

DECEMBER 2015

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

January 15, 2016

MANAGEMENT'S MONTHLY REPORT ON FUND PERFORMANCE

North Growth Funds

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Fund Performance Update

U.S. Equity Fund

No Santa Claus rally for equities this year. Instead, we were treated to another month of choppy trading, with equities ending the month down pretty much across the board. Of the indices we follow, the large capitalization S&P 500 Index held up the best with a monthly decline of 1.6% to end the year up 1.4%. The technology heavy NASDAQ Composite Index followed with a 1.9% decline for the month, maintaining its lead for the year with a 7.1% gain. The small and mid-capitalization indices continued to be the weakest posting monthly declines of 4.2% and 4.8% respectively, with both ending the year down approximately 2%. During December, the North Growth U.S. Equity Fund outperformed all the indices we follow, with a 1.2% decline, to end the year up 1.2% and approximately 0.2% shy of the S&P 500.

The ongoing weakness of the Canadian dollar boosted U.S. returns expressed in Canadian dollars by almost 3.6% during December and over 19% for the year. In Canadian dollars the North Growth U.S. Equity Fund was up 20.8% during 2015 versus 21.0% for the S&P 500 total return Index.

Canadian Equity Fund

The North Growth Canadian Equity Fund bucked the trend during December posting a gain of 2.4% for the month versus a decline of 2.1% for the Canadian market represented by the S&P/TSX Composite Index. Despite the strong finish to the year the Canadian Fund still ended the year down 12.2% versus -7.5% for the S&P/TSX Composite Index.

Our View

Falling oil prices dominated the financial headlines during December and into January. Spot market oil prices have likely already fallen below reasonable estimates of a sustainable long term oil price. The five year oil futures which currently are trading at just below \$50 barrel are probably close to a reasonable estimate of a sustainable price. That said, oil storage is at record levels, the market is still oversupplied and the return of Iranian oil to the market will likely offset much of the anticipated production declines from high cost producers; so we could very well see the spot market prices fall further in the near term.

Since when have low oil prices been bad for the economy? For the vast majority of the global economies, including the U.S., most of Europe, China and India, falling oil prices are a positive for economic growth as they are the equivalent of a broad based tax cut. Low oil prices should be cheered, not jeered.

We have not had any direct exposure to oil and gas producers in the U.S. Fund for over 10 years now and 9 years for the Canadian Fund. Without even bringing the potential long term implications for oil demand due to climate change into the discussion, we continue to believe there are better sectors to invest in for long term growth.

Continued global energy demand growth is a given. We believe non-carbon based energy sources will capture the lion's share of this growth for the foreseeable future. We continue to look for opportunities to invest in the renewable energy sector. During 2015, the energy weighting in the U.S. Equity Fund increased from 3% to over 6% as we continued to build our position in First Solar and in December we also initiated a small position in SolarEdge Technologies.

At this point we are not changing our view that the long term 'fair value' of the Canadian dollar is somewhere around 80 cents; however, this view is under review with downside bias due to the loss of diversity in the Canadian economy over the past decade. 'Fair value' for a currency is very much a theoretical concept and of little use in determining shorter term moves. The past thirty years provide good evidence that the dollar tends to overshoot estimates of 'fair value' both on the upside and the downside and remain over or undervalued for considerable periods of time. With the Canadian dollar only recently dipping below the 80 cent level and the Canadian economy looking increasingly challenged, we currently see no reason to fight the downward trend in the Canadian dollar.

Overall, December was a pretty uneventful month with little in the way of significant corporate or economic news to keep the markets' attention. A broad list of geopolitical issues has created an environment of heightened anxiety bordering on fear. With the bearish mood in the markets and a short term trading mentality, equity markets are particularly vulnerable to downdrafts. In this environment, our long term focus and investment discipline takes on an increased importance as it allows us to remain focused on the big picture and take emotions out of the decision process.

