

AUGUST 2014

**MANAGEMENT'S MONTHLY
REPORT ON FUND
PERFORMANCE**

September 15, 2014

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North Growth Funds

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Fund Performance Update

U.S. Equity Fund

The North Growth U.S. Equity Fund delivered solid outperformance against all the major indices we regularly follow during the summer. We continue to believe we are likely at the beginning of a mid-cycle market rotation from small-cap stocks to large caps and from overpriced, momentum high-flyers to “growth at a reasonable price” U.S. equities. We are encouraged by the Fund’s year-to-date return of 14.8% which is well ahead of all the indices we track (see table on page 4), and look forward to continued relative outperformance as we adhere to our disciplined investment philosophy for which the market dynamics are favourable.

In August, the S&P 500 Index gained 4.0%, lagging slightly behind the S&P 400 MidCap, S&P 600 SmallCap and NASDAQ Composite indices which advanced 5.1%, 4.3% and 5.0% respectively. The U.S. Fund appreciated 6.2%, beating all the mentioned indices. Due to a slight strengthening of the Canadian currency during the month, the Fund gained 5.9% in Canadian dollars versus the S&P 500 which was up 3.7% in Canadian dollars.

Canadian Equity Fund

The North Growth Canadian Equity Fund declined 0.6% in August whereas the S&P/TSX Composite Index increased 2.1%. Over the past few months, despite commodity prices being under pressure, the Canadian stock market has been bolstered by commodity-related equities to which the Canadian Fund has virtually no exposure. We remain pleased with the Fund’s longer term performance results. As we are restricted from publishing the complete historical record of the Canadian Fund due to the filing of a prospectus on June 15, 2012, the longest term performance we publish for the Fund is two years. Over the past two years, as of August 31st, the Canadian Equity Fund returned 32.6% per annum versus 17.9% for the S&P/TSX Composite.

Brightening macroeconomic backdrop...

Notwithstanding the increasing geopolitical tensions in the Middle East and Ukraine, the majority of economic and corporate news has on balance been positive for the equity markets. The U.S. economy is in a period of accelerating growth: following a temporary contraction in the first quarter, GDP (gross domestic product) rose at a 4.2% annualized rate in the April-to-June months.

Moreover, recent economic indicators point to a strong second half of 2014. The unemployment rate is at the lowest level since September 2008 and monthly job gains are on track to show their best year since 1999. In August, the Institute for Supply Management’s (ISM’s) index, the widely used gauge for U.S. manufacturing, rose to its highest reading in over three years. Along with a pickup in manufacturing growth, services also expanded at a faster pace last month as the ISM’s non-manufacturing index climbed to 59.6, the most since August 2005.

Importantly, corporate earnings continue to demonstrate strong growth and come in above expectations. Through August 29th, with over 98% of the S&P 500 companies having reported second quarter results, 68% exceeded analysts’ profit forecasts while 64% beat revenue estimates. According to Thomson Reuters, second quarter earnings grew 8.5% year-over-year on revenue growth of 4.6%.

We have been pleased with the results of all the companies in the U.S. Fund to date. As of August 29th, 91% of the Fund’s holdings have reported, and profits on a weighted-average basis in the latest quarter increased 29.3% over a year ago against estimates of 18.9% growth.

Our View

In spite of the acceleration in the U.S. economy, solid corporate earnings growth and the S&P 500 Index reaching new highs, investor sentiment towards stocks remains lukewarm at best. Over the past three months (June, July and August), total U.S. equity mutual fund flows are on track to be negative \$22 billion while flows into bond funds are expected to be positive \$27 billion. We maintain our constructive outlook for U.S. equities, staying fully invested and adhering as always to our “growth at a reasonable price” investment philosophy.

Tax Information

As we approach year-end, we begin planning for the annual December distributions from our equity funds. It is still too early to make an accurate estimate, but for planning purposes it is reasonable to expect that distributions per unit will be at or above last year’s \$1.30 per unit for the North Growth U.S. Equity Fund, and \$1.05 per unit of the North Growth Canadian Equity Fund.

It is important to recognize that with three months left until the Funds’ distribution date, a lot can happen and these numbers are estimates only and actual distributions could be substantially different. We will continue to update these estimates as we approach the distribution date.

