North Growth Management Ltd.

2013 ANNUAL REPORT

LETTER TO UNIT HOLDERS

Dear unit holders,

2013 was a rewarding year for unit holders in both of our U.S. Equity Funds (managed in parallel) and our Canadian Equity Fund.

The strength of the equity markets in the U.S. was very broad and when everything is going up it can be challenging for stock pickers to outperform the market, so we should be pleased that the North Growth U.S. Equity Fund outperformed the S&P 500 total return Index by 2.5% for the year. In addition to the solid 34.9% U.S. dollar gain for the U.S. Fund, Canadian investors benefitted from a 9.3% tailwind due to the falling Loonie, resulting in the best Canadian dollar annual return for the U.S. Fund in its 21 year history at 44.2%. Our newer prospectus qualified U.S. Equity Advisor Fund, which is available through the dealer channel with a lower $5,000 minimum initial investment, is managed in parallel to the original North Growth U.S. Equity Fund; however, due to slightly higher cash balances throughout the year the F series (with the same fee structure as our direct product) gained 43.1%.

In Canada we were somewhat surprised that, despite clear signs of commodities entering a traditional supply induced slowdown, the S&P/TSX Composite Index rallied during the second half of the year to a deliver a 13% annual gain. We don't think investors should get too excited by the surprising strength of the Canadian market. We maintain our bearish view toward mainstream Canadian equities and believe investors should be prepared for the TSX Composite to fall by 10 to 15% in the coming year. The North Growth Canadian Fund currently has no exposure to the financial or resource sectors, which we believe positions it well for growth despite our bearish outlook for the S&P/TSX Composite Index. Last year the Canadian Fund gained 44.3%. While we were pleased with the exceptional performance of the Canadian Fund during 2013, it is important to emphasize that short term historical returns have little if any value in predicting future returns.

Rudy's message in last year's annual report was essentially that we were frustrated with the U.S. Fund performance in 2012 but are "1 year closer to a period of significant growth". 2012 still annoys me a great deal, but I was heartened that we were able to deliver significant gains for our unit holders in 2013. Despite the strong U.S. market in 2013 it was not really that much fun. A seemingly constant barrage of headlines trumpeting macro issues, from one U.S. political 'CRISIS!!!!' to another, ongoing European economic stagnation and violent Middle Eastern conflicts – including the prospect of Iran becoming a nuclear nation, kept the market on edge and investors focused on short term volatility as a measure of risk. For a brief period in December investor sentiment appeared to improve a bit, perhaps simply looking back with amazement at the wall of worry just climbed. As January moves on, the financial media seems intent on publishing stories emphasizing reasons why the U.S.

market is due for a fall. I am not going to waste my time trying to debunk these arguments as I recognize that even if the reasoning is wrong it is entirely possible that the U.S. markets could decline. Yet the fact that bearish stories are being sought out by the financial media reassures me that there continues to be low expectations for these markets and I maintain a glass half full outlook on the global economy and our fund holdings.

Operationally 2013 was also a good year at North Growth Management. Our young investment management team, comprised of Cynthia, Erica, Jamie and myself, continues to work well after eleven years together and we constantly work at refining our investment research process. Rachid Nayel took over the CFO role from me this fall bringing our bench strength in accounting back to where it stood prior to John Jackman's death.

For over a decade now we have deviated from the industry norm of outsourcing by investing heavily in our own fund accounting and client record keeping system. Having in-house control over key systems positions us well to keep abreast of the ever rising tide of regulatory requirements in our industry. We have already achieved significant milestones towards changes in the regulatory environment including the new guidelines from the Canadian Securities Association for know your client and suitability rules, the multi-year roll-out of the CRM2 (Client Relationship Model – Stage 2) rules, and the implementation of the aggressive FATCA (Foreign Account Tax Compliance Act) by the U.S. Internal Revenue Service.

Going forward we look forward to increasing our level of client engagement and, as always, we will continue to focus on the disciplined execution of our 'growth at a reasonable price' investment philosophy.

