBC over the past eighteen years and his wise counsel and enthusiastic support will be greatly missed by his fellow directors. We thank Mr. Dunn most sincerely for his excellent contribution to GBC and wish him good health and success in the years ahead.

Fund Statistics

December 31, 1998

Investments:



Net Assets: \$105.6 million

Net Asset Value:

In Canadian \$: \$10.51

In U.S. \$: \$6.87

In pence: 413p

Capital Gains Distribution per Share as of December 31, 1998: \$0.00

The GBC North American Growth Fund qualifies for the foreign content portion of RSP/RIF plans as well as for all non-registered accounts.

THE GBC NORTH AMERICAN GROWTH FUND INC.

Fund Statistics

December 31, 1998

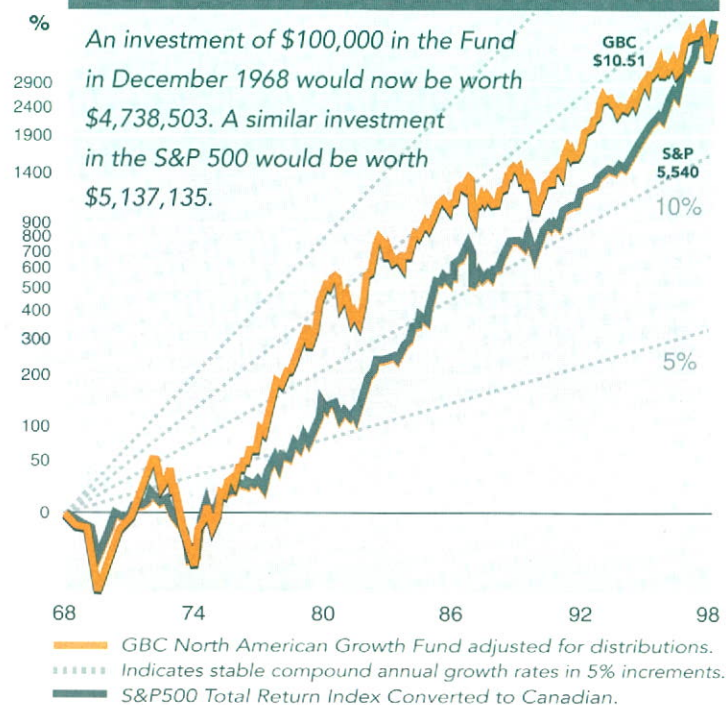
Sample \$100,000 Portfolio Dec. 31, 1998

Industry and Company	shares	market price	market value
COMMUNICATIONS			
Telephone & Data Systems	49	44.94	\$3,370
CONSUMER PRODUCTS			
Buffets	91	11.94	\$1,663
Carnival Corporation "A"	24	48.00	\$1,763
DRUGS & HEALTH CARE			
Elan Corporation ADR	17	69.56	\$1,810
IDEXX Labs	40	26.91	\$1,647
Res-Care	61	24.68	\$1,722
Sepracor	12	88.13	\$1,619
Shared Medical Systems	33	49.88	\$2,519
INDUSTRIAL PRODUCTS			
Champion Enterprises	57	27.38	\$2,389
S L I	41	27.75	\$1,741
MERCHANDISING			
O'Reilly Automotive	23	47.25	\$1,663
Rent-A-Centre	36	31.75	\$1,749
MINING & GOLD			
Franco-Nevada Mining	47	29.35 *	\$1,379
Getchell Gold	44	27.26	\$1,835
REAL ESTATE			
Cousins Properties	40	32.25	\$1,974
SERVICE & DISTRIBUTION			
Black Box	36	37.88	\$2,087
Service Experts	37	29.25	\$1,656
TECHNOLOGY			
Cognex	63	20.00	\$1,928
Electronic Arts	23	56.13	\$1,976
Geac	57	39.80 *	\$2,269
Maxim Integrated Products	31	43.69	\$2,073
Micrel	28	55.00	\$2,357
Network Associates	23	66.25	\$2,332
Safeguard Scientifics	63	27.44	\$2,646
Solelectron	27	92.94	\$3,841
Top 25 Holdings			\$52,008
Other Holdings			\$37,844
Cash			\$10,148
Total Portfolio			\$100,000

* Canadian dollars

Note: Market values are expressed in \$CDN. All share prices are expressed in their domestic currency. The number of shares is rounded.

Performance (Dec. 1968 to Dec. 1998)



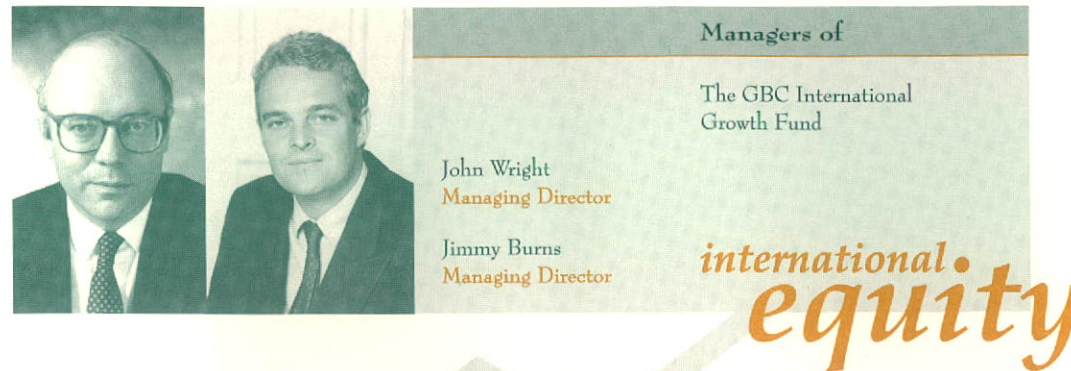
10 Year Financial Summary

Fiscal Period ¹	Net Assets (\$,000)	Share Value (\$) ²	Share Value (pence) ^{2,3}	Fiscal Period ¹	Net Assets (\$,000)	Share Value (\$) ²	Share Value (pence) ^{2,3}
1998	105,628	10.51	413p	1993	130,590	5.97	306p
1997	110,135	10.06	426p	1992	125,817	3.96	178p
1996	109,874	8.08	344p	1991	129,752	3.44	174p
1995	119,636	7.29	344p	1990	114,172	2.63	121p
1994	112,108	5.73	261p	1989	172,979	3.54	185p

¹ As at September 30th for 1988 to 1992. As at December 31st for 1993 to 1998.

² Adjusted to reflect the effect of dilution from warrants to show appreciation per share since 1983 including dividends.

³ Conversions were effected at the rate applicable at the end of each fiscal period.



Stewart Ivory is a long term investor in growth companies that are located outside North America. Using fundamental or "bottom-up" analysis, managers construct the portfolio by investing in companies which exhibit the following characteristics:

- Growth - consistent real rate of sales and profit growth
- Profitability - high return on equity and strong cash flow
- Value - share price in line with expected growth
- Strong Management - proven leadership in niche market growth companies

Small, flexible and experienced teams integrate portfolio and research responsibilities. These teams are assigned geographically to United Kingdom, Continental Europe, Japan, Other Far East and Emerging Markets. Each team is headed by a senior portfolio manager.

Following in-depth financial analysis, on-site visits and an assessment of the macroeconomic environment for specific stocks, senior managers meet to allocate assets to the most attractive companies. Geographic asset allocation follows as an outgrowth of the stock selection process. Stewart Ivory does not actively manage currency, but incorporates anticipated currency movements and their effect on companies into the selection process.

Successful portfolio performance is the result of Stewart Ivory's keen ability to assess growth, profitability and value.



THE GBC INTERNATIONAL GROWTH FUND

Babson-Stewart Ivory International

December 31, 1998

The GBC International Growth Fund rose by 19.6% in the fourth quarter, against a rise of 21.5% in the EAFE index. Markets recovered strongly from the weakness of the previous quarter, although the upward move in the index also reflected the strong rise of the Japanese yen in October. With a below-index weighting in Japan, our portfolio did not quite keep pace with the rise in the index.

Geographic Review and Outlook

UK & Europe - Although economic growth appears to be slowing in Europe, stock markets recovered from the turbulence of the third quarter, helped by a co-ordinated reduction in interest rates across the continent. Markets remained under the leadership of the more liquid large caps, with the approach of the single currency focusing attention on sectoral themes, such as financials and telecoms, which are expected to be among the beneficiaries of greater European integration.

New holdings were added in Cable & Wireless Communications (international and business telephones, cable services) and Kingfisher (diversified retailer) in the UK, Nokia (mobile telephony) in Finland, Vivendi (water/electric/waste disposal/telecoms) in France, and Endesa (electric utility) in Spain.

Disposals were made in CBT, SKW Trostberg, and Philips Electronic.

Japan - Economic growth remains under pressure, with the problems of the financial sector continuing to give cause for concern. Although there is evidence of a more determined government effort to address the problems, long term confidence remains fragile, and the unexpectedly strong rise in the yen does not necessarily help matters.

We added new holdings in NTT Mobile Communications Network (mobile telephony) at the company's initial public offering, and Toshiba (computers, electronic equipment). The holdings in Ricoh and Rohm were sold.

Pacific (ex Japan) - Asia remains in a severe recession, although stock markets rallied from the depressed levels of the summer and early autumn, helped by the perception that some countries (Korea, Thailand) may be over the worst, and that China has been less severely affected than had been feared.

A new holding was added in Overseas Union Enterprise (hotels, property and financial holding company) in Singapore, with an addition to the holding in Shaw Brothers (TV broadcasting, films, property) in Hong Kong. The holding in Dickson Concepts was sold.

Latin America - Latin American markets have remained under downward pressure, with Brazil the cause of continuing uncertainty, raising fears of a new round of devaluations. We have no holdings in Latin America at present and only limited exposure to Eastern Europe.

