

**AUGUST 2016**

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

September 14, 2016

# MANAGEMENT'S MONTHLY REPORT ON FUND PERFORMANCE

## North Growth Funds

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# Fund Performance Update

## U.S. Equity Fund

The dog days of summer epitomized August as U.S. equities posted moderate gains during an unusually calm month. The S&P 500 Index appreciated a slight 0.1% while the S&P 400 MidCap and S&P 600 SmallCap delivered stronger returns of 0.5% and 1.4% respectively. Continuing its rally from July, the NASDAQ Composite gained 1.2%. The North Growth U.S. Equity Fund was up 0.3% in August, outperforming the S&P 500 but lagging the other mentioned indices we track. A weaker Canadian currency relative to the U.S. boosted the Fund's monthly return in Canadian dollars to 0.8% versus the S&P's 0.6% gain in Canadian dollars.

## Canadian Equity Fund

Similar to the U.S. equity markets, the S&P/TSX Composite appreciated slightly by 0.3% in August. The North Growth Canadian Equity Fund, however, declined 1.2% for the month.

## End of Summer Doldrums

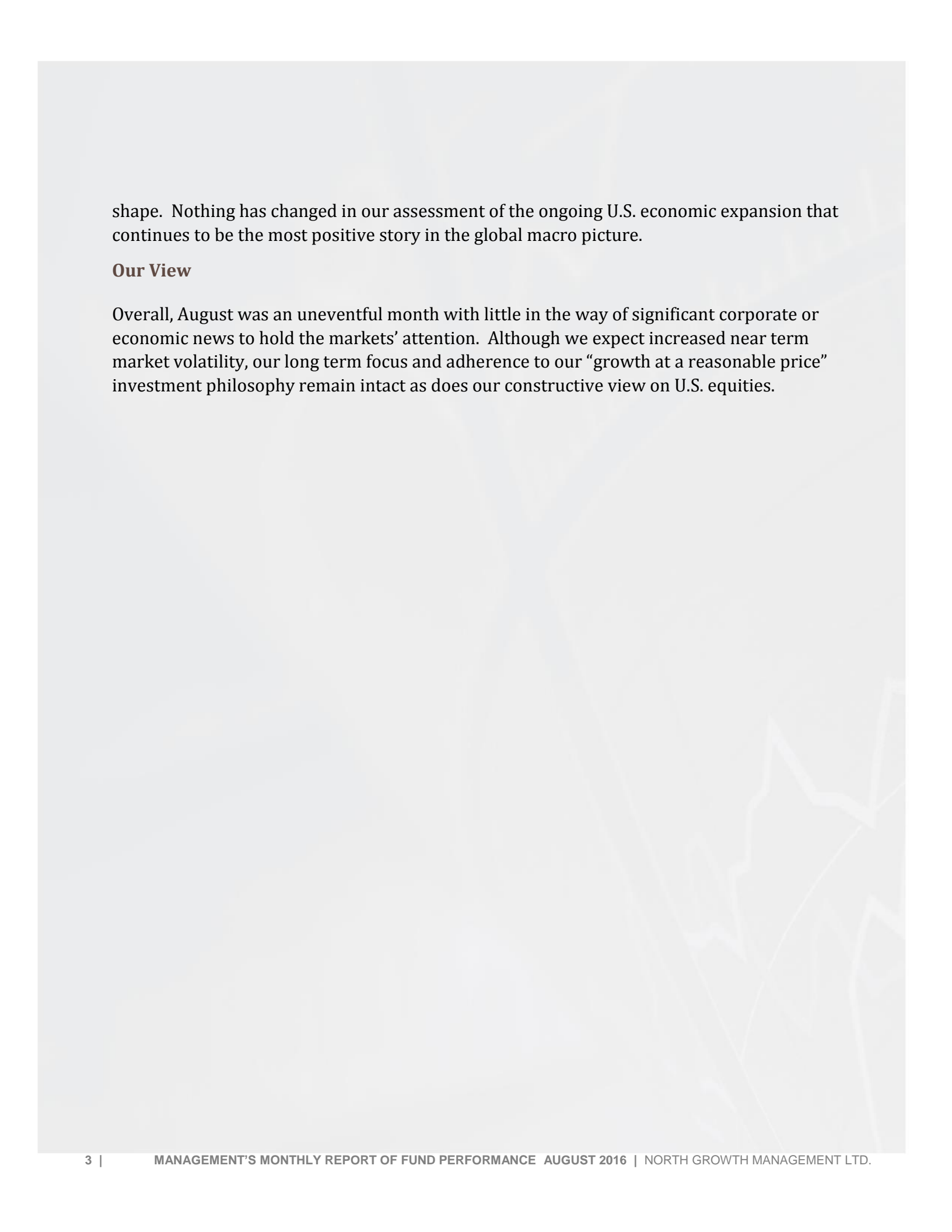
In sharp contrast to August last year, activity in the U.S. stock markets was particularly subdued this August. Trading volume on the New York Stock Exchange fell to the lowest level year-to-date, and last month's trading range, at around 2%, was the fourth narrowest for any August since 1928. For the entire month, the S&P 500 Index moved less than 1% intraday in either direction, a sign of the listlessness in the markets. Basically, U.S. equities were out for vacation.