North Growth U.S. Equity Fund

Short Term Rates of Return (%) for the Period Ended August 31, 2014

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	5.85	6.67	9.86	17.34
S&P 500 in \$CDN	3.70	4.98	6.87	12.33
NGM U.S. Equity Fund \$U.S.	6.15	6.36	11.89	14.78
S&P 500 \$U.S.	4.00	4.68	8.84	9.89
S&P 400 MidCap \$U.S.	5.08	4.75	5.33	8.13
S&P 600 SmallCap \$U.S.	4.29	3.21	1.31	1.74
NASDAQ Composite \$U.S.	4.99	8.28	6.97	10.57

Annualized Rates of Return (%) for the Period Ended August 31, 2014

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	33.70	24.83	17.35	8.49	10.39	12.24	12.76
S&P 500 \$CDN	29.33	24.88	16.71	6.35	2.59	8.28	9.01
NGM U.S. Equity Fund \$U.S.	29.48	20.56	17.51	10.55	12.74	13.53	13.45
S&P 500 \$U.S.	25.25	20.61	16.88	8.38	4.78	9.53	9.68
S&P 400 MidCap \$U.S.	23.25	19.79	18.77	11.13	10.47	12.52	12.73
S&P 600 SmallCap \$U.S.	18.70	20.69	18.72	10.51	10.48	11.24	11.81
NASDAQ Composite \$U.S.	29.18	22.78	19.37	10.85	4.42	9.35*	9.94*

Source: Bloomberg "Total Return Analysis" as of Sep 2, 2014.

*These returns are a simple price appreciation because total return data is not available on Bloomberg.

Unit Price: \$ 41.28 CDN
\$ 37.96 USD

Total Assets in Fund \$ 409.4 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended August 31, 2014

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-0.58	0.53	3.63	14.69
S&P / TSX \$CDN	2.09	7.75	11.53	16.86

Annualized Rates of Return (%) for the Period Ended August 31, 2014

	1 Year	2 Years	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	32.34	32.57	N/A	N/A	N/A
S&P / TSX \$CDN	27.13	17.86	N/A	N/A	N/A

**The Canadian Equity Fund became a reporting issuer on June 15, 2012. It is not permitted to publish performance data prior to the date it became a reporting issuer.*

Unit Price: \$ 20.92 CDN

Total Assets in Fund \$ 40.40 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended August 31, 2014

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.88	0.87	0.86	0.70
30 Day Treasury Bill	N/A	0.92	0.92	0.76

** 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.*

We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio is most often less than 30 days. Historically the Fund has generated very competitive yields with this simple approach because the management fee is, and always has been, 0.25%. In today's low rate environment most other money market funds in Canada have cut their management fees and extended their maturities in order to improve yields, as a result the North Growth Canadian Money Market Fund's yields are now below the industry average.

We manage the portfolio to ensure high liquidity and have no intention to extend maturities in order to chase a few basis points and we do not have any room to reduce our management fees because we already take a loss on the product. We still believe our money market fund has superior liquidity characteristics due to its very low average maturity but our current yield is 0.88% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

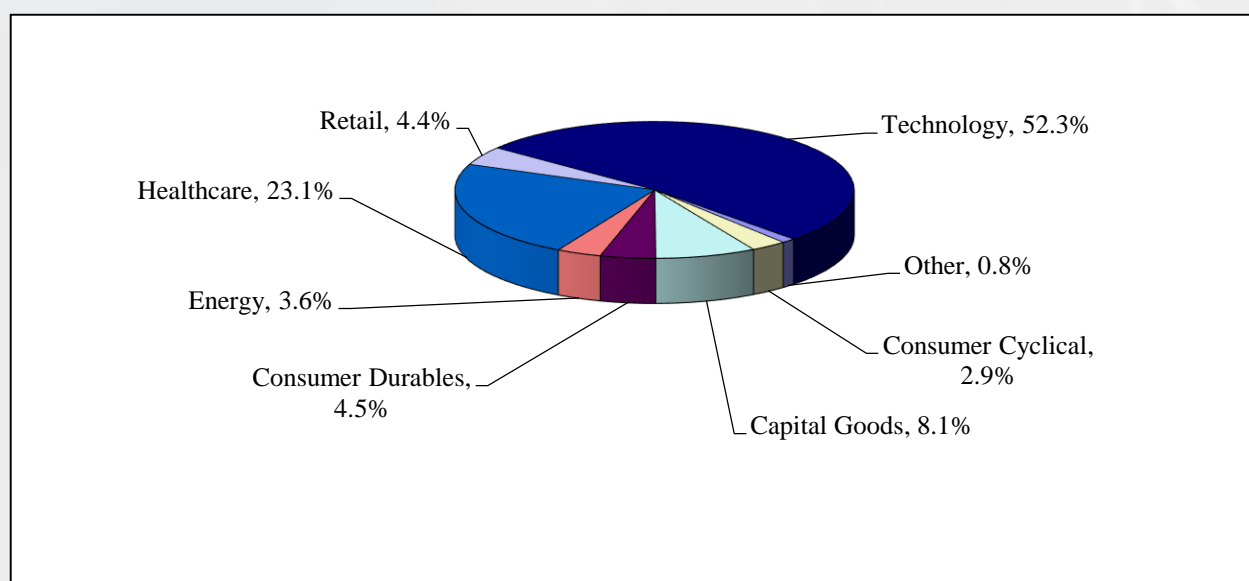
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