THE GBC INTERNATIONAL GROWTH FUND

Babson-Stewart Ivory International

December 31, 1998

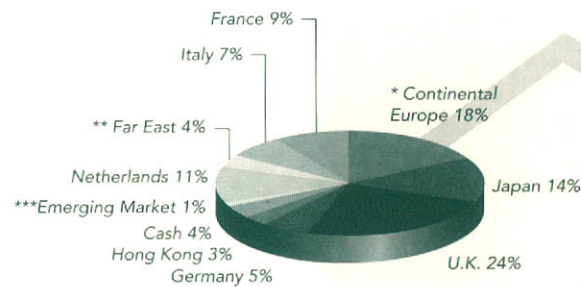
Outlook

Whilst some of Europe's longer-term problems remain to be addressed, Western Europe is the main area of attraction in international markets, with corporate activity and financial restructuring among major companies expected to continue to support stock market investment. Institutional pension funds should also provide good liquidity support to the new Euroland. Japan and Asia may well present interesting investment opportunities during 1999, especially if the authorities can introduce the necessary reforms.

Fund Statistics

December 31, 1998

Investments:



* Continental Europe:

Belgium, Denmark, Finland, Ireland, Sweden, Switzerland, Spain and Portugal.

** Far East:

Australia, Malaysia, Philippines and Singapore

*** Emerging Markets:

Croatia and Hungary.

Net Assets: \$21.6 million
Net Asset Value: \$14.33

Capital Gains Distribution per Unit as of December 31, 1998: \$0.00

The GBC International Growth Fund qualifies for the foreign content portion of RSP/RIF plans as well as for all non-registered accounts.

THE GBC INTERNATIONAL GROWTH FUND

Fund Statistics

December 31, 1998

Sample \$100,000 Portfolio Dec. 31, 1998

Country and Company	shares	market price	market value
AUSTRALIA			
Brambles	35	37.64	\$1,317
DENMARK			
Tele-Danmark	7	209.14	\$1,464
FRANCE			
AXA-UAP	7	223.97	\$1,568
Danone	3.3	442.41	\$1,460
L'Oreal	1.6	1,117.07	\$1,787
GERMANY			
Bayer Hypo-Verinsbank	13	121.00	\$1,573
Mannesmann	11	177.09	\$1,948
Fresenius N-Vtg Pref	4.2	325.44	\$1,367
ITALY			
Telecom Italia	139	13.20	\$1,835
Telecom Italia MOB	122	11.43	\$1,394
NETHERLANDS			
Aegon	7	189.81	\$1,329
Getronics	16	76.55	\$1,225
ING Groep	21	94.25	\$1,979
Numico	23	73.67	\$1,694
Royal Ahold	33	57.12	\$1,885
VNU	23	58.28	\$1,340
Wolters Kluwer	6	330.72	\$1,984
SPAIN			
Banco Popular	12	116.66	\$1,400
SWEDEN			
Hennes & Mauritz	13	126.49	\$1,644
SWITZERLAND			
Novartis	0.6	3,047.68	\$1,829
UK			
BAA	74	17.99	\$1,331
Lloyds TSB	79	21.98	\$1,736
Shell Transport & Trading	139	9.48	\$1,318
Smithkline Beecham	60	21.74	\$1,304
Vodafone	79	25.10	\$1,983

Top 25 Holdings

Other Holdings

Cash

Total Portfolio

\$39,694

\$56,778

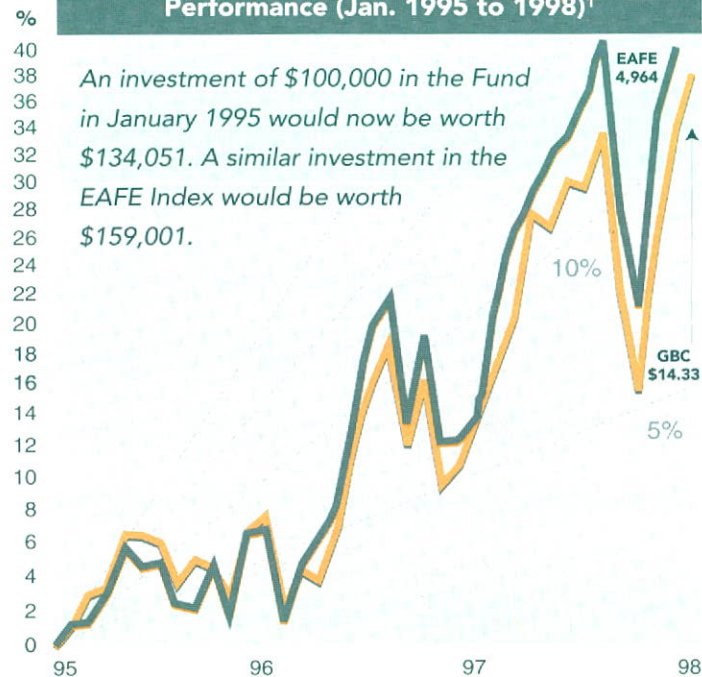
\$3,528

\$100,000

Note: Market values and share prices are expressed in \$CDN.
The number of shares is rounded.

Performance (Jan. 1995 to 1998)¹

An investment of \$100,000 in the Fund in January 1995 would now be worth \$134,051. A similar investment in the EAFE Index would be worth \$159,001.



¹ Stewart Ivory assumed responsibility for the management of The GBC International Growth Fund on January 1, 1995.

— GBC International Growth Fund. Includes yield.

..... Indicates stable compound annual growth rates in 5% increments.

— Europe Asia & Far East cv to \$Cdn. Includes dividends.

10 Year Financial Summary



Fiscal Period	Net Assets (\$,000)	Unit Value (\$)	Fiscal Period	Net Assets (\$,000)	Unit Value (\$)
1998	21,641	14.33	1993	19,201	10.82
1997	17,325	11.78	1992	12,442	8.26
1996	21,739	11.17	1991	7,374	9.03
1995	22,306	10.37	1990	4,016	8.54
1994	23,900	10.69	1989	778	9.50

Unit values have been adjusted for distributions.

GREYDANUS BOECKH & ASSOCIATES INC.

Investment Philosophy

December 31, 1998

Managers of	
	The GBC Canadian Bond Fund
	The GBC Money Market Fund
Jake Greydanus President	
Tony Boeckh Chairman	

• fixed
income

Capital market forecasting and economic analysis is provided on an ongoing basis through research conducted by Bank Credit Analyst.

Senior economists at Bank Credit Analyst interact continually with Greydanus, Boeckh & Associates. Regular and frequent meetings take place and portfolio structure is made consistent with long-term economic, financial, inflation and valuation factors. The forecasting time-frame is generally for a 12-month period. Changes in portfolio term structure are made only when a fundamental shift in interest levels is anticipated.

Once the appropriate term structure has been established, Greydanus, Boeckh applies its computerized optimizations technique to construct and maintain optimal portfolios. The investment approach is conservative: it typically restricts portfolio investments to debt securities, either issued, or unconditionally guaranteed by the federal and provincial governments and their agencies.

The "Portfolio Optimizer" is designed to calibrate the relative valuation of individual fixed income securities, enhancing portfolio returns by identifying trading opportunities in the marketplace. The program also performs yield curve analysis and provides a reliable determination of yield curve risk. The optimization techniques provide substantial incremental returns and, together with the Bank Credit Analyst interest rate forecasts, form the firm's investment strategy.

The results are high current yield and outstanding total returns using only government issues with absolutely no credit risk.



THE GBC CANADIAN BOND FUND

Greydanus, Boeckh & Associates Inc.

December 31, 1998

The Canadian Economy and Monetary Policy

The Canadian fixed-income market should continue to benefit from the global and U.S. economic backdrop, as well as from slowing growth at home. The ongoing decline in world commodity prices and weaker Canadian export volumes are likely to further depress Canadian economic activity and place additional downward pressure on inflation.

The depreciation of the Canadian dollar over the past year has provided a partial cushion for the economy from the negative global developments, but this has been accompanied by a significant rise in real interest rates. This combination has produced a slowing in economic activity concentrated in the manufacturing and commodity sectors. Real GDP growth moderated to 2.3% (year-on-year) in the third quarter. Retail sales are still expanding at a 4% clip, but consumer confidence has plunged, and housing and auto sales are weak.

In response to these developments, the Bank of Canada (BoC) has followed the Fed with three interest rate cuts since last September. The BoC's cautious approach to easing monetary policy reflects its desire to put a floor under the Canadian dollar. However, the currency remains vulnerable to the continuing slide in commodity prices.

Fiscal and inflation trends remain positive factors for Canadian bonds. The economic slowdown has put a dent in the Federal government's fiscal plan. Nonetheless, the Finance Minister has built sufficient insurance into his economic assumptions that a modest fiscal surplus is still likely to emerge and the government's debt-to-GDP ratio should decline in the coming years. On the inflation front, the core rate should drift down from its current level of about 1.5% (year-on-year). The fall in the Canadian dollar has increased import costs, but slack in the Canadian economy and international competitive pressures will prevent firms from passing on the increased costs to customers.

The Valuation Index shows that the 10-year government bond remains in overvalued territory (see chart on page 17). Nevertheless, the international and domestic conditions are falling into place for a continuation of the Canadian bond rally.

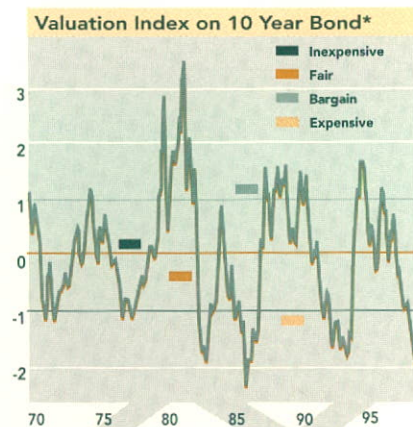
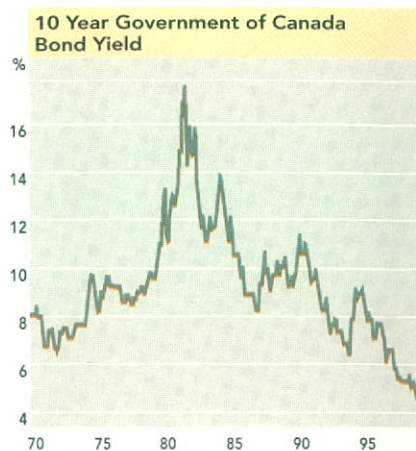
Conclusion

The GBC Canadian Bond Fund return was 1.5% for the fourth quarter and 8.8% for the last twelve months. This compares with 1.5% and 7.3% for the Globe & Mail's Median Bond Fund Return and, 1.9% and 9.2% for the Scotia Capital Markets Universe Bond Index. At the end of the fourth quarter, portfolio duration was 6.07 years, which compares with 5.88 years on the Scotia Index. Portfolios are currently 75% in Government of Canada Bonds and 25% in provincial bonds.

