NORTH
GROWTH MANAGEMENT LTD.

2015 ANNUAL REPORT

LETTER TO UNIT HOLDERS

Dear Unit holders,

U.S. equities delivered amongst the best returns of all asset classes for Canadian investors last year, largely due to the strength of the U.S. dollar. Our clients, who generally have significantly higher than average U.S. equity exposure, are likely quite satisfied with the 20.8% gain delivered by the North Growth U.S. Equity Fund, especially relative to Canadian equities which were down 7.5% for the year, and ever popular balanced funds which on average returned under 2%.

2015 was a challenging year even for U.S. equities, with a small group of momentum-type stocks driving the 1.4% U.S. dollar gain of the S&P 500 Index. The North Growth U.S. Equity Fund gained 1.2% for the year in U.S. dollars. While I am not thrilled with the 0.2% underperformance, in light of the tough investment environment, I'll grudgingly accept it as a passing grade. Excluding the gains from Amazon, Facebook, Google and Netflix, the total return of the S&P 500 would have dropped to approximately -0.3% for the year. When you consider that our investment discipline kept us from owning any of these four stocks, our relative performance was really quite good.

With the intense media focus on the weakness in commodities I don't feel I have anything to add on the topic. Historically, with the exception of oil and gas producers, we have really never invested in the commodity sector. For various reasons, we divested all of our modest fossil fuel holdings nearly a decade ago. Over the past decade our company-level knowledge in the commodity sector has eroded, while our knowledge in other sectors, including renewable energy, has grown. At the same time, the global consensus on the need to take action to reduce CO2 emissions has created new and difficult to quantify risks that need to be considered when thinking about the long term demand for fossil fuels. Our clients are accustomed to our positioning; if they want exposure to the commodity sector they simply use other investments to get it. Taking all of this into consideration, and to provide clarity on the issue, we are confirming our commitment to keep the North Growth Funds fossil free.

When North Growth Management opened in 1998 our U.S. Equity Fund had 22 clients, pretty much the same group since the Fund's inception, and Assets Under Management (AUM) of $49.5 million. As of December 31, 2015, our direct AUM is $560 million and we have over 300 clients of whom over 80% have been invested with us for over 10 years, including 19 of the original 22 still with us after 23 years. We see this as evidence that without the push from the traditional marketing driven financial services model, those that have made an effort to find us almost always are sophisticated investors already well versed and committed to long term equity investing.

On January 1st, we began applying the 10% fee-rebate announced in our November monthly. It will remain in effect as long as our direct AUM remains above $ 400 million. After the rebate, our effective all-in management fee is 1.08% (versus 1.20% pre-rebate). North Growth Management concluded that investing some of the scale efficiencies inherent with managing pooled assets in the rebate is better aligned with the interests of our clients than increased spending on new client acquisition. We are confident that over time, by focusing on our existing clients, we can continue to grow our AUM and in turn continue to lower our net fees.

We are using a similar “low marketing” approach to the distribution of our prospectus qualified offering through the dealer channel. In the same manner as our direct business, we feel that by de-emphasizing marketing we are effectively pre-screening advisors and discount broker clients to those with investing philosophies that match up well with our own. We are developing relationships with the small number of high caliber advisors that have sought us out. We are pleased with the progress on this side of the business. We are essentially outsourcing the client service function which allows us to focus on managing the funds. The indirect business has added around 500 new unit holders and around $20 million in AUM.

Without the need to add client service capacity to manage these nominee accounts, we are able to diversify our unit holder base in a cost efficient manner. In light of this and to better align our offerings with the fee-for-service advisors, on July 1, 2015, we reduced the management fee on our F series offering to 0.9%. The D series management fees were also reduced to 0.9% and the already low 0.5% trailer commission was reduced to 0.3% for a total expense of 1.2%. The D series is primarily targeted towards the do-it-yourself investor through the discount dealer channel, as it is evident that only a very small number of enlightened traditional transactional advisors are willing to consider a fund that does not pay the industry-norm 1% trailer.

With the markets performing poorly during the first month of 2016, trying to put some rational framework and context to the current market mindset has been a challenge. Short term noise levels seem to be overwhelming long term thinking. I find it a perplexing notion to hear trading and investing being discussed as one and the same. As I struggled to write this letter, I went back and read some of Rudy’s old reports to help remind me that, while the current environment may seem very dramatic and fraught with new challenges, really it is just normal human nature to get overly excited or fussed over the here and now. The commentary from his 1994 annual report would have fit surprisingly well reflecting back on 2015. Once the market gets over its current little fit, it certainly would not surprise me at all if confidence and long term thinking were to regain the balance of power.

Adhering to our disciplined long term “growth at a reasonable price” investment philosophy is of particular value in the current confusing market environment. The attractive relative valuations of large versus small capitalization stocks is starting to show and we expect the U.S. Fund’s current large cap bias to serve us well in the coming years. There are some exceptionally high caliber companies trading at very low valuations and as a result our portfolios are likely to skew deeper into the ‘reasonable price’ side of our “growth at a reasonable price” philosophy as we move through 2016.

