

U.S. Equity Fund

February was a good month for the U.S. equity markets as all the major indices rallied strongly. The broad S&P 500 Index gained 4.6%, just slightly above the 4.5% appreciation in the S&P 600 SmallCap Index, while the S&P 400 MidCap and NASDAQ Composite Indices advanced 4.9% and 5.1% respectively. The North Growth U.S. Equity Fund outperformed all of the mentioned indices, returning 6.0% for the month. The Canadian currency stabilized in February, recovering a little of its loss against the U.S. dollar since the beginning of the year. In Canadian dollars, the Fund was up 5.4% in February versus the S&P 500 which gained 4.0%.

Canadian Equity Fund

The S&P/TSX Composite rose 4.2% for the month led by strong gains in the Materials sector followed up by Financials and Energy. The North Growth Canadian Equity Fund, which has no exposure to those three sectors which dominate the Index, outperformed with a gain of 5.9%. We continue to be constructive on the Fund's prospects especially from the perspective of diversifying from the resource and financial-heavy TSX.

Large Caps versus Mid Caps versus Small Caps

As of March 10th, the current bull market in U.S. equities entered its sixth year with the S&P 500 Index hovering near a record high. In this market cycle, mid cap stocks have outperformed large caps while small cap stocks have delivered the most outperformance. As illustrated by the performance table on page 3, to February 28th, the S&P 600 SmallCap Index returned on average 28.0% per annum over the past five years, followed by the S&P 400 MidCap with an annualized rate of return of 27.0% and finally the broad S&P 500 which delivered an average annual return of 23.0%. In fact, on closer examination of the historical data, the outperformance of small caps over mid caps over large caps extends beyond the five-year period to the ten- and even fifteen-year time horizons.

The duration of the current performance run of smaller capitalization stocks over larger caps that began in 2000—having lasted fourteen years and still going—is unprecedented. Based on Ibbotson data dating back to December 31, 1925, there have been six sustained periods when small caps outperformed large caps during the past 88 years. On average, these periods carried on for just over seven years, making the current period of outperformance almost twice as long as the average of the past century.

On a valuation basis, small caps are trading near the top of their historical premium range to large caps. According to Thomson Reuters, the S&P 500 Index, a proxy for large capitalization stocks in the United States, is valued at 15.7 times 12-month forward consensus expected operating earnings. The comparable forward price/earnings (P/E) multiple for the S&P 400 MidCap Index is 17.9 and for the S&P 600 SmallCap Index is 19.4.

The increase in valuations as the market moves down the capitalization spectrum is in stark contrast to the situation in 2000 when the mega caps were trading at a large premium to small caps. In 2000, the forward P/E multiple of the S&P 500 was at 25 versus the S&P 600 SmallCap at 15.

The small capitalization valuation premium to large capitalization stocks has been pushing up against historical highs for the past few years, supporting our view that the fourteen-year period of small cap outperform is very likely to end this year. The U.S. Equity Fund is well positioned to benefit from what we would consider to be a very logical and overdue mid-cycle rotation to a multi-year period of large capitalization market leadership.

Supportive Macroeconomic Environment

Notwithstanding the relative valuation risk of small capitalization stocks, the macroeconomic environment for U.S. equities in general remains favourable. The U.S. economy continues to expand at a moderate pace with encouraging data trends that include improving employment, increasing consumer net worth and a recent uptick in bank loans. Despite the negative impact of severe winter weather during the past month, uncertainty surrounding the emerging markets, and unrest in Ukraine, U.S. corporations overall remain constructive in their earnings outlook.

The political climate in the United States has improved drastically over a year ago. In addition to reaching a two-year budget deal at the end of 2013, the House approved a higher debt limit until March 2015 without condition in early February. The vote by the Republican-controlled House represented the first debt ceiling increase since 2009 that was not attached to other legislation, effectively ending three years of brinkmanship and budget showdowns.

We maintain our constructive outlook for U.S. equities, with particular emphasis on the relatively attractively-valued large cap names.