THE GBC CANADIAN BOND FUND

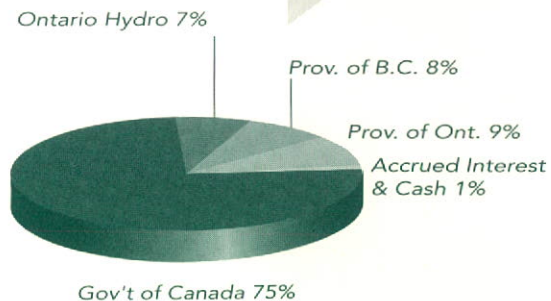
Fund Statistics

December 31, 1998



* Index takes into account the long-term trend in Canadian inflation and real interest rates as well as developments in the U.S. bond market.

Investments:



Net Assets: \$54.4 million
Current Yield: 5.05%
Duration: 6.07 years
Net Asset Value: \$12.12

1998 Distributions (Per Unit)

	INCOME	CAPITAL GAINS	TOTAL
Current Quarter	\$0.1822	\$0.0552	\$0.2374
Year to Date	\$0.6903	\$0.0552	\$0.7455

THE GBC CANADIAN BOND FUND

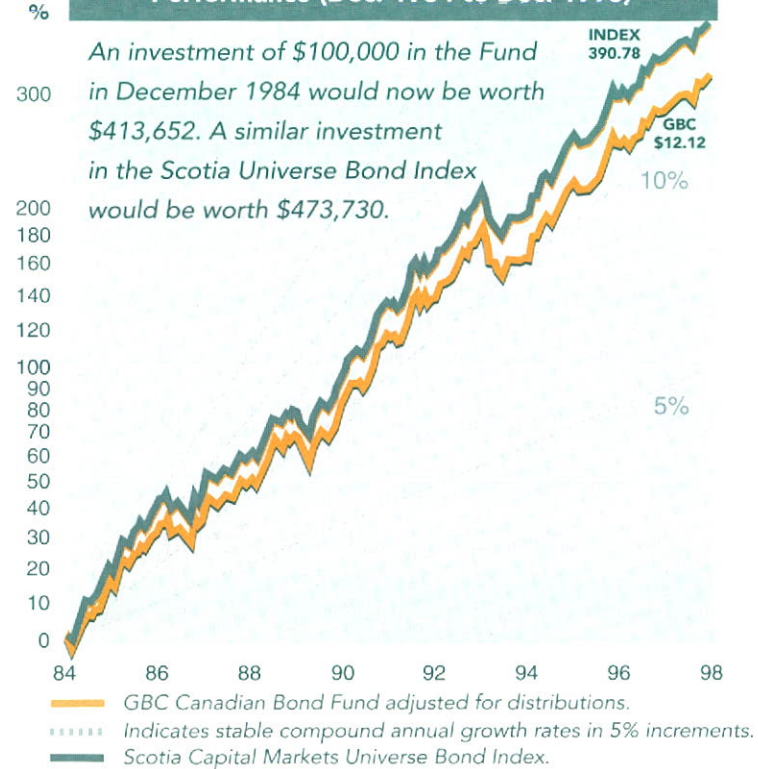
Fund Statistics

December 31, 1998

Sample \$100,000 Portfolio Dec. 31, 1998

issue	maturity	market value
Gov't of Canada, 11.50	01-Sep-00	\$12,926
Gov't of Canada, 7.50	01-Sep-00	\$5,223
Gov't of Canada, 10.50	01-Mar-01	\$8,867
Gov't of Canada, 8.75	01-Dec-05	\$4,025
Gov't of Canada, 7.00	01-Dec-06	\$3,527
Gov't of Canada, 10.00	01-Jun-08	\$12,871
Gov't of Canada, 9.50	01-Jun-10	\$15,618
Gov't of Canada, 9.00	01-Mar-11	\$11,727
Ontario Hydro, 7.75	03-Nov-05	\$320
Province of Ont., 6.125	12-Sep-07	\$9,184
Province of B.C., 9.50	09-Jan-12	\$7,316
Ontario Hydro, 8.90	18-Aug-22	\$6,526
Subtotal		\$98,130
Accrued Interest & Cash		\$1,870
Total Portfolio		\$100,000

Performance (Dec. 1984 to Dec. 1998)



10 Year Financial Summary

Fiscal Period	Net Assets (\$,000)	Unit Value (\$)	Fiscal Period	Net Assets (\$,000)	Unit Value (\$)
1998	54,388	12.12	1993	48,627	8.14
1997	44,971	11.14	1992	28,515	6.94
1996	34,432	10.28	1991	22,514	6.35
1995	35,663	9.24	1990	19,774	5.31
1994	42,827	7.69	1989	28,721	4.94

Unit values have been adjusted for distributions.

THE GBC MONEY MARKET FUND

Greydanus, Boeckh & Associates Inc.

December 31, 1998

The global deflation risks have fallen during the fourth quarter after economic policy shifts in the major industrialized countries. The Bank of Canada has followed the U.S. Fed with three interest rate cuts since last September. Short-term rates in Euroland have also fallen before the January 1 launch of the euro. Japan has again eased its fiscal policy.

In Canada, employment growth has been on the rise since the summer. Employment jumped 103,400 in November, the biggest gain in four years. The unemployment rate dropped to 8.0% in November, the lowest since July, 1990. Despite the strong employment data, the overall economy is losing momentum. The real GDP growth rose only 0.2% in October, largely due to the post-strike growth prompted by the auto, air transportation and education sectors. The retail sales plunged 1.7% in October. The currency has recovered from its lowest level in August, but remains vulnerable to the continuing slide in the commodity prices. We expect that the ongoing decline in the world commodity prices and weaker Canadian export volumes are likely to further depress the Canadian economic activity.

Over the quarter, three-month rate dropped 26 basis points to yield 4.7% and the one-year rate slid 22 basis points to 4.8%. The Canadian three-month rate was 29 basis points higher than the U.S., compared to 57 basis points higher on September 30, 1998. On a yearly basis, the Canadian three-month rate increased 67 basis points from 4.0% on December 31, 1997, while its U.S. counterpart dropped 83 basis points from 5.2% on December 31, 1997. The yield on The GBC Money Market Fund on December 31, 1998 was 4.2% after expenses.

Fund Statistics

December 31, 1998

10 Year Financial Summary					
Fiscal Period	Net Assets (\$,000)	Yield (%)	Fiscal Period	Net Assets (\$,000)	Yield (%)
1998	13,015	3.82	1993	11,700	4.79
1997	14,666	2.27	1992	4,560	6.13
1996	11,414	3.86	1991	3,926	9.25
1995	9,623	6.24	1990	6,337	12.73
1994	10,815	4.70	1989	3,364	11.26

Fund Values

Net Assets: \$13.0 million

Net Asset Value: \$10.00

1998 Income Distributions (Per Unit)

Current Quarter	Year to Date
\$0.1014	\$0.3754

AUDITORS' REPORT

To the Securityholders of:

The GBC Canadian Growth Fund The GBC North American Growth Fund Inc.

The GBC International Growth Fund The GBC Money Market Fund

The GBC Canadian Bond Fund

(collectively the "Funds")

We have audited the statements of net assets as at December 31, 1998 and 1997, the statements of net earnings (loss), changes in net assets, and portfolio transactions for the years then ended, and the statements of investment portfolio as at December 31, 1998 for the above Funds. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 1998 and 1997 and the results of their operations and the changes in their net assets for the years then ended in accordance with generally accepted accounting principles.

Deloitte + Touche, L.L.P.

Chartered Accountants

January 18, 1999

Approval of Financial Statements

The financial statements of:

The GBC Canadian Growth Fund

The GBC International Growth Fund

The GBC Canadian Bond Fund

The GBC Money Market Fund

Approved by the Trustee, GBC Asset Management Inc.

Ian A. Soutar

Ian A. Soutar
Director

Michael P. McLaughlin

Michael P. McLaughlin
Director

The financial statements of:

The GBC North American Growth Fund Inc.

Approved by the Board

Ian A. Soutar

Ian A. Soutar
Director

Donald E. Dunn

Donald E. Dunn
Director

STATEMENTS OF NET EARNINGS (LOSS)

Years ended December 31	The GBC Canadian Growth Fund		The GBC North American Growth Fund Inc.		The GBC International Growth Fund		The GBC Canadian Bond Fund		The GBC Money Market Fund	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Revenue										
Dividends	\$ 571,474	\$ 508,925	\$ 317,716	\$ 394,143	\$ 322,369	\$ 332,683	\$ —	\$ —	\$ —	\$ —
less: withholding taxes	(8,748)	(11,422)	(42,245)	(66,146)	(34,776)	(39,302)	—	—	—	—
Interest	724,870	357,747	373,763	208,033	17,155	5,611	3,474,743	2,805,396	718,150	397,875
	1,287,596	855,250	649,234	536,030	304,748	298,992	3,474,743	2,805,396	718,150	397,875
Expenses										
Management fees (Notes 5 and 6)	4,024,218	3,491,853	1,623,506	1,644,534	318,332	323,395	539,126	417,436	84,538	69,839
Directors' fees	—	—	77,000	68,000	—	—	—	—	—	—
Securityholders' information fees	131,894	117,882	140,499	143,070	19,964	14,160	23,300	19,000	9,449	2,623
Filing fees	30,592	26,413	17,001	13,815	13,869	16,230	12,600	9,400	22,339	23,069
Custodial fees	34,961	33,806	27,849	27,523	29,648	25,500	3,367	3,567	1,448	1,279
Audit fees	12,150	11,770	15,000	16,000	7,335	6,955	4,900	4,800	5,944	5,564
Legal fees	9,144	9,442	4,800	6,834	755	1,352	—	1,600	597	663
Tax on capital	—	—	91,000	113,060	—	—	—	—	—	—
Other	—	—	38,381	32,299	—	—	2,230	1,003	—	—
	4,242,959	3,691,166	2,035,036	2,065,135	389,903	387,592	585,523	456,806	124,315	103,037
Income tax expense (Note 9)	—	—	24,277	3,156	—	—	—	—	—	—
	4,242,959	3,691,166	2,059,313	2,068,291	389,903	387,592	585,523	456,806	124,315	103,037
Net earnings (loss)	\$ (2,955,363)	\$ (2,835,916)	\$ (1,410,079)	\$ (1,532,261)	\$ (85,155)	\$ (88,600)	\$ 2,889,220	\$ 2,348,590	\$ 593,835	\$ 294,838
Net earnings (loss) per security (based on the average number of securities outstanding during the year)	\$ (0.337)	\$ (0.349)	\$ (0.138)	\$ (0.131)	\$ (0.056)	\$ (0.050)	\$ 0.690	\$ 0.700	\$ 0.377	\$ 0.226