U.S. Equity Fund – Top 10 Holdings as at August 31, 2014

Ranking	Security	% of Net Assets
1.	Apple Inc.	9.97
2.	Cisco Systems Inc.	8.73
3.	Intel Corporation	5.96
4.	GT Advanced Technologies Inc.	5.51
5.	Microsoft Corporation	4.50
6.	WellPoint Inc.	4.19
7.	St. Jude Medical Inc.	4.12
8.	Citrix Systems Inc.	3.95
9.	First Solar Inc.	3.60
10.	Gilead Sciences Inc.	3.57
Top 10		54.10
Total Equities		98.90
Cash		1.10
Total Assets		100.00

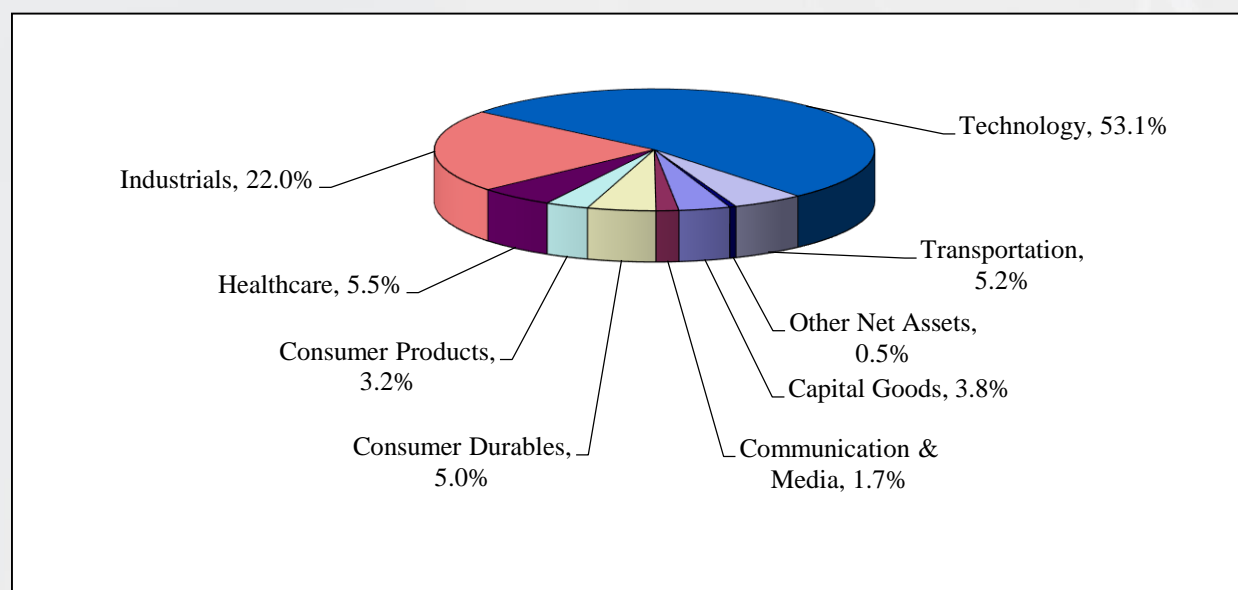
U.S. Equity Fund – Sector Mix as at August 31, 2014



Canadian Equity Fund – Top 10 Holdings as at August 31, 2014

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	9.51
2.	Ballard Power Systems Inc.	7.23
3.	Open Text Corporation	6.64
4.	Bombardier Inc., Class B	5.98
5.	Martinrea International Inc.	5.95
6.	Celestica Inc.	5.65
7.	Westjet Airlines Ltd.	5.24
8.	Dorel Industries Inc., Class B	5.02
9.	COM DEV International Ltd.	4.85
10.	CAE Inc.	4.31
Top 10		60.38
Total Equities		99.52
Cash		0.48
Total Assets		100.00

Canadian Equity Fund – Sector Mix as at August 31, 2014



Investing With Us

Investing With North Growth Management:

North Growth Management is a focused firm. We are Canada's U.S. Equity Specialist. Our objective is consistent, superior, long term returns on our equity funds based on our "growth at a reasonable price" investment philosophy.