## Fed Speculation

The low market volatility of the late summer is poised to end as increased news flow, upcoming meetings at central banks including the Fed, and the impending U.S. presidential election come to the fore of investors' minds.

The Federal Open Market Committee (FOMC) will meet on September 20<sup>th</sup> and 21<sup>st</sup> to consider raising interest rates for the first time since hiking last December. Continued strength in the U.S. employment markets and indications of modest wage gains have fueled speculation that the Fed may elect to increase the target range for the benchmark federal funds rate from the current  $\frac{1}{4}$  to  $\frac{1}{2}$  percent. Additionally, fears over weak global growth and surprise events such as Brexit have receded recently while U.S. economic data continue to be supportive of a moderate expansion.

We have maintained for over the past year that the gradual removal of monetary stimulus should be viewed as a non-event and simply confirmation that the U.S. economy is in solid



shape. Nothing has changed in our assessment of the ongoing U.S. economic expansion that continues to be the most positive story in the global macro picture.

### **Our View**

Overall, August was an uneventful month with little in the way of significant corporate or economic news to hold the markets' attention. Although we expect increased near term market volatility, our long term focus and adherence to our "growth at a reasonable price" investment philosophy remain intact as does our constructive view on U.S. equities.

# North Growth U.S. Equity Fund

## Short Term Rates of Return (%) for the Period Ended August 31, 2016

	1 Month	3 Months	6 Months	YTD
<b>NGM U.S. Equity Fund in \$CDN</b>	0.80	4.71	10.78	2.18
S&P 500 in \$CDN	0.60	4.15	10.11	2.18
<b>NGM U.S. Equity Fund \$U.S.</b>	0.34	4.66	14.28	7.82
S&P 500 \$U.S.	0.14	4.10	13.60	7.82
S&P 400 MidCap \$U.S.	0.50	5.25	18.28	13.12
S&P 600 SmallCap \$U.S.	1.36	7.16	19.25	13.15
NASDAQ Composite \$U.S.	1.18	5.68	15.17	5.08

## Annualized Rates of Return (%) for the Period Ended August 31, 2016

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
<b>NGM U.S. Equity Fund \$CDN</b>	12.25	19.60	20.01	9.71	8.87	11.40	12.79
S&P 500 \$CDN	12.20	20.83	21.58	9.36	5.37	7.98	9.64
<b>NGM U.S. Equity Fund \$U.S.</b>	12.60	11.16	13.20	7.85	10.10	11.64	12.54
S&P 500 \$U.S.	12.55	12.30	14.69	7.51	6.55	8.21	9.40
S&P 400 MidCap \$U.S.	12.33	11.45	14.07	9.26	9.49	11.50	12.15
S&P 600 SmallCap \$U.S.	13.26	11.03	15.18	8.73	9.67	10.22	11.43
NASDAQ Composite \$U.S.	10.59	14.69	16.65	10.33	8.45	8.82	9.66*

Source: Bloomberg "Total Return Analysis" as of Sep. 1, 2016.