STATEMENTS OF NET ASSETS

As at December 31	The GBC Canadian Growth Fund		The GBC North American Growth Fund Inc.		The GBC International Growth Fund		The GBC Canadian Bond Fund		The GBC Money Market Fund	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Assets										
Investments, at market value (Note 3)	\$ 206,518,597	\$ 198,894,312	\$ 94,908,714	\$ 95,876,106	\$ 20,754,084	\$ 16,914,813	\$ 53,273,927	\$ 44,229,297	\$ —	\$ —
Short-term investments	9,000,000	10,000,000	—	—	—	—	—	—	12,577,412	14,118,925
Cash	2,431,745	1,162,236	4,725,954	8,295,460	886,253	419,182	37,307	—	62,634	484,122
Due from brokers	302,245	19,000	253,075	1,445,222	—	—	—	191,921	—	—
Subscriptions receivable	2,800	5,388	4,200	7,000	4,200	—	782,650	304,689	247,372	—
Accrued income	92,500	52,266	30,795	22,734	22,515	9,388	1,014,609	592,822	126,884	65,354
Income taxes recoverable (Note 9)	—	—	5,840,548	5,131,240	—	—	—	—	—	—
Other receivables	49,320	41,595	39,753	124,231	8,202	9,435	—	—	6,895	4,904
	218,397,207	210,174,797	105,803,039	110,901,993	21,675,254	17,352,818	55,108,493	45,318,729	13,021,197	14,673,305
Liabilities										
Bank overdraft	—	—	—	—	—	—	—	184,528	—	—
Redemptions payable	—	—	—	—	—	—	248,622	13,709	—	—
Distributions payable to securityholders	—	12,236	—	—	—	—	112,023	91,654	246	180
Due to brokers	674,638	—	—	586,824	—	—	301,764	—	—	—
Accrued expenses	364,607	348,698	174,874	179,881	34,116	27,678	58,197	57,961	6,327	7,295
	1,039,245	360,934	174,874	766,705	34,116	27,678	720,606	347,852	6,573	7,475
Net Assets	\$ 217,357,962	\$ 209,813,863	\$ 105,628,165	\$ 110,135,288	\$ 21,641,138	\$ 17,325,140	\$ 54,387,887	\$ 44,970,877	\$ 13,014,624	\$ 14,665,830
Represented by securityholders' equity (Note 4)	\$ 217,357,962	\$ 209,813,863	\$ 105,628,165	\$ 110,135,288	\$ 21,641,138	\$ 17,325,140	\$ 54,387,887	\$ 44,970,877	\$ 13,014,624	\$ 14,665,830
Net asset value per security (Note 7)										
Cdn.	\$ 24.81	\$ 24.77	\$ 10.51	\$ 10.06	\$ 14.33	\$ 11.78	\$ 12.12	\$ 11.84	\$ 10.00	\$ 10.00
U.S.	\$ —	\$ —	\$ 6.87	\$ 7.04	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Investments, at average cost	\$ 134,545,953	\$ 114,110,938	\$ 62,915,115	\$ 58,202,815	\$ 15,155,668	\$ 14,556,670	\$ 52,144,408	\$ 43,469,154	\$ —	\$ —

STATEMENTS OF CHANGES IN NET ASSETS

	The GBC Canadian Growth Fund		The GBC North American Growth Fund Inc.		The GBC International Growth Fund		The GBC Canadian Bond Fund		The GBC Money Market Fund	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Years ended December 31										
Additions to net assets										
Net earnings	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,889,220	\$ 2,348,590	\$ 593,835	\$ 294,838
Proceeds on issue of securities (Note 4)	38,785,471	42,136,348	10,795,997	6,712,265	3,567,672	1,716,053	18,070,143	18,157,670	28,160,607	25,762,526
Net realized gain on sale of investments (1)	14,482,857	18,072,427	10,956,097	21,769,854	498,315	1,570,341	966,318	1,099,159	—	—
Increase in unrealized appreciation of investments	—	26,881,030	—	863,430	3,240,273	—	369,376	—	—	—
Refundable Quebec abatement	—	182,716	—	—	—	8,209	—	—	—	—
	53,268,328	87,272,521	21,752,094	29,345,549	7,306,260	3,294,603	22,295,057	21,605,419	28,754,442	26,057,364
Deductions from net assets										
Net loss	2,955,363	2,835,916	1,410,079	1,532,261	85,155	88,600	—	—	—	—
Distribution from Net earnings	—	—	—	—	—	—	2,889,220	2,348,590	593,835	294,838
Distribution from Net realized gain	—	1,933,325	—	—	—	—	240,108	—	—	—
Redemptions of securities (Note 4)	29,958,136	24,527,631	19,169,446	27,552,229	2,905,107	7,147,184	9,748,719	8,441,551	29,811,813	22,510,260
Decrease in unrealized appreciation of investments	12,810,730	—	5,679,692	—	—	473,037	—	276,578	—	—
	45,724,229	29,296,872	26,259,217	29,084,490	2,990,262	7,708,821	12,878,047	11,066,719	30,405,648	22,805,098
Increase (decrease) in net assets	7,544,099	57,975,649	(4,507,123)	261,059	4,315,998	(4,414,218)	9,417,010	10,538,700	(1,651,206)	3,252,266
Net assets, beginning of the year	209,813,863	151,838,214	110,135,288	109,874,229	17,325,140	21,739,358	44,970,877	34,432,177	14,665,830	11,413,564
Net assets, end of the year	\$ 217,357,962	\$ 209,813,863	\$105,628,165	\$ 110,135,288	\$ 21,641,138	\$ 17,325,140	\$ 54,387,887	\$ 44,970,877	\$ 13,014,624	\$ 14,665,830
(1) Summary of investment transactions										
Investments at cost, beginning of year	\$ 114,110,938	\$ 81,754,992	\$ 58,202,815	\$ 62,859,072	\$ 14,556,670	\$ 18,669,738	\$ 43,469,154	\$ 32,985,108	\$ —	\$ —
Investments purchased	53,845,629	55,053,717	29,146,552	25,814,693	8,854,204	10,533,715	49,151,647	58,260,616	—	—
	167,956,567	136,808,709	87,349,367	88,673,765	23,410,874	29,203,453	92,620,801	91,245,724	—	—
Investments at cost, end of year	134,545,953	114,110,938	62,915,115	58,202,815	15,155,668	14,556,670	52,144,408	43,469,154	—	—
Cost of investments sold	33,410,614	22,697,771	24,434,252	30,470,950	8,255,206	14,646,783	40,476,393	47,776,570	—	—
Proceeds from sale of investments	48,031,620	40,853,177	34,905,129	51,993,633	8,744,923	16,269,326	41,442,711	48,875,729	—	—
	14,621,006	18,155,406	10,470,877	21,522,683	489,717	1,622,543	966,318	1,099,159	—	—
Foreign exchange gain (loss)	(138,149)	(82,979)	485,220	247,171	8,598	(52,202)	—	—	—	—
Net realized gain on sale of investments	\$ 14,482,857	\$ 18,072,427	\$ 10,956,097	\$ 21,769,854	\$ 498,315	\$ 1,570,341	\$ 966,318	\$ 1,099,159	\$ —	\$ —

THE GBC CANADIAN GROWTH FUND

Statement of Investment Portfolio

As at December 31, 1998

Number of shares	Investments - Canadian	Cost	Market Value
Communications - 9.68%			
76,000	Alliance Communications, "B"	\$ 1,387,723	\$ 1,972,200
200,000	Canbras Communications	724,986	1,100,000
230,000	Cogeco	1,870,273	4,669,000
64,000	MDC Communications, "A"	896,000	902,400
76,500	Quebecor Printing	1,263,378	2,558,925
165,000	Regional Cablesystems	916,921	1,930,500
63,700	Telesystem International Wireless	1,263,896	1,226,225
292,000	Videotron Group	2,958,553	6,686,800
		11,281,730	21,046,050
Consumer Products - 3.94%			
105,000	A.L. Van Houtte	444,603	3,150,000
80,000	Four Seasons Hotels	1,247,799	3,600,000
59,000	Second Cup	671,281	715,375
245,722	SunBlush Technologies	990,220	749,452
116,667	SunBlush Technologies, Warrants expiring November 1999	466,668	355,834
		3,820,571	8,570,661
Drugs and Health Care - 6.78%			
107,000	A.L.I. Technologies	178,155	1,685,250
59,500	Angiotech	595,000	773,500
375,800	Drug Royalty	730,100	657,650
180,000	Guard	507,601	540,000
200,400	MDS, "B"	1,636,310	5,911,800
53,100	QLT Phototherapeutics	981,112	1,879,740
86,500	Synsorb Biotech	862,749	341,675
33,334	Systemes Purkinje (Note 3)	500,010	500,010
77,000	TLC The Laser Centre	814,073	2,444,750
		6,805,110	14,734,375