North Growth U.S. Equity Fund

Short Term Rates of Return (%) for the Period Ended December 31, 2015

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	2.36	12.59	9.35	20.75
S&P 500 in \$CDN	2.01	11.01	10.98	20.95
NGM U.S. Equity Fund \$U.S.	-1.24	8.57	-1.31	1.21
S&P 500 \$U.S.	-1.58	7.04	0.15	1.38
S&P 400 MidCap \$U.S.	-4.17	2.60	-6.11	-2.17
S&P 600 SmallCap \$U.S.	-4.78	3.72	-5.89	-1.97
NASDAQ Composite \$U.S.	-1.88	8.76	1.06	7.11

Annualized Rates of Return (%) for the Period Ended December 31, 2015

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	20.75	28.43	18.09	9.22	9.10	12.25	13.07
S&P 500 \$CDN	20.95	28.52	20.26	9.19	4.44	8.27	9.83
NGM U.S. Equity Fund \$U.S.	1.21	15.05	10.54	7.34	9.68	12.17	12.55
S&P 500 \$U.S.	1.38	15.13	12.57	7.31	5.00	8.19	9.33
S&P 400 MidCap \$U.S.	-2.17	12.75	10.68	8.18	8.32	11.22	11.93
S&P 600 SmallCap \$U.S.	-1.97	13.57	11.47	8.01	8.92	10.06	11.19
NASDAQ Composite \$U.S.	7.11	19.89	15.01	9.78	5.87	9.00	9.76*

Source: Bloomberg "Total Return Analysis" as of Jan 4, 2016.

*This return is a simple price appreciation because total return data is not available on Bloomberg.

Unit Price: \$ 47.86 CDN
\$ 34.58 USD

Total Assets in Fund \$ 493.7 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended December 31, 2015

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	2.38	7.48	-8.10	-12.15
S&P / TSX \$CDN	-2.13	-0.45	-8.27	-7.48

Annualized Rates of Return (%) for the Period Ended December 31, 2015

	1 Year	2 Years	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	-12.15	2.40	14.80	N/A	N/A
S&P / TSX \$CDN	-7.48	1.16	4.96	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: \$ 17.70 CDN

Total Assets in Fund \$ 37.6 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended December 31, 2015

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.46	0.56	0.77	0.80
30 Day Treasury 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.*

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 0.46% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

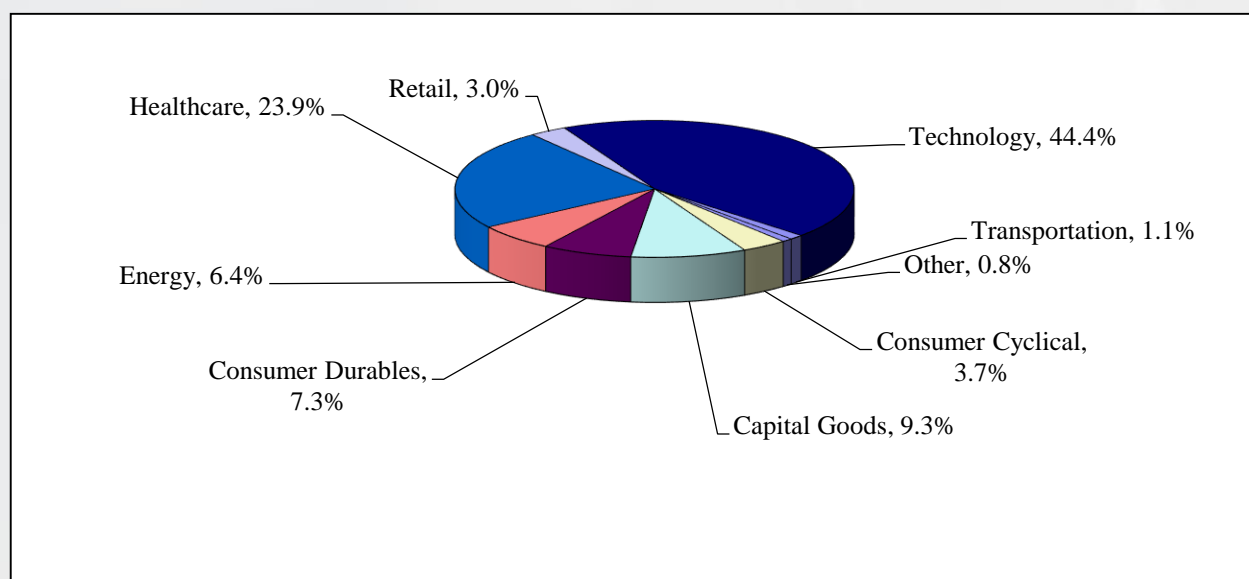
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