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

Unit Price: \$ 48.90 CDN  
\$ 37.28 USD

Total Assets in Fund \$ 495.6 Million CDN

# North Growth Canadian Equity Fund

## Short Term Rates of Return (%) for the Period Ended August 31, 2016

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	-1.20	0.15	9.19	2.41
S&P / TSX \$CDN	0.27	4.54	15.25	14.43

## Annualized Rates of Return (%) for the Period Ended August 31, 2016

	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
<b>NGM Canadian Equity Fund</b>	2.57	-3.24	7.41	13.26	N/A	N/A
S&P / TSX \$CDN	8.69	-0.37	8.06	8.36	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: \$ 18.13CDN

Total Assets in Fund \$ 38.3 Million CDN

# North Growth Canadian Money Market Fund

## Annualized Rates of Return (%) for the Period Ended August 31, 2016

	*Current Yield	1 Year	3 Years	5 Years
<b>NGM Canadian Money Market Fund</b>	0.50	0.48	0.69	0.75
30 Day Treasury Bill	N/A	0.45	0.70	0.79

*\* 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 0.50% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

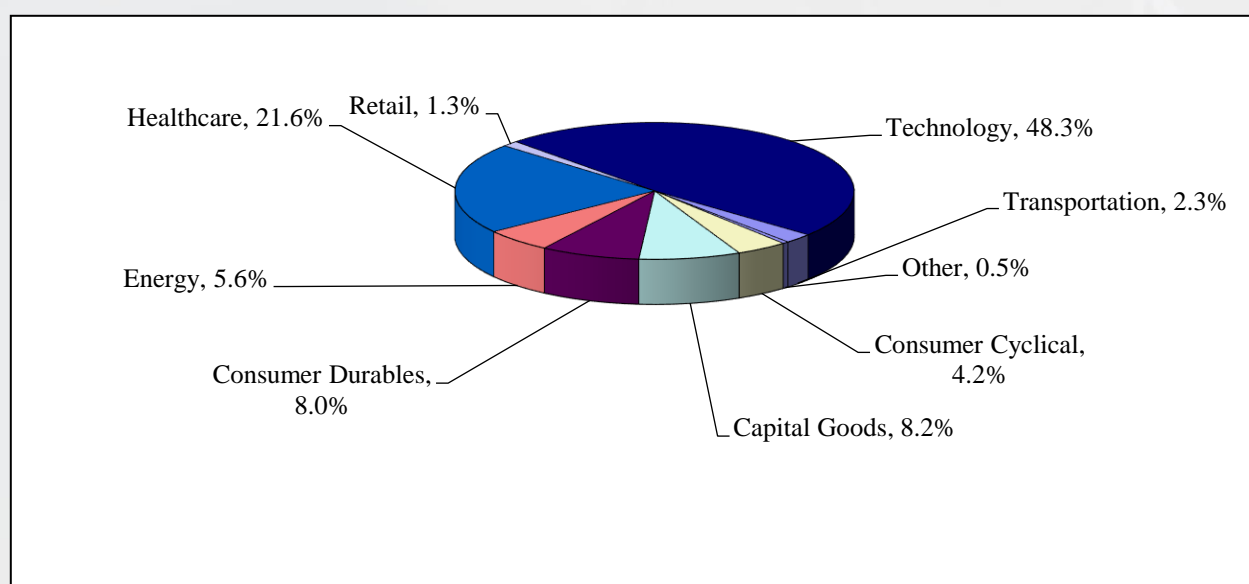
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