Number of shares	Investments - Canadian	Cost	Market Value
Financial Services - 2.86%			
578,000	Canada Brokerlink	\$ 867,000	\$ 809,200
10,000	Fairfax Financial Holdings	296,537	5,400,000
		1,163,537	6,209,200
Industrial Products - 16.31%			
229,500	ATS Automation Tooling Systems	3,280,634	4,567,050
188,400	Canam Manac Group	820,571	970,260
155,800	Cinram International	1,089,277	2,897,880
73,000	Decoma International, "A"	693,500	949,000
221,800	Exco Technologies	1,221,551	1,663,500
298,200	Firan	899,603	1,550,640
221,000	Harrowston, "A"	1,312,502	1,116,050
31,400	IPL, "A"	442,158	384,650
83,700	Intertape Polymer Group	1,165,254	3,264,300
108,600	Linamar Machine	1,248,148	2,823,600
278,500	Premdor	2,971,372	4,233,200
34,800	Skyjack	778,249	817,800
131,300	Spectra Premium Industries	1,850,184	2,642,413
137,000	Timminco	452,641	424,700
165,600	Toromont Industries	679,982	2,608,200
11,000	Unican Security Systems, "A"	58,034	397,100
33,600	Unican Security Systems, "B"	223,989	1,209,600
70,500	Western Star Trucks Holdings	1,635,318	1,445,250
31,000	Winpak	580,288	1,488,000
76,100	YBM Magnex International (Note 3)	1,216,766	1
		22,620,021	35,453,194

THE GBC CANADIAN GROWTH FUND

Statement of Investment Portfolio (continued)

As at December 31, 1998

Number of shares	Investments - Canadian	Cost	Market Value
Merchandising - 1.58%			
106,200	Danier Leather	\$ 1,044,908	\$ 939,870
190,000	Forzani Group	1,012,183	589,000
110,000	Leons Furniture	1,332,108	1,908,500
		3,389,199	3,437,370
Metals and Minerals - 4.28%			
156,400	Euro-Nevada Mining	1,354,274	3,910,000
114,000	Franco-Nevada Mining	805,948	3,345,900
289,400	Geomaque Explorations	866,743	434,100
302,000	Greenstone Resources	2,175,444	413,740
294,000	Kinross Gold	1,412,873	1,037,820
15,000	Majescor Resources	—	—
144,400	Tiomin Resources	565,977	47,652
172,951	Virginia Gold Mines	464,601	119,336
		7,645,860	9,308,548
Oil and Gas - 8.82%			
369,600	Berkley Petroleum	2,001,486	4,287,360
450,700	Compton Petroleum	763,302	743,655
63,000	Denbury Resources	759,611	396,900
77,000	Enerflex Systems	1,557,331	2,271,500
176,400	New Cache Petroleums	1,005,073	1,137,780
365,210	Newport Petroleum	1,418,901	1,917,353
105,800	Northrock Resources	1,118,918	1,243,150
141,000	Paramount Resources	278,480	2,115,000
90,156	Renaissance Energy	2,481,376	1,573,222
265,600	Richland Petroleum	609,698	597,600
84,300	Tesco	1,233,264	535,305
90,000	Tri Link Resources	1,289,542	1,120,500
280,000	Triumph Energy	926,608	574,000
231,400	Vermilion Resources	935,326	659,490
		16,378,916	19,172,815

Number of shares/ Par Value	Investments - Canadian	Cost	Market Value
Real Estate - 1.79%			
103,000	Brookfield Properties	\$ 1,544,814	\$ 1,936,400
\$353,000	Brookfield Properties Debentures, 6% maturing February 2007	363,729	478,315
160,000	Canlan Investment	602,927	206,400
215,000	O&Y Properties	1,370,086	1,268,500
		3,881,556	3,889,615
Service and Distribution - 2.62%			
150,000	ITI Education	453,001	1,035,000
363,000	Newalta	775,302	1,089,000
72,000	Richelieu Hardware	635,719	1,076,400
113,000	SNC Lavalin Group	1,189,602	1,305,150
75,500	Star Data Systems	318,814	460,550
73,600	Versacold	703,549	728,640
		4,075,987	5,694,740
Technology - 17.77%			
95,000	Architel Systems	1,064,014	1,900,000
835,001	Burnt Sand Solutions	500,000	751,501
98,800	CGI Group	359,628	2,988,700
80,000	Cognos	2,816,788	3,068,000
274,600	Coreco	1,938,337	1,922,200
215,000	DY4 Systems	2,054,602	2,203,750
235,000	Geac Computer	3,156,373	9,353,000
76,900	Hummingbird Communication	2,381,044	2,314,690
99,900	JDS Fitel	1,339,563	3,796,200

THE GBC CANADIAN GROWTH FUND

Statement of Investment Portfolio (continued)

As at December 31, 1998

Number of shares	Investments - Canadian	Cost	Market Value
Technology - con't			
85,000	LGS Group	\$ 1,248,595	\$ 977,500
81,000	Leitch Technology	1,922,214	3,231,900
95,000	Mytec Technologies	123,500	124,450
7,200	NHC Communications	8,640	5,040
16,200	OpenText	378,581	602,802
384,200	Promis Systems	2,004,326	2,285,990
370,000	SR Telecom	2,193,073	1,239,500
35,700	Sierra Systems	872,256	946,050
200,000	Simware	1,126,973	918,400
		25,488,507	38,629,673
Transportation - 0.95%			
63,300	Mullen Transportation	1,239,553	1,028,625
130,000	Vitran, "A"	656,555	1,023,750
		1,896,108	2,052,375
Total investments - Canadian - 77.38%			
		\$ 108,447,102	\$ 168,198,616

Number of shares	Investments - Foreign	Cost	Market Value
Communications - 1.19%			
45,500	Paging Network	\$ 530,631	\$ 326,462
33,000	Telephone & Data Systems	1,854,194	2,269,661
		2,384,825	2,596,123
Consumer Products - 0.68%			
32,000	Premier Parks	778,259	1,481,524
Drugs and Health Care - 3.62%			
150	Perkin Elmer Warrants, expiring 2003	—	1,837
43,500	Res-Care	1,384,260	1,643,647
28,500	Respironics	1,052,946	873,737
21,100	Sepracor	1,295,094	2,845,869
32,800	Shared Medical Systems	2,786,468	2,503,745
		6,518,768	7,868,835
Industrial Products - 0.84%			
42,800	SLI	1,365,872	1,817,775
Merchandising - 2.32%			
78,000	CD Warehouse (Note 3)	1,131,390	1,229,604
26,100	O'Reilly Automotive	899,624	1,887,451
39,600	Rent-A-Center	1,528,347	1,924,298
		3,559,361	5,041,353
Service and Distribution - 1.26%			
30,000	Black Box	1,556,597	1,739,031
22,500	Service Experts	1,174,616	1,007,260
		2,731,213	2,746,291

THE GBC CANADIAN GROWTH FUND

Statement of Investment Portfolio (continued)

As at December 31, 1998

Number of shares	Investments - Foreign	Cost	Market Value
	Technology - 7.72%		
46,400	Cognex	\$ 1,056,996	\$ 1,420,304
35,000	Dialogic	1,065,005	1,052,923
15,000	Electronic Arts	336,594	1,288,490
19,800	Maxim Integrated Products	433,173	1,323,917
31,000	Micrel	1,239,167	2,609,503
24,000	Network Associates	1,216,361	2,433,495
90,700	Safeguard Scientifics	3,003,995	3,808,840
19,900	Solelectron	409,262	2,830,608
		8,760,553	16,768,080
	Total investments - Foreign - 17.63%	\$ 26,098,851	\$ 38,319,981
	Total investments - 95.01%	\$ 134,545,953	\$ 206,518,597
	Other assets - net - 4.99%	10,839,365	10,839,365
	Total net assets - 100%	\$ 145,385,318	\$ 217,357,962

THE GBC NORTH AMERICAN GROWTH FUND INC.

Statement of Investment Portfolio

As at December 31, 1998

Number of shares	Investments - Canadian	Cost	Market Value
Consumer Products - 1.11%			
26,000	Four Seasons Hotels	\$ 362,242	\$ 1,170,000
Metals and Minerals - 2.02%			
49,600	Franco-Nevada Mining	387,631	1,455,760
82,900	Greenstone Resources	1,267,261	113,573
160,200	Kinross Gold	1,052,786	565,506
		2,707,678	2,134,839
Oil and Gas - 1.46%			
110,100	Berkley Petroleum	1,196,566	1,277,160
42,500	Denbury Resources	346,598	267,750
		1,543,164	1,544,910
Technology - 3.33%			
60,000	Geac Computer	1,665,120	2,388,000
37,500	Hummingbird Communication	1,745,054	1,128,750
		3,410,174	3,516,750
	Total investments - Canadian - 7.92%	\$ 8,023,258	\$ 8,366,499

Number of shares	Investments - Foreign	Cost	Market Value
Communications - 4.88%			
44,000	Paging Network	\$ 522,789	\$ 315,699
30,000	Premiere Technologies	1,148,004	338,623
52,000	Telephone & Data Systems	2,460,521	3,576,436
30,000	Transaction Network Services	704,883	921,193
		4,836,197	5,151,951
Consumer Products - 8.97%			
96,000	Buffets	1,209,357	1,754,026
31,900	CEC Entertainment	918,850	1,354,837
25,400	Carnival, "A"	311,723	1,865,986
34,375	Consolidated Products	729,631	1,085,101
57,000	Franklin Electronic Publishing	1,529,024	1,025,052
36,900	Logan's Roadhouse	634,013	1,327,173
23,000	Premier Parks	638,072	1,064,845
		5,970,670	9,477,020
Drugs and Health Care - 18.00%			
34,500	Ballard Medical Products	724,053	1,283,781
39,400	Chromavision Medical Systems	453,046	301,509
50,300	DURA Pharmaceuticals	904,197	1,169,235
17,900	Elan plc ADR	295,658	1,905,744
30,000	Genesis Health Ventures	740,701	401,756
24,400	Guilford Pharmaceuticals	504,270	532,155
353,236	Healtheon (Note 3)	727,423	806,078
42,600	IDEXX Laboratories	1,380,169	1,754,252
22,400	National Dentex	407,449	574,244
28	Perkin Elmer Warrants "G", expiring 2003	—	343
31,500	Renal Care Group	567,601	1,389,096
64,500	Res-Care	493,355	2,437,131

THE GBC NORTH AMERICAN GROWTH FUND INC.