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, 2013

U.S. Equities	1 yr	3 yrs	5 yrs	10 yrs	20 yrs	Since Inception*
NGM U.S. Equity Fund $CDN	44.2%	16.1%	17.5%	6.1%	11.4%	12.3%
S&P 500 $CDN	41.5%	18.8%	14.8%	5.3%	8.0%	8.7%
NGM U.S. Equity Fund $U.S.	34.9%	13.5%	20.7%	8.2%	12.6%	13.2%
S&P 500 $U.S.	32.4%	16.2%	17.9%	7.4%	9.2%	9.5%
S&P 400 Mid Cap $U.S.	33.5%	15.6%	21.9%	10.4%	12.1%	12.7%
S&P 600 Small Cap $U.S.	41.3%	18.4%	21.4%	10.7%	11.0%	12.1%
NASDAQ Composite $U.S.°	40.2%	17.8%	23.0%	8.8%	8.8%	9.8%

Canadian Equities	1 yr	3 yrs	5 yrs	10 yrs	20 yrs	Since Inception**
NGM CDN Equity Fund $CDN	44.3%	N/A	N/A	N/A	N/A	33.6%
S&P/TSX $CDN	13.0%	3.4%	11.9%	8.0%	8.2%	15.0%

Source: Bloomberg

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

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

° *Return Since Inception and for the 20 year period for the NASDAQ are 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 term 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 the use 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	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
NGM US Equity Fund $CDN	44.2%	6.6%	1.7%	11.6%	28.2%	-26.7%	-10.9%	12.7%	6.5%	3.5%
S&P 500 $CDN	41.5%	13.5%	4.4%	8.9%	9.1%	-22.6%	-10.3%	16.0%	1.5%	2.8%
NGM US Equity Fund $U.S.	34.9%	8.9%	-0.5%	17.9%	48.5%	-40.4%	4.7%	12.5%	10.0%	11.6%
S&P 500 $U.S.	32.4%	16.0%	2.1%	15.1%	26.5%	-37.0%	5.5%	15.8%	4.9%	10.9%
S&P 400 Mid Cap $U.S.	33.5%	17.9%	-1.7%	26.6%	37.4%	-36.2%	8.0%	10.3%	12.6%	16.5%
S&P 600 Small Cap $U.S.	41.3%	16.3%	1.0%	26.3%	25.6%	-31.1%	-0.3%	15.1%	7.7%	22.7%
NASDAQ Composite $U.S.	40.2%	17.7%	-0.8%	18.2%	45.4%	-40.0%	10.7%	10.4%	2.1%	9.2%

Canadian Equities	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
NGM CDN Equity Fund $CDN	44.3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P/TSX $CDN	13.0%	7.2%	-8.7%	17.6%	35.1%	-33.0%	9.8%	17.3%	24.1%	14.5%

Source: Bloomberg

Unit Price (US Fund): December 31, 2013 *$35.18 CDN*
$33.08 US

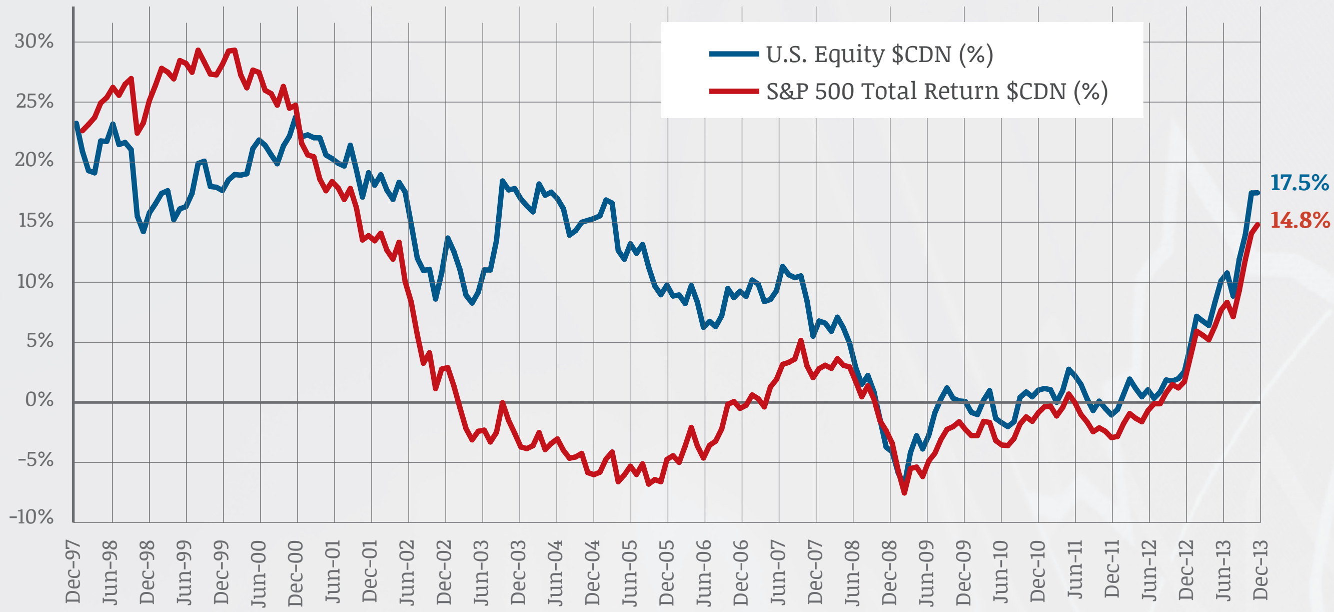
Unit Price (Canadian Fund): December 31, 2013 *$18.24 CDN*