Conducting Transactions

The cut-off time for same-day transactions is 3 p.m. Eastern time or 12 p.m.(noon) Pacific time. Orders received after that time will be processed on the next business day. Cheques must be made payable to RBC Investor Services Trust. For security reasons, instructions can only be accepted by mail or by fax to:

North Growth Management Ltd.
Suite 830, One Bentall Centre
505 Burrard Street, Box 56
Vancouver, BC V7X 1M4

Fax: 604-688-5402

Where to Find NGM Fund Prices

Please visit www.northgrowth.com to view the Fund's daily prices or to be added to our e-mail list to receive daily notification of the Fund's prices. Alternatively, the Globe & Mail reports prices on www.globefund.com by at the following links:

North Growth U.S. Equity Fund

<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=52033&cid=4008>

North Growth Canadian Equity Fund

<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=57466&cid=4008>

North Growth Canadian Money Market Fund

<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=53072&cid=4008>

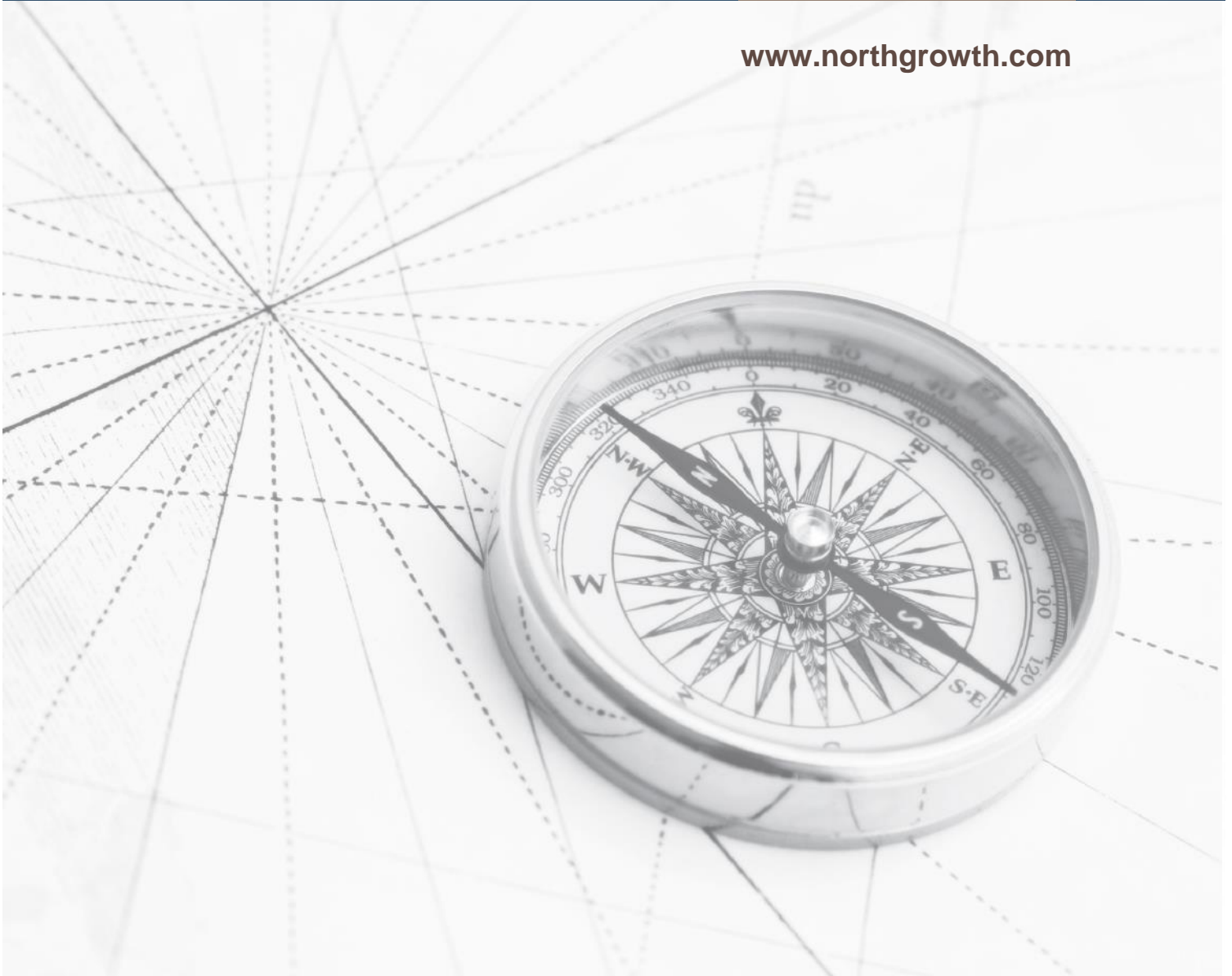


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