Statement of Investment Portfolio (continued)

As at December 31, 1998

Number of shares	Investments - Foreign	Cost	Market Value
Drugs and Health Care - (con't)			
37,200	Resperonics	\$ 1,005,598	\$ 1,140,457
12,500	Sepracor	764,568	1,685,941
35,300	Shared Medical Systems	2,083,690	2,694,579
20,900	Total Renal Care Holdings	805,114	945,645
		11,856,892	19,021,946
Financial Services - 0.99%			
36,200	National Commerce	281,137	1,042,317
Gold and Silver - 1.86%			
47,000	Getchell Gold	1,657,215	1,960,188
Industrial Products - 4.12%			
59,800	Champion Enterprises	855,527	2,505,467
43,400	SLI	1,046,727	1,843,258
		1,902,254	4,348,725
Merchandising - 4.95%			
32,200	CD Warehouse (Note 3)	467,061	507,606
13,400	Hibbett Sporting Goods	541,624	497,336
44,000	K&G Men's Center	562,430	597,660
24,800	O'Reilly Automotive	441,794	1,793,440
37,700	Rent-A-Center	1,600,762	1,831,970
		3,613,671	5,228,012
Metals and Minerals - 0.51%			
8,600	Stillwater Mining	490,938	539,654

Number of shares	Investments - Foreign	Cost	Market Value
Oil and Gas - 1.95%			
21,400	Devon Energy	\$ 456,644	\$ 1,005,115
38,100	Newpark Resources	407,179	397,280
15,000	Stone Energy	741,169	660,028
		1,604,992	2,062,423
Real Estate - 3.15%			
42,000	Cousins Properties	946,725	2,073,062
37,950	JDN Realty	781,876	1,252,432
		1,728,601	3,325,494
Service and Distribution - 8.94%			
25,300	Armor Holdings	364,488	442,898
13,000	Aviation Sales	657,919	808,295
37,500	Black Box	1,432,846	2,173,788
24,800	Checkfree Holdings	881,616	887,231
100,000	Dynamex	1,436,637	602,711
50,800	Execustay	873,425	1,010,742
45,000	NFO Worldwide	868,618	792,034
75,000	Protection One	542,204	982,925
39,000	Service Experts	1,041,413	1,745,918
		8,099,166	9,446,542
Technology - 23.61%			
6,961	Advanced Visual Systems (Note 3)	1	1
14,434	Advanced Visual Systems, Preferred "B" (Note 3)	1	1
66,800	Cognex	1,627,818	2,044,748
34,300	DSP Communications	762,634	803,874
33,000	Dialogic	787,398	992,756
24,000	Electronic Arts	383,468	2,061,584

THE GBC NORTH AMERICAN GROWTH FUND INC.

Statement of Investment Portfolio (continued)

As at December 31, 1998

Number of shares	Investments - Foreign	Cost	Market Value
	Technology - (con't)		
10,800	HNC Software	\$ 565,224	\$ 668,416
7,333	Jabra (Note 3)	458,422	1
30,500	Mapics	557,864	770,224
32,400	Maxim Integrated Products	696,598	2,166,409
29,600	Micrel	812,941	2,491,654
24,600	Network Associates	1,028,673	2,494,332
131,100	Omtool	1,353,993	589,505
27,000	PRI Automation	631,667	1,074,411
12,249	RTMC (Note 3)	976,269	1
66,700	Safeguard Scientifics	968,189	2,800,990
10,400	Sanmina	442,585	994,825
19,000	Secure Computing	457,077	554,348
6,200	Sipex	194,678	333,305
28,800	Sollectron	144,624	4,096,558
		12,850,124	24,937,943
	Total investments - Foreign - 81.93%	\$ 54,891,857	\$ 86,542,215
	Total investments - 89.85%	\$ 62,915,115	\$ 94,908,714
	Other assets - net - 10.15%	10,719,451	10,719,451
	Total net assets - 100%	\$ 73,634,566	\$ 105,628,165

THE GBC INTERNATIONAL GROWTH FUND

Statement of Investment Portfolio

As at December 31, 1998

Number of shares	Investments - Europe	Cost	Market Value
	Belgium - 1.19%		
200	Colruyt	\$ 72,336	\$ 258,861
	Croatia - 0.48%		
4,000	Pliva GDR	95,805	102,832
	Denmark - 2.30%		
1,000	Novo Nordisk "B"	149,685	204,516
1,400	Tele Danmark	170,793	292,799
		320,478	497,315
	Finland - 0.70%		
800	Nokia "A"	130,842	151,511
	France - 8.85%		
1,500	AXA-UAP	197,123	335,952
700	Danone	222,763	309,684
350	L'Oreal	190,212	390,976
900	St. Gobain	252,924	196,345
1,500	Total "B"	194,007	234,751
1,700	Valeo	224,583	207,013
600	Vivendi	209,364	240,558
		1,490,976	1,915,279
	Germany - 5.43%		
2,700	Bayer Hypo-Vereinsbank	195,896	326,693
900	Fresenius Prf, non-voting	231,423	292,897
2,300	Mannesmann	152,276	407,311
200	Sap Prf, non-voting	68,110	148,535
		647,705	1,175,436

Number of shares	Investments - Europe	Cost	Market Value
	Hungary - 0.76%		
2,500	Gedeon Richter GDS	\$ 131,151	\$ 165,127
	Ireland - 1.94%		
13,000	Irish Life	169,469	188,606
11,000	Kerry Group "A"	166,674	230,518
		336,143	419,124
	Italy - 6.82%		
4,000	Generali Assicurazioni	232,936	258,486
15,000	Luxottica ADS	284,666	264,243
26,250	Telecom Italia Mobile	139,631	299,919
30,000	Telecom Italia	299,726	396,146
28,000	Unicredito Italiano	76,191	256,849
		1,033,150	1,475,643
	Netherlands - 11.31%		
1,400	Aegon	201,371	265,732
3,500	Getronics	262,921	267,922
4,500	ING Groep	261,022	424,106
5,000	Numico	101,608	368,341
7,000	Royal Ahold	183,599	399,866
5,000	VNU	244,321	291,380
1,300	Wolters Kluwer	132,170	429,942
		1,387,012	2,447,289
	Portugal - 1.17%		
3,000	Jeronimo Martins	88,851	253,430

THE GBC INTERNATIONAL GROWTH FUND

Statement of Investment Portfolio (continued)

As at December 31, 1998

Number of shares	Investments - Europe	Cost	Market Value
Spain - 3.70%			
2,500	Banco Popular	\$ 157,896	\$ 291,656
90	Banco Santander	3,462	2,767
4,500	Endesa	184,691	184,479
2,500	Mapfre Vida	183,192	145,555
2,550	Telefonica SA	182,790	175,435
		712,031	799,892
Sweden - 3.94%			
6,500	L.M. Ericsson "B"	242,806	239,706
2,900	Hennes & Mauritz, Series "B"	112,124	366,829
24,800	Nordbanken Holding AG	174,504	246,413
		529,434	852,948
Switzerland - 2.70%			
65	Nestle	193,961	217,898
120	Novartis (Br.)	175,562	365,721
		369,523	583,619

Number of shares	Investments - Europe	Cost	Market Value
United Kingdom - 23.51%			
16,000	BAA	\$ 268,188	\$ 287,816
8,000	Boots	209,494	210,605
24,000	Bowthorpe	231,376	215,553
17,000	Cable & Wireless Communications	237,165	240,744
12,000	Cattles Holdings	100,059	195,606
24,000	Electrocomponents	245,432	248,025
5,000	Glaxo Wellcome	192,175	265,575
20,000	Hays	123,268	265,446
12,000	Kingfisher	178,707	201,018
17,000	Lloyds	198,919	373,713
30,000	Wm. Morrison	92,370	215,707
17,000	Northern Rock	190,760	251,478
9,000	Rockitt & Coleman	239,296	184,163
13,000	Scottish & Newcastle	210,694	228,323
30,000	Shell Transport & Trading	310,103	284,517
13,000	SmithKline Beecham	100,067	282,597
11,000	Smiths Industries	212,895	238,696
16,000	Spirax-Sarco Engineering	182,777	214,625
12,000	United Utilities	228,055	257,612
17,000	Vodafone	83,539	426,724
		3,835,339	5,088,543
Total investments - Europe - 74.80%		\$ 11,180,776	\$ 16,186,849

THE GBC INTERNATIONAL GROWTH FUND

Statement of Investment Portfolio (continued)

As at December 31, 1998

Number of shares	Investments - Far East	Cost	Market Value
Australia - 2.27%			
7,500	Brambles Industries	\$ 98,868	\$ 282,328
10,000	Lend Lease	80,645	208,343
		179,513	490,671
Japan - 14.20%			
5,000	Bridgestone	123,487	174,947
3,100	Circle K Japan	208,564	210,169
3,000	Fuji Photo Film	168,753	171,878
5,000	Hosiden	100,059	134,502
2,000	Ito Yokado	156,455	215,530
2,000	Matsushita	86,921	145,414
1,000	Nintendo	135,673	149,370
3	NTT Mobile Communication Network	152,391	190,294
11,000	Olympus Optical	153,825	194,918
2,600	Promise	150,854	208,546
2,000	Sony	166,801	224,533
14,000	Suzuki Motor	201,208	255,908
7,000	Taiyo Yuden	132,883	127,763
4,000	Takeda Chemical	97,017	237,356
1,000	TDK	83,024	140,913
5,000	Terumo	104,885	181,427
12,000	Toshiba	106,094	110,166
		2,328,894	3,073,634
Hong Kong - 2.88%			
300,000	CDL Hotels	175,246	119,333
230,000	Gold Peak	177,530	99,994
300,000	Shaw Brothers	317,178	200,887
30,000	V-Tech Holdings	76,539	202,686
		746,493	622,900

Number of shares	Investments - Far East	Cost	Market Value
Malaysia - 0.38%			
65,000	Perlis Plantations	\$ 239,406	\$ 82,705
Philippines - 0.39%			
336,000	Benpres GDR	131,751	84,437
Singapore - 0.98%			
40,000	Overseas Union	109,071	123,000
94,000	Tibs Holdings	239,764	89,888
		348,835	212,888
Total investments - Far East - 21.10%		\$ 3,974,892	\$ 4,567,235
Total investments - 95.90%		\$ 15,155,668	\$ 20,754,084
Other assets - net - 4.10%		887,054	887,054
Total net assets - 100%		\$ 16,042,722	\$ 21,641,138