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, 2013, the Fund's five-year average annual return in Canadian dollars was 17.5% versus 20.7% in U.S. dollars

CANADIAN 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, 2013, the average annual compound return for the U.S. Equity Fund in Canadian dollars is +17.5%. While we are pleased with the recent five-year returns, it is important to note that the beginning of this period was amidst the worst of the recession and ensuing panic. We are optimistic about the future, but caution investors to not place too much emphasis on this most recent five-year period when setting expectations for the future.

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

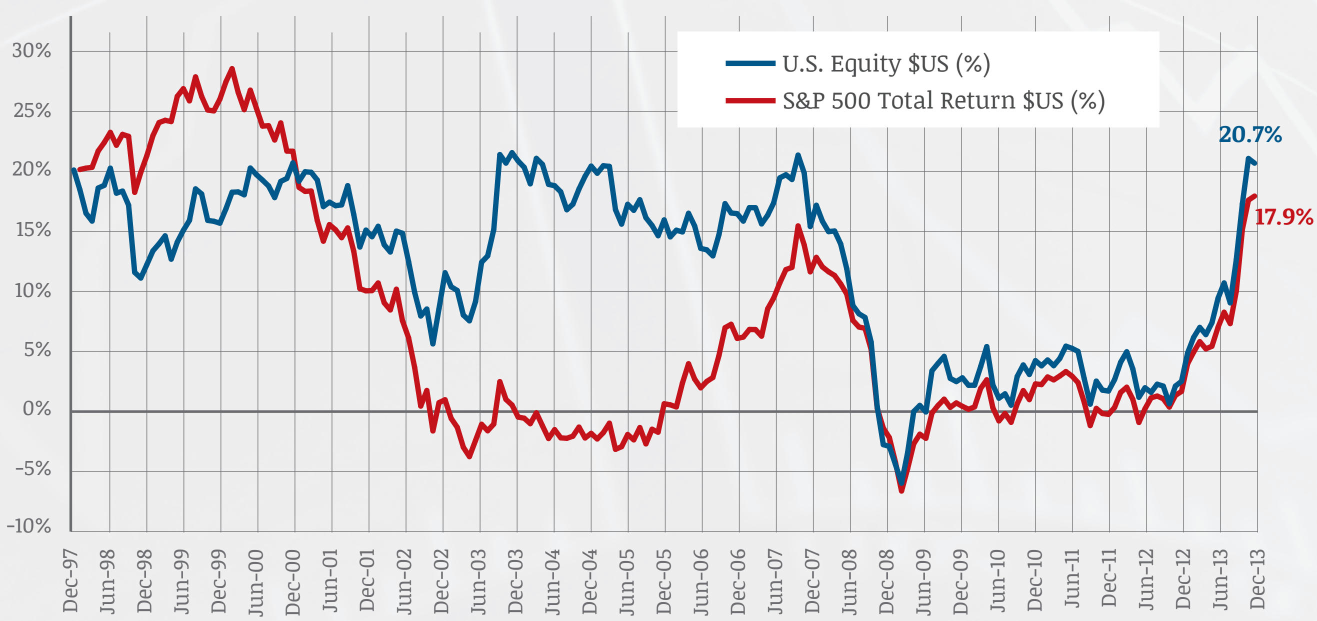
We feel this is a measure that gives a particularly good long term perspective of a Fund's performance. Five years may be a longer period than many investors focus on, but it is the minimum meaningful period for evaluating performance. It presents longer term results in a way which are neither overly 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, 2013 the average annual compound return for the U.S. Equity Fund in U.S. dollars is +20.7%. While we are pleased with the recent five-year returns, it is important to note that the beginning of this period was amidst the worst of the recession and ensuing panic. We are optimistic about the future, but caution investors to not place too much emphasis on this most recent five-year period when setting expectations for the future.