Sincerely,

Rory North
Lead Portfolio Manager and CEO

Average Annual Compound Rates of Return

It is virtually impossible to correctly judge a long term average rate of performance from looking at a series of annual results. One needs to have some sense of average annual compound rates of return in order to make financial planning decisions and to compare alternative investments.

NORTH GROWTH (NGM) EQUITY FUNDS AND MARKET INDICES

Annualized Rates of Return (%) for periods ending December 31, 2015

U.S. Equities	1 yr	3 yrs	5 yrs	10 yrs	15 yrs	20 yrs	Since Inception*
NGM U.S. Equity Fund $CDN	20.8%	28.4%	18.1%	9.2%	9.1%	12.3%	13.1%
S&P 500 $CDN	21.0%	28.5%	20.3%	9.2%	4.4%	8.3%	9.8%
NGM U.S. Equity Fund $U.S.	1.2%	15.1%	10.5%	7.3%	9.7%	12.2%	12.6%
S&P 500 $U.S.	1.4%	15.1%	12.6%	7.3%	5.0%	8.2%	9.3%
S&P 400 Mid Cap $U.S.	-2.2%	12.8%	10.7%	8.2%	8.3%	11.2%	11.9%
S&P 600 Small Cap $U.S.	-2.0%	13.6%	11.5%	8.0%	8.9%	10.1%	11.2%
NASDAQ Composite $U.S.°	7.1%	19.9%	15.0%	9.8%	5.9%	9.0%	9.8%

Canadian Equities	1 yr	2 yrs	3 yrs	10 yrs	15 yrs	20 yrs	Since Inception**
NGM CDN Equity Fund $CDN	-12.2%	2.4%	14.8	N/A	N/A	N/A	15.0%
S&P/TSX $CDN	-7.5%	1.2%	5.0%	4.5%	5.2%	7.6%	7.0%

Source: Bloomberg

* *NGM U.S. Equity Fund Inception October 13, 1992*

** *NGM Canadian Equity Fund Prospectus Inception June 15, 2012*

° *Return Since Inception for the NASDAQ is simple price appreciation only because Total Return data is not available on Bloomberg*

Annual Performance Results

This data gives you insight into the typical annual variations in investment results. Annual results explain how long results come about and will reveal whether a record is dependent largely on earlier results, more recent results, or more ideally a balance of both. This data also shows that our outstanding long term results were not achieved by having stellar results in every single year. In equity investing, it should be noted that performance results will periodically fall below expected or desired levels and this is why we emphasize these of longer term results in the evaluation of performance. Furthermore, a year or more of exceptionally strong performance should not give rise to unreasonably high long term expectations. A superior long term record does not mean every year was (or will be) exceptional but it does mean that despite some years of low returns we have delivered on our mandate to provide superior long term results.

NORTH GROWTH (NGM) EQUITY FUNDS AND MARKET INDICES

Annual Rates of Return (%) for Calendar Years

U.S. Equities	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NGM US Equity Fund $CDN	20.8%	21.7%	44.2%	6.6%	1.7%	11.6%	28.2%	-26.7%	-10.9%	12.7%
S&P 500 $CDN	21.0%	24.0%	41.5%	13.5%	4.4%	8.9%	9.1%	-22.6%	-10.3%	16.0%
NGM US Equity Fund $U.S.	1.2%	11.6%	34.9%	8.9%	-0.5%	17.9%	48.5%	-40.4%	4.7%	12.5%
S&P 500 $U.S.	1.4%	13.7%	32.4%	16.0%	2.1%	15.1%	26.5%	-37.0%	5.5%	15.8%
S&P 400 Mid Cap $U.S.	-2.2%	9.8%	33.5%	17.9%	-1.7%	26.6%	37.4%	-36.2%	8.0%	10.3%
S&P 600 Small Cap $U.S.	-2.0%	5.8%	41.3%	16.3%	1.0%	26.3%	25.6%	-31.1%	-0.3%	15.1%
NASDAQ Composite $U.S.	7.1%	14.8%	40.2%	17.7%	-0.8%	18.2%	45.4%	-40.0%	10.7%	10.4%

Canadian Equities	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NGM CDN Equity Fund $CDN	-12.2%	19.4%	44.3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P/TSX $CDN	-7.5%	10.6%	13.0%	7.2%	-8.7%	17.6%	35.1%	-33.0%	9.8%	17.3%