U.S. Equity Fund – Top 10 Holdings as at December 31, 2015

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	9.65
2.	Apple Inc.	8.04
3.	First Solar Inc.	6.16
4.	Intel Corporation	5.28
5.	Microsoft Corporation	5.05
6.	Anthem Inc.	4.39
7.	General Electric Company	4.33
8.	St. Jude Medical Inc.	4.09
9.	Gilead Sciences Inc.	3.69
10.	Zimmer Biomet Holdings Inc.	3.54
Top 10		54.22
Total Equities		99.15
Cash		0.85
Total Assets		100.00

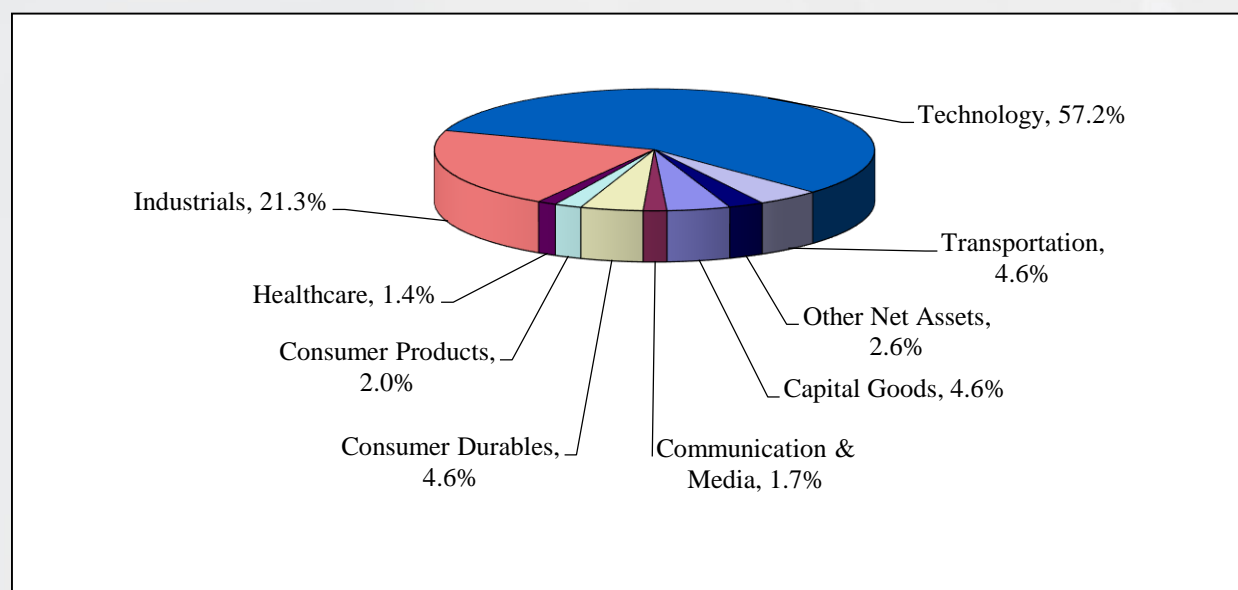
U.S. Equity Fund – Sector Mix as at December 31, 2015



Canadian Equity Fund – Top 10 Holdings as at December 31, 2015

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	10.67
2.	Open Text Corporation	6.61
3.	Avigilon Corporation	5.43
4.	COM DEV International Ltd.	5.42
5.	CAE Inc.	5.29
6.	Heroux-Devtek Inc.	5.22
7.	Ballard Power Systems Inc.	4.89
8.	Martinrea International Inc.	4.71
9.	ATS Automation Tooling Inc.	4.61
10.	WestJet Airlines Ltd.	4.61
Top 10		57.46
Total Equities		97.43
Cash		2.57
Total Assets		100.00