NGM U.S. Equity Fund

2013 was an exceptionally strong year for the U.S. equity markets. Apart from slight dips in June, August, and late September/early October—on concerns over the U.S. Federal Reserve tapering its monetary stimulus program, geopolitical tensions in Syria, and the U.S. budget/debt ceiling crisis—U.S. stocks consistently climbed higher throughout the year. The major U.S. equity indices posted stellar returns in 2013, with the S&P 500 Index recording its largest annual gain since 1997. The S&P 500 increased 32.4%, slightly less than the 33.5% rise in the S&P 400 MidCap. Of the indices we regularly track, the S&P 600 SmallCap and NASDAQ Composite advanced the most for the year, gaining 41.3% and 40.2% respectively.

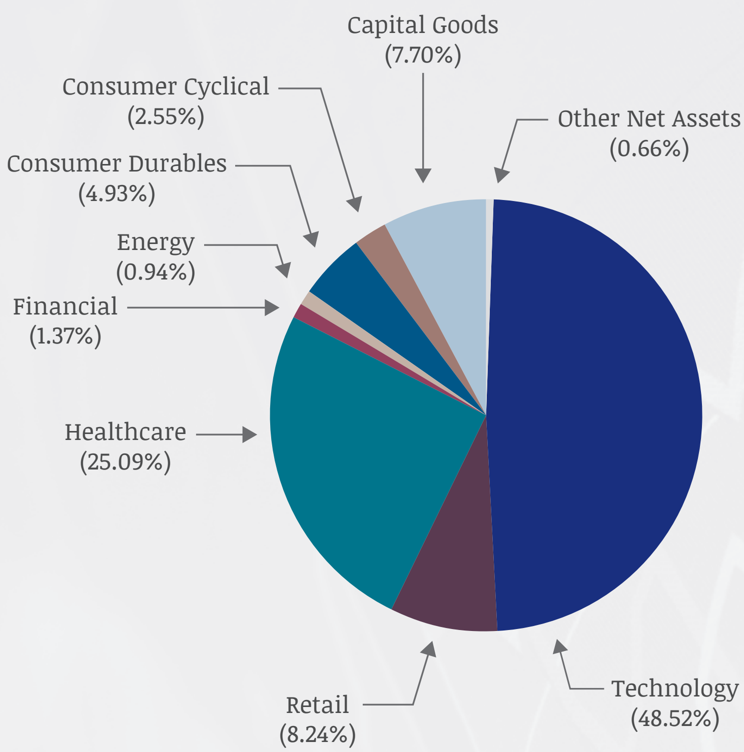
In 2013, the North Growth U.S. Equity Fund appreciated 34.9%, beating the S&P 500 by 2.5% and the S&P 400 by 1.4%, while lagging the NASDAQ and S&P 600 Indices by 5.3% and 6.4% respectively. As the Canadian dollar weakened significantly against the U.S. dollar during the year, the Fund gained 44.2% in Canadian dollars versus the S&P 500 Index which was up 41.5% in Canadian dollars.

Performance

	2013	* Since Inception
NGM US Equity Fund $CDN	44.2%	12.3%
S&P 500 $CDN	41.5%	8.7%

* *since October 13, 1992*

Sector Mix



U.S. EQUITY FUND

As of December 31, 2013

	%
Apple Inc.	9.45
Cisco Systems Inc.	8.98
Intel Corporation	5.24
St. Jude Medical Inc.	4.61
Microsoft Corporation	4.25
Bristol-Myers Squibb Company	4.04
WellPoint Inc.	3.81
Pier 1 Imports Inc.	3.55
Citrix Systems Inc.	3.53
Texas Instruments Inc.	3.22
Precision Castparts Corp.	3.13
Zimmer Holdings Inc.	3.11
GT Advanced Technologies Inc.	3.09
Pfizer Inc.	3.06
Electronic Arts Inc.	3.01
Cerner Corporation	2.99
Gilead Sciences Inc.	2.85
Safeway Inc.	2.71
DSP Group Inc.	2.59
Herman Miller Inc.	2.56
Ethan Allen Interiors Inc.	2.38
Varian Medical Systems Inc.	2.12
Rite Aid Corporation	1.98
Jacobs Engineering Group Inc.	1.78
Gap Inc.	1.49
Amgen Inc.	1.49
Johnson Controls Inc.	1.40
Citigroup Inc.	1.37
Applied Materials Inc.	1.18
American Eagle Outfitters Inc.	1.06
General Electric Company	1.00
Qualcomm Inc.	0.99
First Solar Inc.	0.94
Itron Inc.	0.38
Total Equities	**99.34**
Cash	**0.66**
TOTAL ASSETS	100.00