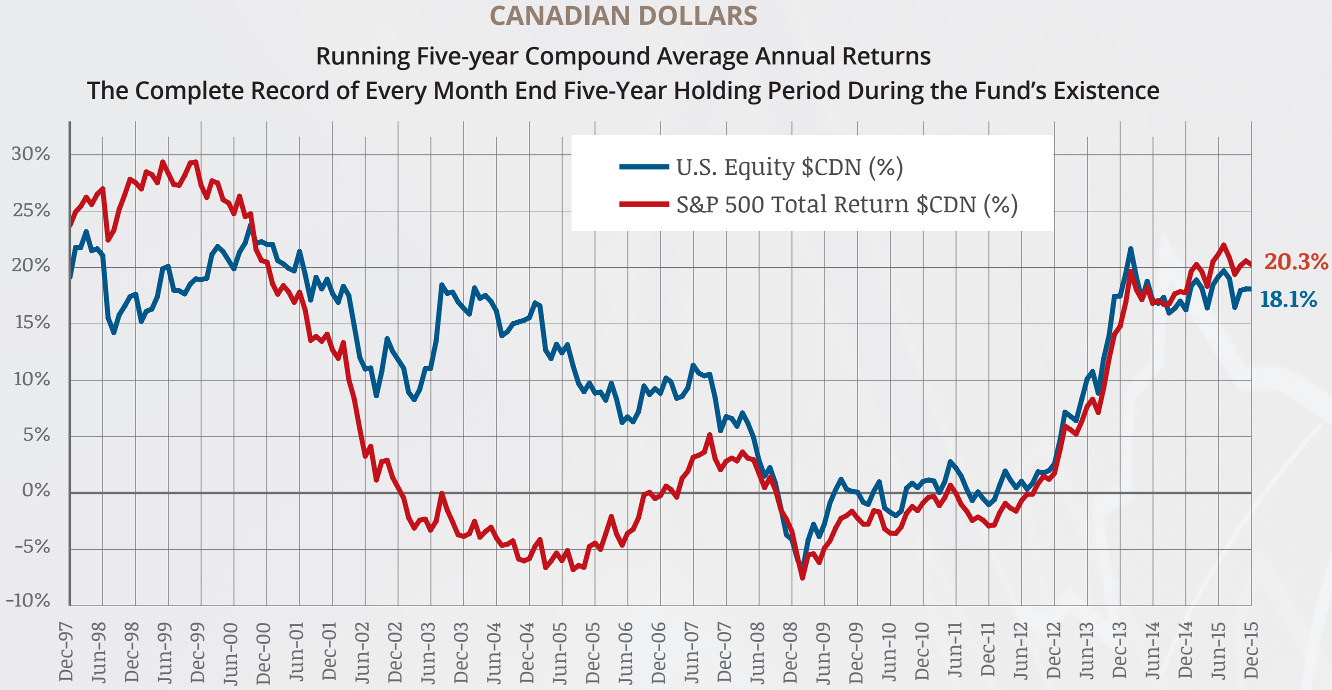
Source: Bloomberg "Total Return Analysis"

Unit Price (US Fund): December 31, 2015 *$47.86 CDN*
$34.58 US

Unit Price (Canadian Fund): December 31, 2015 *$17.70 CDN*

North Growth U.S. Equity Fund Running Five-Year Results: Expressed in Canadian Dollars

As Canadian investors, it is important to understand the impact foreign exchange volatility can have on Canadian dollar denominated returns from our foreign investments. Comparing the running five-year compound average annual returns for the North Growth U.S. Equity Fund in both Canadian and U.S. dollars should help investors better understand the currency impact. As of December 31, 2015, the Fund's five-year average annual return in Canadian dollars was 18.1% versus 10.5% in U.S. dollars



This chart shows the annualized compound returns for the preceding five years from any point in time over the life of the Fund. For example, for the five-year period ending December 31, 2015, the average annual compound return for the U.S. Equity Fund in Canadian dollars is +18.1%. While we are pleased with the recent five-year returns, we caution investors to not place too much emphasis on this the recent five-year period in Canadian dollars when setting expectations for the future due to the significant depreciation of the Canadian dollar in recent years. We would point investors to returns in U.S. as a more reasonable level of longer-term expectations as shown on the next page.

North Growth U.S. Equity Fund Running Five-Year Results: Expressed in U.S. Dollars