Canadian Equity Fund – Sector Mix as at December 31, 2015



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

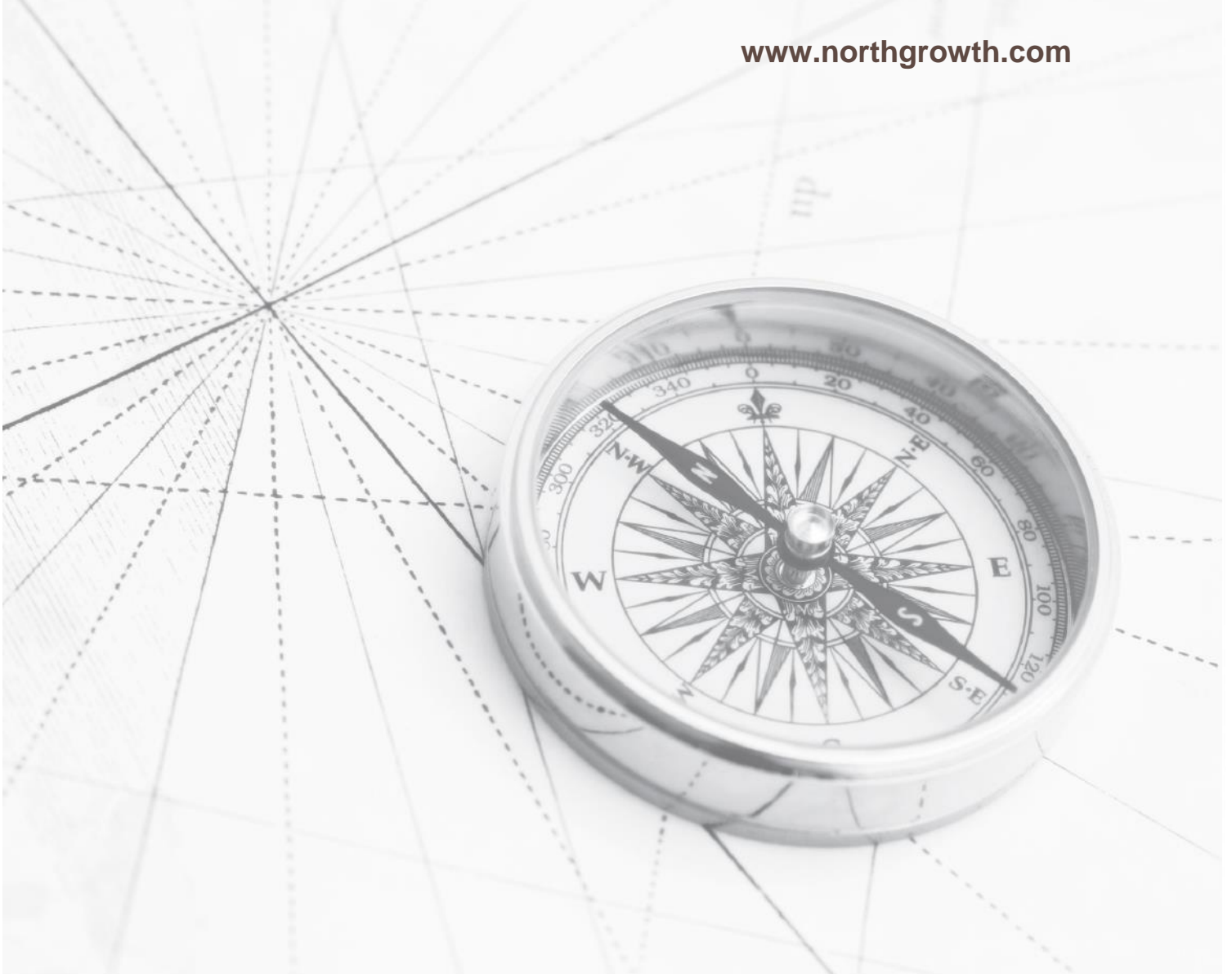
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=53072&cid=4008>



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www.northgrowth.com



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

T: 604 688 5440
F: 604 688 5402
info@northgrowth.com