NGM Canadian Equity Fund

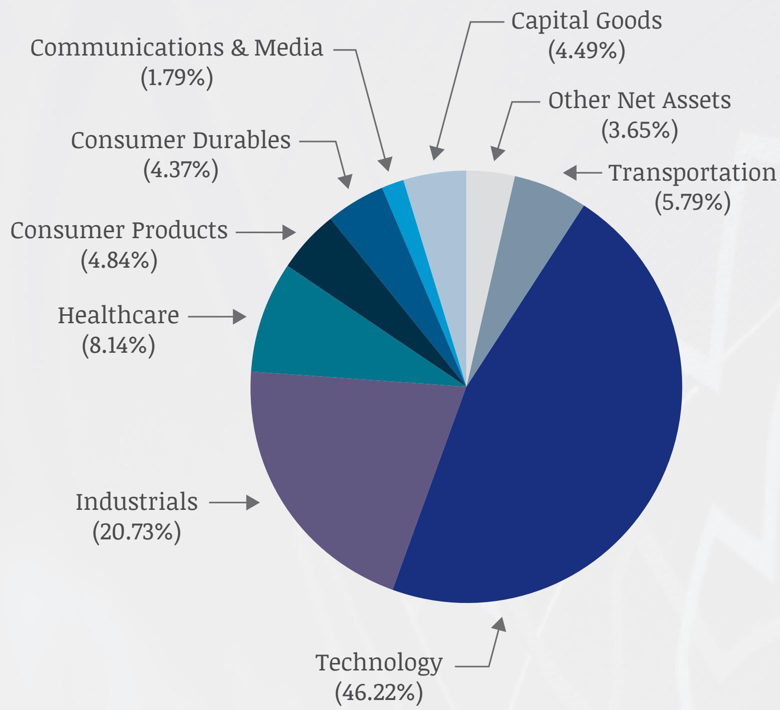
The Canadian Equity Fund had a strong year in 2013, gaining 44.3% compared to 13.0% for the S&P/TSX Composite Index. Last year we highlighted that we felt many of our holdings were undervalued and underappreciated by investors — this strong performance validates that assessment. Interestingly this year we lost no companies to takeovers; however, it appears that takeover potential, coupled with low valuations and solid fundamentals, has caught the attention of investors seeking out equities without commodity price risk. As a result of the strong gains this year, the portfolio has fewer undervalued companies and more fairly valued ones; however, fairly valued companies with strong underlying fundamentals should still be embraced especially considering their valuations are still discounted to other companies with weaker fundamentals whose valuations are being propped up by investors paying premiums for perceived safety. As the investment climate continues to normalize, we feel companies which are perceived to be safe and valued at premiums will eventually be perceived as low-growth and their premium valuations are likely to turn into discounts. We are encouraged that investors are starting to recognize that investing in resources does not offer carte blanche risk-free gains as they previously thought and as such are starting to seek out alternatives.

Performance

	2013	* Since Inception
NGM Canadian Equity Fund	44.3%	33.6%
S&P/TSX Composite Index	13.0%	15.0%

* *since June 15, 2012*

Sector Mix



CANADIAN EQUITY FUND

As of December 31, 2013

	%
Sandvine Corporation	9.97
Bombardier Inc., Class B	7.20
Celestica Inc.	6.87
WestJet Airlines Ltd.	5.79
Open Text Corporation	5.49
CAE Inc.	4.78
COM DEV International Ltd.	4.59
ATS Automation Tooling Systems Inc.	4.49
Dorel Industries Inc., Class B	4.37
Valeant Pharmaceuticals International, Inc.	4.31
Sierra Wireless Inc.	4.20
Martinrea International Inc.	4.12
Ballard Power Systems Inc.	4.07
EXFO Inc.	4.04
MacDonald Dettwiler and Associates Ltd.	3.95
GSI Group Inc.	3.04
Stantec Inc.	3.04
Jean Coutu Group (PJC) Inc., Class A	3.02
Saputo Inc.	1.81
TELUS Corporation	1.79
QLT Inc.	1.61
Heroux-Devtek Inc.	1.59
Imris Inc.	1.51
Oncolytics Biotech Inc.	0.70
Total Equities	**96.35**
Cash	**3.65**
TOTAL ASSETS	100.00