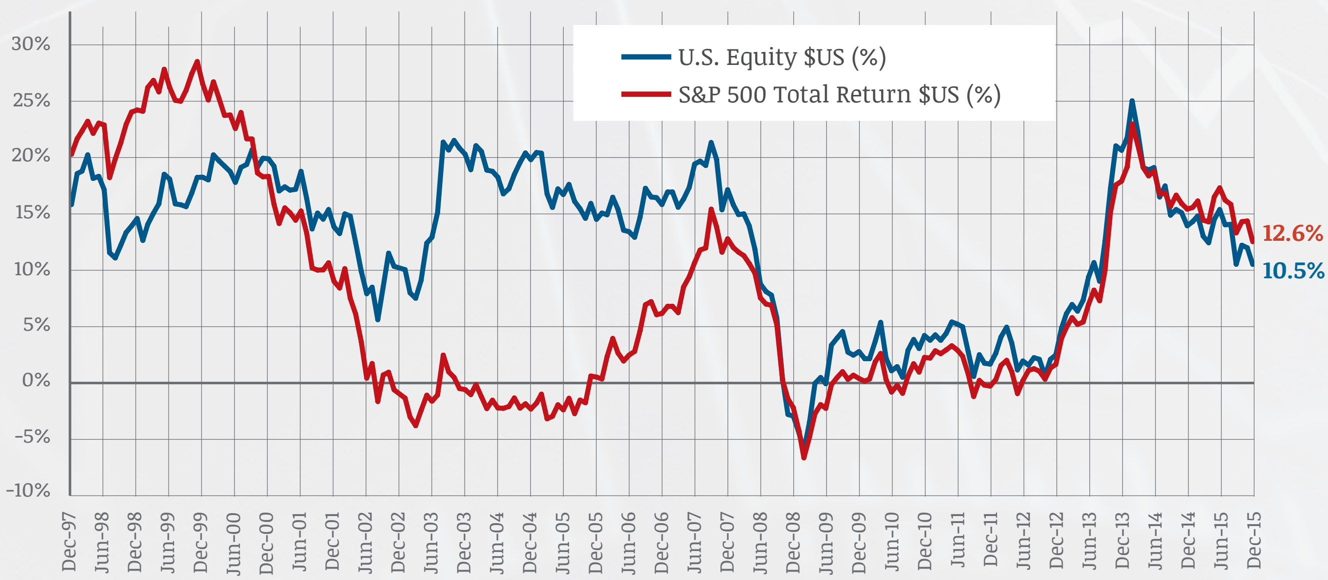
The Best Long Term Perspective of a Fund's Performance

We feel this is a measure that gives a particularly good long term perspective of a Fund's performance. Five years may be a longer period than many investors focus on, but it is the minimum meaningful period for evaluating performance. It presents longer term results in a way which are neither overly influenced by long past periods of good performance, nor by strong short term results (end date sensitivity).

The running five-year average return chart shown below effectively achieves this desired balance as it provides a complete record of the range of performance over all five-year holding periods. Moreover, looking at the complete series of consecutive five-year periods also gives a good insight into the range of five-year performance that has been typical over the long term.

U.S. DOLLARS

Running Five-year Compound Average Annual Returns
The Complete Record of Every Month End Five-Year Holding Period During the Fund's Existence



This chart shows the annualized compound returns for the preceding five years from any point in time over the life of the Fund. For example, for the five-year period ending December 31, 2015 the average annual compound return for the U.S. Equity Fund in U.S. dollars is +10.5%. We are pleased with the recent five-year returns which have moderated considerably in U.S. dollar terms over the past two years; in Canadian dollars returns are still elevated above normal longer-term expectations due to the significant depreciation of the Canadian dollar.

NGM U.S. Equity Fund

2015 was a challenging year for the U.S. equity markets. Although on a total return basis the S&P 500 Index registered a modest 1.4% gain, choppy trading was characteristic of the majority of the year with a dramatic selloff and rebound that occurred in late August. The smaller capitalization indices we follow, the S&P 400 MidCap and the S&P 600 SmallCap, performed worse, declining 2.2% and 2.0% respectively. The NASDAQ Composite appeared to be the outlier given its positive total return of 7.1% for the year; however, pretty much all of the Index's gain was accounted for by the highly selective group of "FANG" stocks—namely, Facebook, Amazon, Netflix and Google (now Alphabet)—that appreciated over 60% on a cap-weighted basis. Overall, in 2015, U.S. equities were broadly weak and very narrow market leadership held up the S&P 500 and NASDAQ.

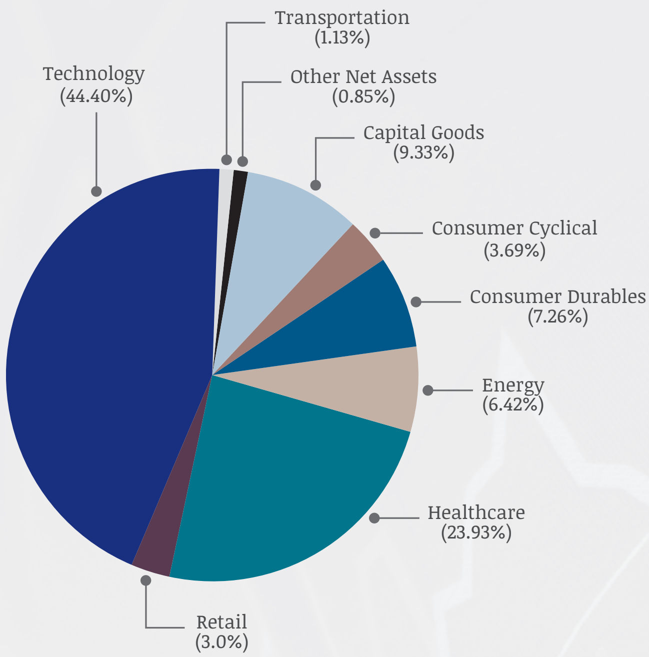
The North Growth U.S. Equity Fund gained 1.2%, slightly lagging the S&P 500 Index by under 20 basis points, while outperforming the S&P 400 MidCap Index by 3.4% and the S&P 600 SmallCap Index by 3.2%. As the Canadian dollar continued to weaken significantly against its U.S. counterpart during the year, the Fund's return in Canadian dollars was 20.8% versus the S&P 500 which was up 21.0% in Canadian dollars.