# Equity Fund Holdings and Composition

## U.S. Equity Fund – Top 10 Holdings as at August 31, 2016

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	10.01
2.	Apple Inc.	7.65
3.	Intel Corporation	5.20
4.	Microsoft Corporation	4.68
5.	Applied Materials Inc.	4.40
6.	American Eagle Outfitters Inc.	4.17
7.	General Electric Company	4.10
8.	Cerner Corporation	3.93
9.	First Solar Inc.	3.83
10.	Citrix Systems Inc.	3.77
Top 10		51.74
Total Equities		99.50
Cash		0.50
Total Assets		100.00

## U.S. Equity Fund – Sector Mix as at August 31, 2016

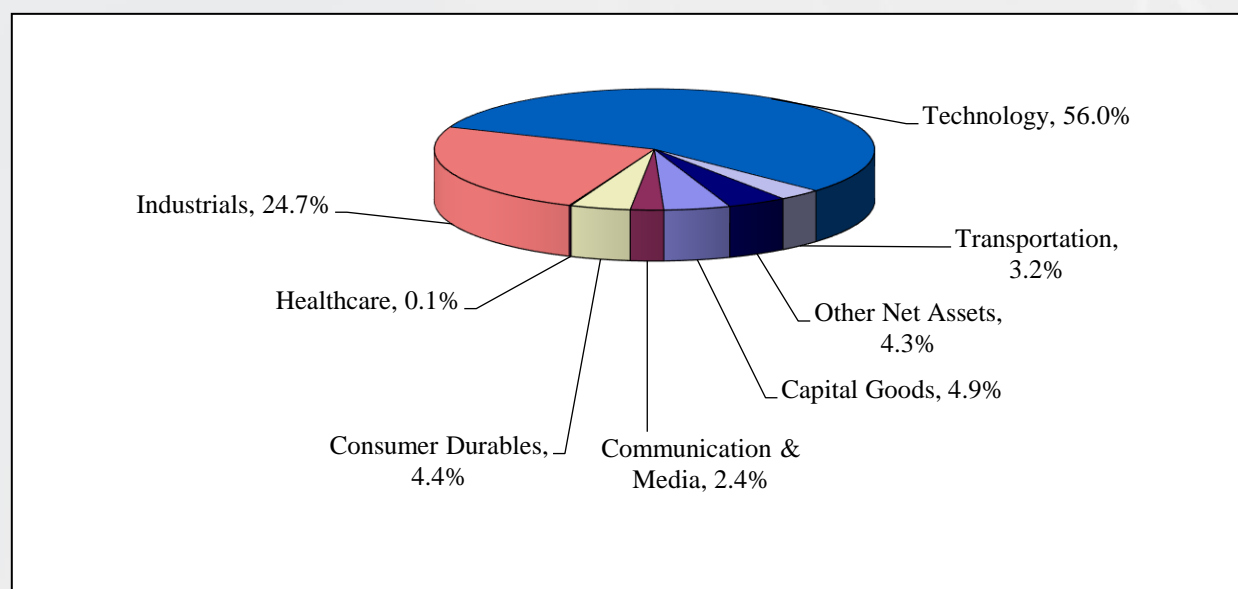




## Canadian Equity Fund – Top 10 Holdings as at August 31, 2016

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	10.22
2.	Open Text Corporation	6.23
3.	Ballard Power Systems Inc.	6.12
4.	Heroux-Devtek Inc.	5.48
5.	Mitel Networks Corp.	5.36
6.	CAE Inc.	5.36
7.	ATS Automation Tooling Systems Inc.	4.87
8.	Celestica Inc.	4.78
9.	EXFO Inc.	4.61
10.	Dorel Industries Inc., Class B	4.42
Top 10		57.45
Total Equities		95.65
Cash		4.35
Total Assets		100.00

## Canadian Equity Fund – Sector Mix as at August 31, 2016



# 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](http://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.globofund.com](http://www.globofund.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>