NGM Canadian Money Market Fund

The Money Market Fund's current yield at the end of 2013 was 0.85%, an immaterial decrease of 0.02% or 2 basis points from the 0.87% yield at the beginning of the year. For the third consecutive year, the Bank of Canada's target for the overnight rate began and ended the year at 1.00% with no variation during 2013—in other words, the central bank neither raised nor lowered the overnight rate at any of its announcement dates during 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. In 2013, the Fund returned 0.86%, 0.09% or 9 basis points below the 0.95% return for 30-day Treasury Bills. Over the past five years, the average annual return for the Fund was 0.65%, 0.06% or 6 basis points below the 0.71% average annual return for 30-day Treasury Bills. 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, 2013

	* Current Yield	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	**0.85**	**0.86**	**0.85**	**0.65**
30 Day T-Bill	N/A	0.95	0.92	0.71

* *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.*

NORTH GROWTH PROSPECTUS FUNDS

Both our Canadian Equity Fund and our U.S. Equity Advisor Fund have Series F and Series D units and are available to the general public through registered dealers for a minimum investment of $5,000 and a minimum subsequent purchase of $1,000. Series F Units of each Fund are charged the Fund's low all-inclusive management fee and no trailing fee (suitable for fee-for-service dealers), and Series D units are charged the Fund's low all-inclusive management fee and a 0.50% trailer fee.

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.

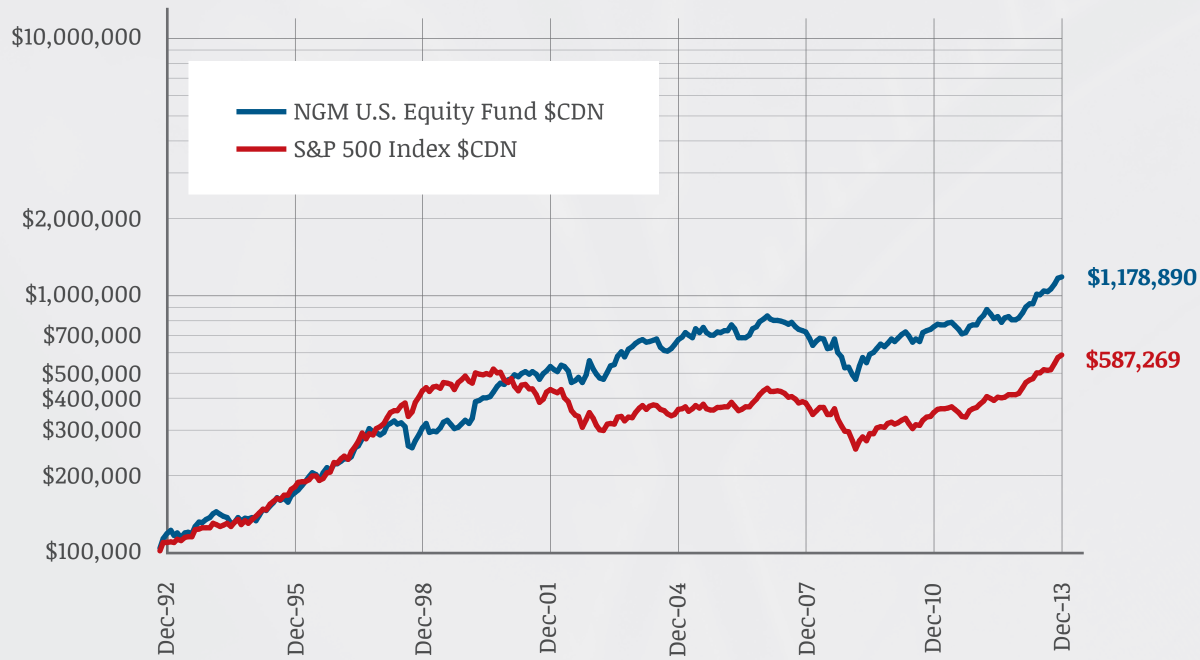
Please note that units of the North Growth U.S. Equity Fund and the Canadian Equity Fund Series N are now only available for purchase in your direct North Growth account.