Performance

	2015	* Since Inception
NGM US Equity Fund $CDN	20.8%	13.1%
S&P 500 $CDN	21.0%	9.8%

* *since October 13, 1992*

Sector Mix



U.S. EQUITY FUND

As of December 31, 2015

	%
Cisco Systems Inc.	9.65
Apple Inc.	8.04
First Solar Inc.	6.16
Intel Corporation	5.28
Microsoft Corporation	5.05
Anthem Inc.	4.39
General Electric Company	4.33
St. Jude Medical Inc	4.09
American Eagle Outfitters Inc.	3.69
Gilead Sciences Inc	3.54
Zimmer Biomet Holdings Inc	3.16
Texas Instruments Inc.	3.12
Citrix Systems Inc.	3.04
Applied Materials Inc.	2.91
Cerner Corporation	2.83
Pfizer Inc.	2.78
Amgen Inc.	2.77
Electronic Arts Inc	2.75
Johnson Controls Inc	2.57
Ethan Allen Interiors Inc.	2.51
Mohawk Industries Inc	2.46
Herman Miller Inc.	2.29
Rite Aid Corporation	2.16
Varian Medical Systems Inc	2.03
DSP Group Inc.	1.71
Jacobs Engineering Group Inc.	1.30
Itron Inc.	1.13
FedEx Corp.	1.13
Bristol-Myers Squibb Company	1.07
Pier 1 Imports Inc.	0.84
SolarEdge Technologies Inc.	0.26
Endocyte Inc.	0.11
Total Equities	**99.15**
Cash	**0.85**
TOTAL ASSETS	100.00

NGM Canadian Equity Fund

After having outperformed for six consecutive years, we are nonetheless disappointed with the performance of the Canadian Equity Fund which declined 12.2% compared to a decline of 7.5% for the commodity-heavy S&P/TSX Composite Index. Although we had recognized that volatility in oil could have knock-on effects on non-resource companies, the 4.7% underperformance in 2015 is still frustrating given the Fund has no exposure to the two weakest sectors, Materials and Energy.

Canadian stocks ultimately offered few places to hide as some investors exited Canada, others reduced exposure to Canada, others were reluctant or unwilling to sell energy stocks because they were "down", and yet others kept selling non-resource stocks to fund bottom fishing in resource stocks. This largely resulted in selling pressure on companies like the ones in our portfolio. Lower liquidity in smaller companies likely compounded the stock declines as little regard was given to valuation or strength of balance sheet or fundamentals.

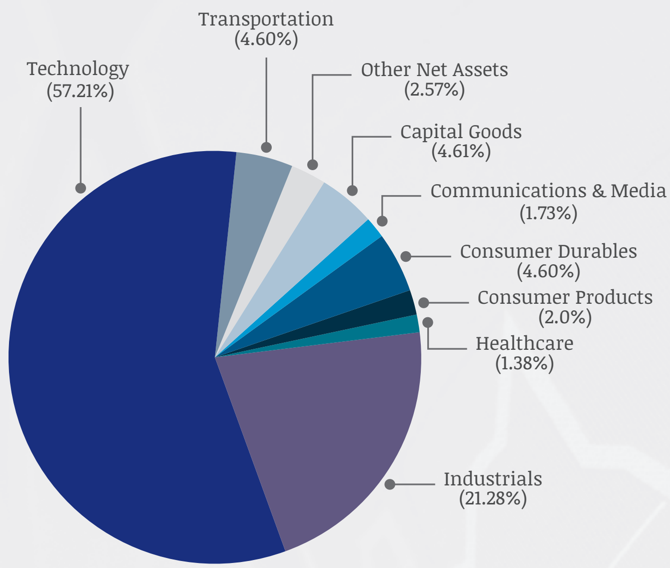
We are, however, still encouraged by the companies in the Fund and we attribute the underperformance largely to market dynamics rather than fundamental problems with the companies. While we are hopeful the fundamentals get recognized in the near future, we continue to caution for patience as the knock-on effects from oil could persist.