THE GBC CANADIAN BOND FUND

Statement of Investment Portfolio As at December 31, 1998

	Face Value	Cost	Quoted Market Value	% of Net Assets
Government of Canada Bonds				
11.50%, September 1, 2000	\$ 6,355,000	\$ 7,073,316	\$ 7,017,445	12.90%
7.50%, September 1, 2000	2,721,000	2,833,105	2,835,745	5.21
10.50%, March 1, 2001	4,322,000	4,807,793	4,813,541	8.85
8.75%, December 1, 2005	1,783,000	2,119,797	2,185,191	4.02
7.00%, December 1, 2006	1,683,000	1,842,166	1,914,513	3.52
10.00%, June 1, 2008	5,069,000	6,967,174	6,987,769	12.85
9.50%, June 1, 2010	6,101,000	8,020,138	8,478,804	15.59
9.00%, March 1, 2011	4,682,000	6,105,883	6,366,630	11.71
	<u>32,716,000</u>	<u>39,769,372</u>	<u>40,599,638</u>	<u>74.65</u>
Provincial/Guaranteed Bonds				
Ontario Hydro				
7.75%, November 3, 2005	151,000	170,618	173,830	0.32
8.90%, August 18, 2022	2,502,000	3,544,082	3,543,082	6.51
Province of Ontario				
6.125%, September 12, 2007	4,680,000	4,819,698	4,985,651	9.17
Province of British Columbia				
9.50%, January 9, 2012	2,894,000	3,840,638	3,971,726	7.30
	<u>10,227,000</u>	<u>12,375,036</u>	<u>12,674,289</u>	<u>23.30</u>
Total investments	<u>\$ 42,943,000</u>	<u>\$ 52,144,408</u>	<u>\$ 53,273,927</u>	<u>97.95%</u>
Other assets – net		1,113,960	1,113,960	2.05%
Total net assets		<u>\$ 53,258,368</u>	<u>\$ 54,387,887</u>	<u>100.00%</u>

Statement of Portfolio Transactions Years ended December 31

	1998	1997
Purchase of portfolio securities		
Debt securities		
Province of Ontario Bonds (face value: 1998 \$8,479,000, 1997 - \$2,935,000)	\$ 9,112,304	\$ 3,311,628
Government of Canada Bonds (face value: 1998 \$29,114,000, 1997 - \$32,008,000)	34,053,201	37,999,042
Ontario Hydro Bonds (face value: 1998 \$2,717,000, 1997 - \$7,517,000)	3,845,643	8,544,590
Province of British Columbia Bonds (face value: 1998 \$1,695,000, 1997 - \$7,233,000)	2,140,499	8,405,356
	<u>49,151,647</u>	<u>58,260,616</u>
Proceeds from sales of portfolio securities		
Debt securities		
Government of Canada Bonds (face value: 1998 \$26,051,000, 1997 - \$26,159,000)	29,306,649	30,378,444
Province of Ontario Bonds (face value: 1998 \$6,490,000, 1997 - \$4,756,000)	7,336,869	5,377,083
Ontario Hydro Bonds (face value: 1998 \$7,195,000, 1997 - \$4,386,000)	3,704,734	5,017,596
Province of British Columbia Bonds (face value: 1998 \$919,000, 1997 - \$7,228,000)	1,094,459	8,102,606
	<u>\$ 41,442,711</u>	<u>\$ 48,875,729</u>

THE GBC MONEY MARKET FUND

Statement of Investment Portfolio

As at December 31, 1998

Par Value	Canada Treasury Bills	Cost
\$ 8,235,000	4.83% due January 7, 1999	\$ 8,129,592
510,000	4.60% due January 21, 1999	503,778
710,000	4.70% due February 4, 1999	699,371
3,280,000	4.73% due February 18, 1999	3,244,671
Total short-term investments – 96.64%		12,577,412
Other assets - net – 3.36%		437,212
Total net assets – 100%		\$ 13,014,624

NOTES to the FINANCIAL STATEMENTS

Years ended December 31, 1998 and 1997

1. The Funds

The GBC Canadian Growth Fund and The GBC Money Market Fund

Are open-end mutual funds established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated September 8, 1988, as amended by Supplemental Deeds dated November 16, 1988, December 7, 1990, March 27, 1991 and January 26, 1996.

The GBC North American Growth Fund Inc.

Was a closed-end investment corporation until October 1, 1988, when Articles of Amendment were issued converting the Corporation to an open-end mutual fund corporation.

The GBC International Growth Fund

Was an unincorporated investment trust created under the laws of Alberta by a Declaration of Trust dated October 27, 1989, as amended by a Supplemental Deed dated March 25, 1991. On January 6, 1994, the Declaration of Trust was restated to incorporate all amendments up to that date and to change the governing laws to the laws of Ontario. Pursuant to a Simplified Prospectus dated January 7, 1994, the Fund became an open-end mutual fund and was authorized by the Canadian securities commissions to sell securities to the public starting January 13, 1994.

The GBC Canadian Bond Fund

Is an open-end mutual fund established in accordance with the laws of Ontario by Declaration of Trust dated December 11, 1984, as amended by Supplemental Deeds dated January 20, 1986, December 15, 1988, October 20, 1989, December 7, 1990, October 15, 1992 and January 26, 1996.

2. Significant accounting policies

These financial statements, denominated in Canadian dollars, prepared in accordance with generally accepted accounting principles, include estimates and assumptions by the management that affect the reported amounts of assets, liabilities, income and expenses during the year. The following is a summary of significant accounting policies followed by the Funds.

(i) Valuation of investments

Shares or other securities are recorded at market values determined by the latest sale price recorded by the security exchange on which the security is principally traded or, lacking any recent sales, the mean of the latest available ask and bid price. Investments in the Far East are valued at the last official closing sale price on the Valuation date, investments in Europe and the United Kingdom at the latest traded price at noon on the Valuation date and Investments in Central and South America at the official closing sale price on the day preceding the Valuation date. Investments with no quoted market value are valued at fair value, as determined in good faith and pursuant to procedures established by the management. The difference between the market value and the average cost of investments is reported as unrealized appreciation (depreciation) of investments and is included in securityholders' equity.

Bonds are valued at market values determined by reference to the most recent bid price obtainable by the Manager.

Short-term investments are recorded at cost which approximates market for money market securities.

(ii) Investment transactions

Investment transactions are accounted for on the trade date. Average cost is used to determine the realized gain or loss on sale of investments.

Purchases and sales of investments are translated at the rate of exchange prevailing on the respective dates of such transactions. The market values of foreign investments represent their quoted market values converted into Canadian dollars at rates of exchange prevailing at the end of the year.

(iii) Recognition of revenue and expenses

Revenue and expenses are recorded using the accrual method. Dividend income is recognized on the ex-dividend date and interest income is recognized as earned. Foreign investment income is converted into Canadian dollars at the rate of exchange prevailing on the respective dates income is received.

3. Securities

Investments for The GBC North American Growth Fund Inc. include securities with an aggregate cost of \$2,629,177 (1997 - \$2,788,324) which are at directors' valuation. These securities are valued by the directors at \$1,313,688 (1997 - \$3,598,236).

Investments for The GBC Canadian Growth Fund include securities with an aggregate cost of \$2,848,166 (1997 - \$500,010) which are at the Manager's valuation. These securities are valued by the Manager at \$1,729,615 (1997 - \$500,010).

NOTES to the FINANCIAL STATEMENTS

Years ended December 31, 1998 and 1997

4. Securityholders' equity

Securityholders' equity includes the amount representing unit or share capital, undistributed net earnings (loss) and unrealized appreciation (depreciation) of investments. Authorized capital consists of an unlimited number of units or shares which rank equally in all respects and represent a pro rata interest in the net assets of the Funds. Units or shares are redeemable at the holder's option at net asset value. The GBC North American Growth Fund Inc., being a corporation, issues shares, whereas all the other Funds are mutual fund trusts and therefore issue units. The following is a summary of the changes in issued and outstanding units and shares during the last two years:

	The GBC Canadian Growth Fund		The GBC North American Growth Fund Inc.		The GBC International Growth Fund		The GBC Canadian Bond Fund		The GBC Money Market Fund	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Outstanding, beginning of year	8,471,748.748	7,709,480.417	10,950,438.895	13,603,904.634	1,471,268.635	1,946,598.314	3,797,750.681	2,969,188.587	1,466,582.983	1,141,356.384
Issued during the year	1,549,522.576	1,851,412.418	1,070,187.577	733,090.293	267,149.915	151,440.124	1,494,745.074	1,547,121.442	2,816,060.694	2,576,252.641
	10,021,271.324	9,560,892.835	12,020,626.472	14,336,994.927	1,738,418.550	2,098,038.438	5,292,495.755	4,516,310.029	4,282,643.677	3,717,609.025
Redeemed during the year	1,260,485.932	1,089,144.087	1,974,445.575	3,386,556.032	227,856.647	626,769.803	805,431.703	718,559.348	2,981,181.260	2,251,026.042
Outstanding, end of year	8,760,785.392	8,471,748.748	10,046,180.897	10,950,438.895	1,510,561.903	1,471,268.635	4,487,064.052	3,797,750.681	1,301,462.417	1,466,582.983

NOTES to the FINANCIAL STATEMENTS

Years ended December 31, 1998 and 1997

5. Management fees and expenses

Management fees are paid to the Manager, GBC Asset Management Inc., in consideration for investment management, administrative and advisory services calculated on the net assets of the Funds at the end of each month, except that management fees for The GBC Canadian Bond Fund are based on the average monthly net assets of the Fund and management fees for The GBC Money Market Fund are based on the net assets of the Fund on each valuation date. The rates per annum are as follows:

The GBC Canadian Growth Fund	1.75%
The GBC North American Growth Fund Inc.	1.50%
The GBC International Growth Fund	1.50%
The GBC Canadian Bond Fund	1.00%
The GBC Money Market Fund	0.50%

The Funds also pay all expenses incurred in the ordinary course of business relating to their organization, management and operations, which include brokerage commissions on the purchase and sale of securities acquired by the Funds, custodian and safekeeping fees, audit fees, interest expense, registrar and transfer agents' fees, all costs, charges and fees, including legal fees relating to the distribution of securities of the Funds and preparation of any filings required under any securities legislation and taxes of all kinds to which the Funds are or might be subject.