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	1.20%
372 (C$) 373 (US$)	U.S. Equity Advisor Fund Series D	0.50%	1.70%
270	Canadian Equity Fund Series F	N/A	1.25%
272	Canadian Equity Fund Series D	0.50%	1.75%

U.S. EQUITY FUND SINCE INCEPTION $CDN

An investment of $100,000 CDN from inception to December 31, 2013:



Despite ongoing concerns throughout the year—an exhaustive list that included softer global economic conditions, geopolitical tensions in the Middle East, uncertainty regarding the U.S. Federal Reserve's quantitative easing program, and the U.S. political wrangling over the federal budget and debt ceiling—2013 turned out to be exceptionally positive for U.S. equities. Similar to the investment climate in the previous year, equities climbed a solid "wall of worry" in 2013. Yet apart from slight dips in the equity markets during the summer and in late September/early October, U.S. stocks consistently trudged higher throughout the year amidst all the noise. The S&P 500 Index gained 32.4% in 2013, ending the year at an all-time high for the first time since 1999. The market advance was extensive as all ten main sectors in the S&P 500 were up for the year. Approximately 460 stocks in the index recorded annual gains, making 2013 the broadest rally in data going back to 1990.

Economic Discussion

The U.S. economy entered 2013 with decent momentum on the heels of the near-term resolution of the U.S. fiscal cliff on January 1st. Even as the sequestration of federal spending kicked in on March 1st, U.S. economic growth remained steady at a solidly moderate pace. Absorbing the higher taxes and government spending cuts that took effect in the first half of the year, the U.S. economy not only stayed remarkably resilient during the rest of 2013, but in fact accelerated as the underlying conditions supporting the expansion continued to improve. Based on the final estimates released by the U.S. Department of Commerce, U.S. gross domestic product or GDP grew at an annualized rate of 1.8% in the first quarter, 2.5% in the second quarter, and 4.1% in the third quarter.

The Commerce Department's preliminary estimate of fourth quarter GDP will be announced on January 30th , 2014. Most economists forecast a deceleration in the rate of growth from the third quarter driven largely by the 16-day partial government shutdown in early October and the associated debt ceiling crisis. The ratings agency, Standard & Poor's, estimates that the shutdown took $24 billion out of the U.S. economy and thereby reduced the annualized fourth quarter GDP growth by at least 0.6%. Taking into account the shutdown's wider negative impact on consumer, business and investor confidence, it would not be surprising if the latest episode of U.S. political turmoil shaved around 1% from economic growth in the fourth quarter of 2013.

However, in spite of the government policy brinkmanship that resurfaced during the latter part of the year, the U.S. economy showed signs of strengthening. The positive trends underlying U.S. economic growth remained intact throughout 2013 as key indicators continued to pick up.

Currently in its fifth year, the economic expansion added significant momentum towards the end of 2013. The Institute for Supply Management (ISM)'s gauge of factory activity advanced for six straight months during the latter half of the year, reaching a greater than two-year high in November. Along with the substantial acceleration in manufacturing was particular strength in new orders; orders reported by purchasing managers in December were the strongest since April 2010. The housing and automotive sectors, which have been bright spots for the U.S. economy since 2012, continued to sustain gains in 2013. As of November, new home sales were tracking to be the most since 2008 and auto sales were on pace for their best year since 2007.

Supported by rising home values and improving household wealth, consumer spending continued to climb throughout 2013. Confidence rebounded at the end of the year as the Conference Board's consumer sentiment index registered the strongest year-end reading in over five years. The U.S. labour market continued to recover at a gradual pace in 2013 with the unemployment rate ending the year at 6.7%, down from 7.8% at the beginning of the year.

Rounding out the favourable macro environment at the end of 2013 was the bipartisan budget deal reached in mid-December to avoid another government shutdown in the new year. Although not the grand bargain that President Obama and congressional Republicans had once aspired to, the two-year agreement broke the pattern of short-term funding bills requiring extension every few months. Following three years of bitter political warfare in the United States during which tax receipts increased and government spending was curtailed, the fiscal outlook for the U.S. improved markedly by the end of 2013. The federal deficit narrowed significantly during the year, decreasing by over one-third from 2012. As a percentage of GDP, the deficit ended 2013 at less than -4.0%, a meaningful improvement from the worst level of -10.4% in 2009.