Performance

	2015	* Since Inception
NGM Canadian Equity Fund	-12.2%	15.0%
S&P/TSX Composite Index	-7.5%	7.0%

* *since June 15, 2012*

Sector Mix



CANADIAN EQUITY FUND

As of December 31, 2015

	%
Sandvine Corporation	10.67
Open Text Corporation	6.61
Avigilon Corporation	5.43
COM DEV International Ltd.	5.42
CAE Inc	5.29
Heroux-Devtek Inc.	5.22
Ballard Power Systems Inc.	4.89
Martinrea International Inc.	4.71
ATS Automation Tooling Systems Inc.	4.61
WestJet Airlines Ltd.	4.61
Dorel Industries Inc., Class B	4.60
Celestica Inc.	4.51
Mitel Networks Corp	4.37
EXFO Inc.	4.21
MacDonald Dettwiler and Associates Ltd.	3.69
Sierra Wireless Inc.	2.94
Stantec Inc.	2.92
Bombardier Inc., Class B	2.19
Jean Coutu Group (PJC) Inc., Class A	2.00
GSI Group Inc.	1.92
TELUS Corporation	1.73
Valeant Pharmaceuticals International, Inc.	1.23
Hydrogenics Corp.	1.15
Canam Group Inc	0.96
Evertz Technologies Limited	0.93
ViXS Systems Inc.	0.47
Oncolytics Biotech Inc.	0.15
Total Equities	**97.43**
Cash	**2.57**
TOTAL ASSETS	100.00

NGM Canadian Money Market Fund

The Money Market Fund's current yield at the end of 2015 was 0.46% compared to the 0.92% yield at the beginning of the year. In 2015, the Fund returned 0.56% net of fees which was in line with the return for 30-day Treasury Bills. Over a five year period, the average annual return for the Fund was 0.80%, or 0.05% below the 0.85% average annual return for 30-day Treasury Bills.

Following four years of maintaining its target for the overnight rate at 1.0%, the Bank of Canada unexpectedly lowered its target by 0.25% to 0.75% in early 2015. The central bank cited the negative impact of sharply lower oil prices on Canada's economic growth and underlying inflation. The overnight rate was lowered by an additional 0.25% in mid-July to 0.50%, where the key benchmark rate remained for the rest of the year.

Due to the short average maturities within the Money Market Fund of approximately 30 days, the direction of the Fund's current yield corresponds closely with the direction in Canadian short-term interest rates. The Fund continues to invest in a well-diversified portfolio of Canadian money market securities with an emphasis on high credit ratings.

NORTH GROWTH CANADIAN MONEY MARKET FUND

Annualized Rates of Returns (%) for Periods Ending December 31, 2015

	* Current Yield	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	**0.46**	**0.56**	**0.77**	**0.80**
30 Day T-Bill	N/A	0.56	0.81	0.85

* *The Current Yield for the Money Market Fund is the average of the annualized daily yield for the most recent seven day period. This measure is no longer available for the 30 day T-Bill Index..*

FEES

At North Growth Management, we strive to deliver superior long term performance to our unit holders by focusing exclusively on the management of our Funds. Our commitment to help grow our clients' assets are facilitated by our competitive, all-inclusive and transparent fee structure. We clearly believe that, all else being equal, low fees meaningfully enhance investment results over the long term.

As reported previously in our November monthly, we are pleased to announce a fee rebate policy effective January 1st, 2016 for the non-prospectus North Growth U.S. Equity Fund and series N of the North Growth Canadian Equity Fund. The initial fee rebate is set at 10% of our current management fee, resulting in a net all-in-fee of 1.08%. We will continue to offer the fee rebate so long as our assets under management of our non-prospectus equity offerings are above $400 million. The fee rebate reflects our ability to share some of the operating leverage we have gained following a decade of meaningful investments in our back office systems and growth in our direct business to approximately $525 million currently. We feel that the lower and all-inclusive fee offers compelling value to all our direct unit holders.

	Management Expense Ratio	Fee Rebate	New all-in MER
NGM US Equity Fund	1.20%	10% x 1.20% = 0.12%	1.20% - 0.12% = 1.08%
NGM Canadian Equity Fund Series N	1.20%	10% x 1.20% = 0.12%	1.20% - 0.12% = 1.08%

Following three years of double-digit returns, the S&P 500 Index ended 2015 relatively flat despite a pickup in volatility. U.S. equities churned in a tight trading range during the first half of the year with the major indices hitting new highs by May. However, in August, the U.S. stock market sold off sharply and briefly entered a correction, commonly defined as a loss of 10% or greater from the recent peak, for the first time in four years. Although U.S. stocks mostly bounced back and rallied spectacularly in October, they finished 2015 pretty much where they began after a wild ride.

Market sentiment was pervasively cautious throughout 2015. Lacking conviction amidst much noise, investors focused on a multitude of concerns which included falling crude oil prices, a stronger U.S. currency, weakening growth in emerging markets and particularly China, escalating geopolitical tensions, and uncertainty regarding when and how quickly the Federal Reserve would begin raising interest rates. In spite of these worries that constantly made headlines during the year, U.S. economic data remained generally positive, and the ongoing gradual U.S. economic expansion that is currently entering its seventh year continues to be the most positive story in the global macro picture.