6. Analysis of management fees and other expenses charged to the Funds

The GBC Canadian Growth Fund					
	1998	1997	1996	1995	1994
Management fees	\$ 3,760,952	\$ 3,263,414	\$ 2,170,916	\$ 1,519,263	\$ 1,467,290
Other expenses	206,789	188,751	147,693	127,542	133,121
	<u>\$ 3,967,741</u>	<u>\$ 3,452,165</u>	<u>\$ 2,318,609</u>	<u>\$ 1,646,805</u>	<u>\$ 1,600,411</u>
As a percentage of average net assets	1.86%	1.87%	1.90%	1.91%	1.91%

The GBC North American Growth Fund Inc.

	1998	1997	1996	1995	1994
Management fees	\$ 1,517,295	\$ 1,536,947	\$ 1,763,942	\$ 1,746,895	\$ 1,850,276
Other expenses	399,650	405,283	366,864	425,945	423,551
	<u>\$ 1,916,945</u>	<u>\$ 1,942,230</u>	<u>\$ 2,130,806</u>	<u>\$ 2,172,840</u>	<u>\$ 2,273,827</u>
As a percentage of average net assets	1.90%	1.89%	1.81%	1.87%	1.84%

The GBC International Growth Fund

	1998	1997	1996	1995	1994
Management fees	\$ 297,506	\$ 302,238	\$ 328,689	\$ 329,045	\$ 348,414
Other expenses	69,706	62,607	57,427	72,050	60,077
	<u>\$ 367,212</u>	<u>\$ 364,845</u>	<u>\$ 386,116</u>	<u>\$ 401,095</u>	<u>\$ 408,491</u>
As a percentage of average net assets	1.87%	1.81%	1.77%	1.82%	1.77%

The GBC Canadian Bond Fund

	1998	1997	1996	1995	1994
Management fees	\$ 503,856	\$ 390,127	\$ 337,219	\$ 427,425	\$ 503,495
Other expenses	46,397	39,371	60,721	57,975	62,134
	<u>\$ 550,253</u>	<u>\$ 429,498</u>	<u>\$ 397,940</u>	<u>\$ 485,400</u>	<u>\$ 565,629</u>
As a percentage of average net assets	1.09%	1.10%	1.18%	1.14%	1.13%

NOTES to the FINANCIAL STATEMENTS

Years ended December 31, 1998 and 1997

6. Analysis of management fees and other expenses charged to the Funds - (con't)

The GBC Money Market Fund

	1998	1997	1996	1995	1994
Management fees	\$ 79,011	\$ 65,276	\$ 52,816	\$ 47,242	\$ 73,342
Other expenses	38,579	32,762	26,200	15,881	—
	<u>\$ 117,590</u>	<u>\$ 98,038</u>	<u>\$ 79,016</u>	<u>\$ 63,123</u>	<u>\$ 73,342</u>
As a percentage of average net assets	0.75%	0.75%	0.75%	0.67%	0.50%

For purposes of the management fees and other expenses ratio, the 7% federal Goods and Services Tax is excluded.

7. Net asset values and distributions per security

The net asset values per security were as follows:

	1998	1997	1996	1995	1994
The GBC Canadian Growth Fund	\$ 24.81	\$ 24.77	\$ 19.69	\$ 14.55	\$ 12.53
The GBC North American Growth Fund Inc.					
Cdn. dollars	10.51	10.06	8.08	7.29	5.73
U.S. dollars	6.87	7.04	5.90	5.34	4.08
£ Sterling	4.13	4.26	3.44	3.44	2.61
The GBC International Growth Fund	14.33	11.78	11.17	10.37	10.69
The GBC Canadian Bond Fund	12.12	11.84	11.60	11.17	10.03
The GBC Money Market Fund	10.00	10.00	10.00	10.00	10.00

The distributions per security were as follows:

	1998	1997	1996	1995	1994
The GBC Canadian Growth Fund					
Net earnings	\$ —	\$ —	\$ —	\$ —	\$ —
Withholding taxes	—	—	—	—	—
Net capital gain	—	0.2303	—	—	—
The GBC North American Growth Fund Inc.					
Net earnings	—	—	—	—	—
Withholding taxes	—	—	—	—	—
Net capital gain	—	—	—	—	—
The GBC International Growth Fund					
Net earnings	—	—	—	—	—
Withholding taxes	—	—	—	—	—
Net capital gain	—	—	—	—	0.9775
The GBC Canadian Bond Fund					
Net earnings	0.6903	0.6948	0.7762	0.8286	0.7681
Withholding taxes	—	—	—	—	—
Net capital gain	0.0552	—	—	—	—
The GBC Money Market Fund					
Net earnings	0.3754	0.2250	0.3718	0.6049	0.4601
Withholding taxes	—	—	—	—	—
Net capital gain	—	—	—	—	—

NOTES to the FINANCIAL STATEMENTS

Years ended December 31, 1998 and 1997

8. Brokerage commissions

Commissions paid to brokers for portfolio transactions during the year amounted to the following:

	1998	1997
The GBC Canadian Growth Fund	\$ 449,467	\$ 407,872
The GBC North American Growth Fund Inc.	404,236	395,172
The GBC International Growth Fund	48,456	79,426
The GBC Canadian Bond Fund	—	—
The GBC Money Market Fund	—	—

All portfolio transactions for The GBC Canadian Bond Fund and The GBC Money Market Fund were effected with major dealers of debt obligations and money market instruments acting as principal. Accordingly, the Funds have not paid any brokerage commissions.

9. Income taxes

The Funds (except for The GBC North American Growth Fund Inc.) qualify as mutual fund trusts under the *Income Tax Act* (Canada) and thus are not subject to income taxes on their net taxable capital gains and their net earnings for the year if they allocate such gains (less capital losses carried forward) and earnings to unitholders. It is the intention of the Manager to allocate the taxable income of the Funds annually to unitholders so as to eliminate any income taxes otherwise payable by the individual Funds.

The GBC North American Growth Fund Inc. is treated as a Mutual Fund Corporation under the *Income Tax Act* (Canada). Income taxes on net realized capital gains are recoverable by the Fund as capital gains are distributed to shareholders either through share redemptions or the declaration of capital gains dividends. Income taxes paid on dividends from taxable Canadian corporations may be refunded, generally at the rate of \$1 for every \$3 of taxable dividends paid. Refundable dividend taxes as at December 31, 1998, aggregate approximately \$392,843 (1997 - \$386,863).

10. Redemption of securities

A holder may redeem at the close of business each Tuesday and on the last business day of each month all or, subject to the Fund's minimum investment requirements, any of the units or shares held in the Funds. A notice of redemption must be given in writing to the Manager at any of its offices in Canada. The value of the units or shares to be redeemed will be established as of the Valuation date following the receipt of such notice. Within three business days following the Valuation date, the Manager will pay the holder by cheque the value of the units or shares redeemed.

11. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using year 2000 is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Statement of portfolio transactions

A Statement of Portfolio Transactions will be provided without charge upon request by writing to the Manager: GBC Asset Management Inc., 1010 Sherbrooke St. West, Suite 800, Montréal, Québec, H3A 2R7.

The GBC Canadian Growth Fund
The GBC North American Growth Fund Inc.
The GBC International Growth Fund
The GBC Canadian Bond Fund
The GBC Money Market Fund

Manager and Distributor

GBC Asset Management Inc.

Trustee, Registrar and Transfer Agent

(except for The GBC North American Growth Fund Inc.)
GBC Asset Management Inc.

Investment Managers

The GBC Canadian Growth Fund and
The GBC North American Growth Fund Inc.
Pembroke Management Ltd.,
Montreal, Quebec

The GBC International Growth Fund
Babson-Stewart Ivory International,
Edinburgh, Scotland

The GBC Canadian Bond Fund and
The GBC Money Market Fund
Greydanus, Boeckh & Associates Inc.,
London, Ontario

Auditors

Deloitte & Touche, Chartered Accountants
Montreal, Quebec
London, Ontario

Custodian

Canadian Chartered Banks,
Toronto, Ontario

Legal Counsel

Lavery de Billy,
Montreal, Quebec

Trustee of Registered Plans

The Royal Trust Company,
Toronto, Ontario

The GBC North American Growth Fund Inc.

Directors

Peter M. Blaikie, Q.C.
Lawyer,
Heenan Blaikie,
Westmount, Quebec

R. Alexander Hammond-Chambers
Chairman,
Dobbies Garden Centres PLC,
Edinburgh, Scotland

Jean E. Douville*, F.C.A.
Chairman,
Schroders & Associates Canada Inc.,
Town of Mount-Royal, Quebec

Hugh R. Snyder
President,
H.R. Snyder Consultants,
Toronto, Ontario

Donald E. Dunn*, C.A.
President,
Nodvest Inc.,
Dorval, Quebec

Ian A. Soutar, CFA
Chairman & Chief Executive Officer,
Pembroke Management Ltd.,
Westmount, Quebec

George A. Fierheller*
President,
Four Halls Inc.,
Toronto, Ontario

* Members of the Audit Committee

Officers

Ian A. Soutar, CFA
President & Chief Executive Officer

Michael P. McLaughlin, C.A.
Secretary-Treasurer

A. Scott Taylor, CFA
Vice President

John Connolly
Assistant Secretary-Treasurer

Registrar and Transfer Agent

Montreal Trust Company,
Montreal, Quebec

Annual Meeting

12th March, 1999, 10:00 a.m.,
1010 Sherbrooke Street West, Suite 818,
Montréal, Quebec H3A 2R7



GBC Asset Management Inc.

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Internet: www.gbc.ca

Important information about the GBC Funds is contained in a simplified prospectus. Obtain a copy from GBC and please read it carefully before investing. For The GBC Money Market Fund the yield will fluctuate and there is no assurance the Fund can maintain a fixed net asset value. For all other funds unit value, yield and investment return will fluctuate.

Costs:

Purchase Costs	Nil	Account Setup Fee	Nil
Redemption Costs	Nil	RSP Termination Fee	\$30
RSP/RIF Annual Fee	Nil		

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