U.S. Corporate Health

In the private sector, U.S. companies continued to grow earnings and generate record amounts of cash flow in 2013. Corporate balance sheets strengthened further as the cash balances of non-financial companies rose to an estimated $2.0 trillion by year-end, up approximately 38% from the $1.45 trillion at the end of 2012. Throughout the year, U.S. corporations continued to increase their dividend payouts and share repurchases. Based on data to the third quarter of 2013, the number of dividend-paying stocks in the S&P 500 Index (417, or 84% of the index) reached a 17-year high while the number of companies increasing their year-over-year dividend per share distribution was the highest in at least twenty years.

Continuing on the positive trend in place over the past several years, numerous holdings in the North Growth U.S. Equity Fund, many of which are large-cap technology names, boosted their dividend payouts during the year. Texas Instruments (TI) and Cisco Systems are illustrative of such companies. In 2013, TI increased its quarterly dividend by 43%, marking the tenth consecutive year of dividend raises; meanwhile, Cisco hiked its quarterly dividend by 21% following an increase of 133% in 2012 and the initiation of a dividend in 2011. TI and Cisco currently yield around 2.8% and 3.0% respectively. Given the financial strength of companies such as TI and Cisco, along with a growing commitment to return excess capital to shareholders, it is likely that dividends will maintain a favourable, upward trend.

Monetary Policy

With indications that U.S. economic growth was gaining momentum by mid-2013, the markets began to speculate on the tapering of monetary stimulus or the Federal Reserve reducing its debt asset purchases. Throughout the entire year, the Fed continued implementing its open-ended quantitative easing program that began in June 2012. Specifically, the Fed added to its holdings of agency mortgage-backed securities at a pace of $40 billion per month and added to its holdings of longer-term Treasury securities at a pace of $45 billion per month. The Federal Open Market Committee (FOMC) also maintained its policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities, and of rolling over maturing Treasury securities in auction. In essence, the U.S. Federal Reserve kept a highly accommodative stance of monetary policy in 2013—the exceptionally low target range for the federal funds rate of 0 to ¼ percent was reaffirmed consistently and downward pressure on longer-term interest rates was maintained via the asset purchases.

At its December 18th meeting, based on stronger economic data including further improvement in labour market conditions, the FOMC announced that it would modestly reduce the pace of its debt purchases beginning in January 2014 by $10 billion per month. The Fed continues to hold a highly accommodative monetary policy, and will likely decrease its debt purchases in measured steps upon further strengthening in the economic outlook and higher long-term inflation expectations. Continued U.S. monetary policy accommodation in 2014 should therefore continue to promote higher economic growth.

Outlook for 2014

Investor sentiment remained cautious during the majority of the past year despite the strong rally in equities. Low trading volumes on the New York Stock Exchange and the tendency of market participants to focus on potentially negative data throughout the year demonstrate the solid “wall of worry” that confronted the markets. Finally, only near the end of 2013 did sentiment appear to turn more favourable as net flows into equity mutual funds became clearly positive. A major rotational reversal from bonds to stocks has yet to take place, and while much improved, investor sentiment is by no means euphoric.

We maintain our constructive outlook for U.S. equities going into 2014. Against an improving macroeconomic backdrop with the Fed's accommodative monetary policy and growing investor confidence, U.S. stocks continue to provide attractive long term investment opportunities. Record-high corporate earnings that remain in an upward trajectory and strengthening corporate balance sheets, in addition to reasonable valuations, support our conviction.

With the S&P 500 Index trading at a current forward 12-month price/earnings (P/E) ratio of 15.0—a discount to the 15-year average of 16.2 and substantially below the consistently above 20.0 P/E ratio of the late '90s—we do not believe U.S. equities are overvalued. The North Growth U.S. Equity Fund remains fully invested heading into 2014. We continue to focus on identifying strong fundamentals and attractive valuations of individual companies, adhering to our "growth at a reasonable price" philosophy.

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	1.20%
372 (C$) 373 (US$)	U.S. Equity Advisor Fund Series D	0.50%	1.70%
270	Canadian Equity Fund Series F	N/A	1.25%
272	Canadian Equity Fund Series D	0.50%	1.75%

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.

Please note that units of the North Growth U.S. Equity Fund and the Canadian Equity Fund Series N are now only available for purchase in your direct North Growth account.

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