Economic Discussion

Similar to 2014, the U.S. economy got off to a weak start in 2015 largely as a result of adverse weather conditions. In addition to the harsh winter weather which temporarily held back household purchases and disrupted production, construction and shipments, capital spending and exports dropped, reflecting weakness in expenditures by energy companies which would last throughout the year due to declining crude prices. Yet even as manufacturing in the U.S. remained muted on the downturn in energy production and weaker growth abroad, the underlying conditions supporting the U.S. economic expansion—growth in bank loans, improving consumer confidence and robust employment growth—continued to strengthen. Indeed, as in 2014, the first quarter setback was anomalous, and the U.S. economy resumed its growth trajectory following the first few months of 2015.

Based on the final estimates released by the U.S. Department of Commerce, U.S. gross domestic product or GDP contracted slightly at an annualized rate of 0.2% in the first quarter, then rebounded markedly and grew 3.9% in the second quarter and 2.0% in the third quarter.

The Commerce Department's preliminary estimate of fourth quarter GDP was announced on January 29, 2016. The U.S. economy expanded at a slower pace of 0.7% annualized in the final three months of the year due to weaker markets abroad, the negative effect on exports from a stronger dollar and continued retrenchment in oil production. Nonetheless, on balance economic fundamentals remained positive. There is no doubt that the U.S.

economy is in a sustained, durable, moderate expansion

Notably, in 2015, the labour market strengthened further and was the bright spot in the overall macroeconomic backdrop. The U.S. added an average of 220,000 jobs a month last year and is on track to have created more than two million jobs for the fifth consecutive year. Job openings ended the year at a record high while layoffs were near a four-decade low. The unemployment rate at the end of 2015 was 5.0%, down from 5.6% at the beginning of the year, and marked the lowest level since April 2008. Moreover, as hourly pay rose at the fastest year-over-year pace since mid-2009, a long-awaited acceleration in wages appeared possibly to be underway by the close of 2015.

The healthy employment situation in the United States coupled with falling fuel costs throughout the year lifted consumer sentiment and buoyed household spending that makes up over 65%, the largest share, of GDP. The U.S. housing market continued to exhibit momentum in 2015, and motor vehicle sales reached a new record high, demonstrating the strength of the consumer amid ongoing improving financial conditions.

Against chatter and worries of slowing growth overseas, particularly in China, the U.S. economy has remained remarkably resilient and shown no signs of faltering in growth. The drag from a slowdown in China's economic expansion should be minimal as exports to China account for less than 1% of U.S. GDP. U.S. companies derive only 5% of their revenue from Asia-Pacific, and Chinese direct investment in the United States is a fraction of 1% of total foreign investment. Steady U.S. consumer demand, boosted by robust employment and lower gasoline prices, has evidently continued to power the economy, and as of the end of 2015, U.S. economic fundamentals remain solid.

Monetary Policy

Perhaps the best indication that the U.S. economic expansion is firmly entrenched is the end of the unprecedented period of zero percent interest rates. Throughout 2015, market participants followed the actions of the Federal Reserve obsessively and speculation on the timing of the start of interest rate hikes by the Fed was rampant.

Up until December, the Federal Open Market Committee (FOMC) elected to keep the target range for the federal funds rate unchanged at 0 to ¼ percent. Although, throughout the year, the Fed acknowledged that U.S. economic activity continued to improve especially on the labour front, the FOMC felt little urgency to act in the face of somewhat weaker international growth and lack of inflationary pressures. Finally, following its December 15-16 meeting, the Fed began to remove the extraordinary levels of monetary stimulus put in place after the financial crisis with the first interest rate increase in almost a decade.

U.S. monetary policy remained extremely loose in 2015 and continues to be highly accommodative despite the raise to the target range for the federal funds rate to ¼ to ½ percent. In light of the current shortfall of inflation from the Fed's 2 percent objective, the FOMC reiterated its expectation of "gradual increases in the federal funds rate" in its December 16th statement.

The continued accommodative stance of U.S. monetary policy going forward should support further improvement in labour market conditions and thereby further promote higher economic growth. Ultimately, the accommodative financial conditions provide a favourable backdrop for equity investments.

U.S. Companies and Stocks

Last year, with the exception of those in the energy and materials sectors, U.S. companies continued to grow earnings that mostly came in above expectations every quarter. According to FactSet, earnings for the S&P 500 companies during 2015 are projected to have declined 0.7% while revenues were down 3.4%. However, excluding the energy sector, S&P 500 earnings would have increased 6.2% and the estimated revenue growth rate for the S&P 500 Index would jump to 1.5%.

A common factor cited by many American companies as contributing to weaker year-over-year growth in earnings and revenues in 2015 was the stronger U.S. currency. Certainly, we Canadians have been acutely aware of the strong U.S. dollar relative to the Canadian loonie. More importantly, the U.S. dollar was stronger in 2015 versus 2014 for the euro, the yen, and a number of other currencies as well.

Specifically with regards to the North Growth U.S. Equity Fund, we were pleased with the results of virtually all the companies in the portfolio throughout the year. Profits for the Fund's holdings on a weighted-average basis grew 21.4% year-over-year in the first quarter, 15.4% year-over-year (excluding the anomalous 1,250% gain in the earnings of First Solar) in the second quarter, and 24.4% over a year ago in the third quarter of 2015. The U.S. Fund's companies consistently delivered earnings above expectations every quarter, and clearly, the profit growth rate for the Fund compared much favourably to that of the S&P 500 Index. For the final quarter of 2015, we expect that the Fund's track record of beating analysts' estimates and reporting solid earnings growth will continue.