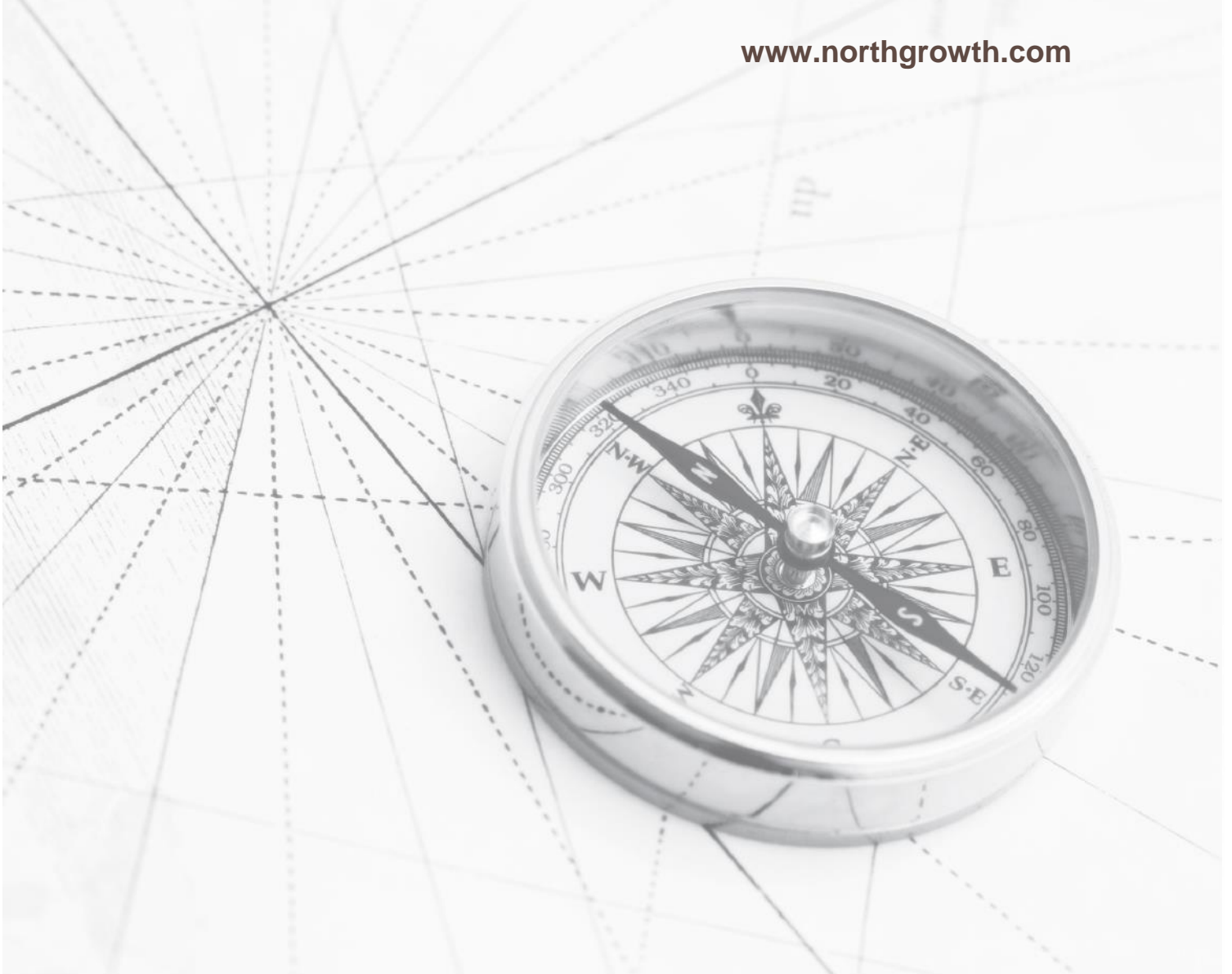
North Growth Canadian Money Market Fund

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

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