During the year, we were heartened by the results of many of the large cap technology names in the portfolio such as Apple and Microsoft, in addition to our large cap pharmaceutical/ biotechnology holdings including Gilead Sciences and Amgen. Such companies delivered strong earnings growth, generated healthy cash flows and maintained pristine balance sheets while at the same time increasing their returns of excess capital to shareholders.

By and large, the majority of the Fund's holdings continued to demonstrate exceptional fundamentals, and staying on the positive trend that began several years ago, a number of holdings in the U.S. Fund boosted their dividend payouts during the year. Two prominent examples include Texas Instruments and Microsoft which, in September, announced increases to their quarterly dividends by 12% and 16% respectively. 2015 marked the twelfth consecutive year of dividend raises for TI while Microsoft had similarly hiked its dividend each year for the past decade since the company initiated a payout. Texas Instruments currently yields 3.0% and Microsoft is yielding 2.7%; both these companies represent the superb long term dividend growth stocks in the Fund, many of which are large cap technology names.

Outlook for 2016

For most of 2015, investor sentiment was muted and became extremely negative in August with the increased market volatility. A short term trading mentality seemed to dominate the equity markets throughout the year as financial news headlines highlighted worries and urged caution. In 2015, U.S. equity mutual funds experienced a record amount of net redemptions; outflows of greater than $150 billion for the year topped the amount of net equity fund withdrawals in 2008.

We do not share the market's cautious mood which has extended into 2016. Against a moderately expanding U.S. economy and accommodative monetary conditions, overall U.S. equities remain reasonably valued especially relative to the strengthening corporate fundamentals. At a forward 12-month price/earnings (P/E) ratio of 15, the current valuation of the S&P 500 Index is close to its average multiple since 1937.

Although during the past couple of years there were certain pockets of the equity markets which traded at ultra-rich valuations—including some social media names and early-stage biotechs—many well-established companies with attractive growth prospects remain fairly valued. We have obviously avoided the high-flying momentum stocks that do not fit our investment philosophy.

We continue to focus our efforts on identifying sound fundamentals of individual companies, adhering diligently to our long term "growth at a reasonable price" discipline.

NORTH GROWTH PROSPECTUS FUNDS

Both our Canadian Equity Fund and our U.S. Equity Advisor Fund have Series F and Series D units are available to the general public through registered dealers for a minimum investment of $5,000 and a minimum subsequent purchase of $1,000.

The U.S. Equity Advisor Fund has been available since October 2009 and Series F and D units of the Canadian Equity Fund have been available since June 2012. Performance information for both North Growth prospectus funds is publicly available through SEDAR, your dealer, or us.

The fees on these series' were reduced on July 1, 2015 from 1.20% and 1.25% respectively, to 0.90%.

With its low all-inclusive management fee 0.90%, Series F units are best suited for the fee for service advisor channel. In addition to the management fee, Series D units have a low trailing commission of 0.30% (reduced from 0.50% on July 1, 2015) and are primarily aimed at the do-it-yourself investor through the discount broker channel.

For a short discussion on our fee philosophy please read the letter to unit holders on pages 2 and 3 of this report.

Direct

The North Growth U.S. Equity Fund, the North Growth Canadian Equity Fund (Series N) and the North Growth Canadian Money Market Fund are available directly from us. The minimum initial investment is $150,000 CDN, minimum subsequent investments $10,000 CDN.

From a registered dealer

The North Growth U.S. Equity Advisor Fund and the North Growth Canadian Equity Fund (Series D and Series F) are available through your regular full service broker, fee for service advisor or discount brokerage. The minimum initial investment is $5,000 CDN, minimum subsequent investments $1,000 CDN.

Registered dealers with clients interested in purchasing units of the North Growth U.S. Equity Advisor Fund and/or the North Growth Canadian Equity Fund (Series D and Series F) can do so through FundSERV.

NGM U.S. EQUITY ADVISOR FUND SERIES F AND SERIES D
NGM CANADIAN EQUITY FUND SERIES F AND SERIES D

Fund Code	Fund Series	Trailing Fee	MER (incl. trailer fee)
370 (C$) 371 (US$)	U.S. Equity Advisor Fund Series F	N/A	0.90%
372 (C$) 373 (US$)	U.S. Equity Advisor Fund Series D	0.30%	1.20%
270	Canadian Equity Fund Series F	N/A	0.90%
272	Canadian Equity Fund Series D	0.30%	1.20%

NORTH
GROWTH MANAGEMENT LTD.

www.northgrowth.com

Suite 830, One Bentall Centre
505 Burrard Street, Box 56
Vancouver, BC
Canada V7X 1M4

T: 604 688 5440
F: 604 688 5402