NORTH GROWTH U.S. EQUITY FUND

Short Term Rates of Return (%) for Periods Ending February 28, 2014

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	5.41	7.81	21.70	6.80
S&P 500 \$CDN	3.97	7.94	21.02	5.12
NGM US Equity Fund \$US	6.02	3.39	15.72	2.58
S&P 500 \$US	4.57	3.51	15.07	0.96
S&P 400 MidCap \$US	4.88	5.83	17.01	2.66
S&P 600 SmallCap \$US	4.46	1.88	17.17	0.43
NASDAQ Composite \$US	5.14	6.43	20.76	3.36

NORTH GROWTH U.S. EQUITY FUND

Annualized Rates of Return (%) for Periods Ending February 28, 2014

	1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception
NGM US Equity Fund \$CDN	39.50	17.77	21.65	6.43	11.44	12.58
S&P 500 \$CDN	34.61	19.46	19.64	5.17	8.17	8.90
NGM US Equity Fund \$US	29.92	12.74	25.07	8.44	12.54	13.19
S&P 500 \$US	25.37	14.35	23.00	7.16	9.24	9.49
S&P 400 MidCap \$US	26.58	14.14	26.95	10.15	12.23	12.78
S&P 600 SmallCap \$US	32.30	16.83	28.04	10.18	10.95	12.04
NASDAQ Composite \$US	38.14	17.21	27.07	9.03	8.83	9.87*

Source: Bloomberg "Total Return Analysis" as of Mar 3, 2014.

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

Unit Price: \$37.57 CDN
\$33.93 USD

Total Assets in Fund \$375.5 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

Short Term Rates of Return (%) for Periods Ending February 28, 2014

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	5.86	14.46	27.71	10.67
S&P / TSX \$CDN	4.21	6.86	13.99	4.77

NORTH GROWTH CANADIAN EQUITY FUND

Annualized Rates of Return (%) for Periods Ending February 28, 2014

	1 Year	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	41.43	N/A*	N/A*	N/A*
S&P / TSX \$CDN	14.34	3.18	15.14	7.73

**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.*

Series N Unit Price: \$ 20.19 CDN

Total Assets in Fund \$ 40.0 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND
Annualized Rates of Returns (%) for Periods Ending February 28, 2014

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.86	0.86	0.85	0.65
30 Day T-Bill	N/A	0.97	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.*

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 never is greater 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.

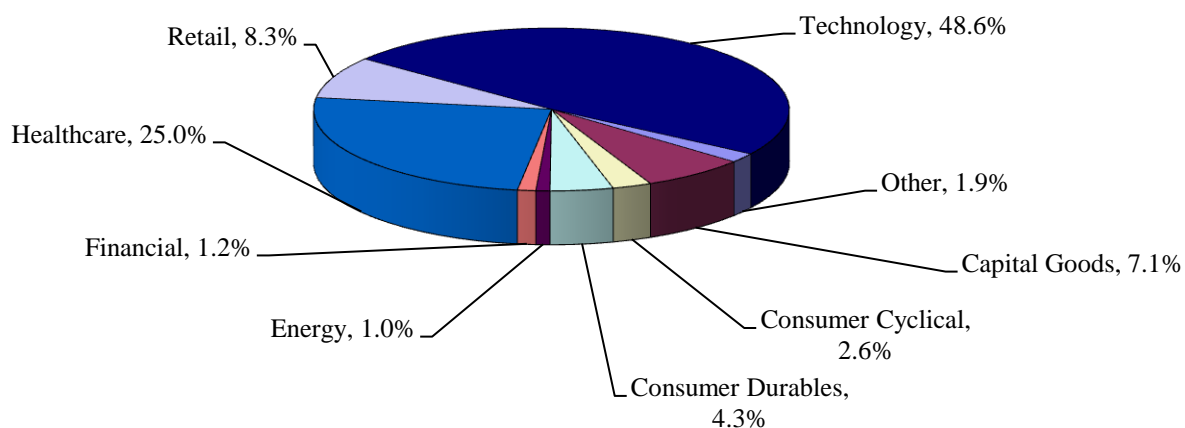
We manage the portfolio to ensure high liquidity and have no intention to extend maturities in order to chase a few basis points and we do not have any room to reduce our management fees because we already take a loss on the product. We still believe our money market fund has superior liquidity characteristics due to its very low average maturity but our current yield is 0.86% 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.

**U.S. EQUITY FUND
TOP 10 HOLDINGS
As of February 28, 2014**

	%
Apple Inc.	8.58
Cisco Systems Inc.	8.45
GT Advanced Technologies Inc.	4.92
St. Jude Medical Inc.	4.86
Intel Corporation	4.84
Microsoft Corporation	4.22
Electronic Arts Inc.	3.64
WellPoint Inc.	3.62
Bristol-Myers Squibb Company	3.55
Citrix Systems Inc.	<u>3.25</u>
Top 10	49.93
Total Equities	98.12
Cash	<u>1.88</u>
TOTAL ASSETS	100.00%

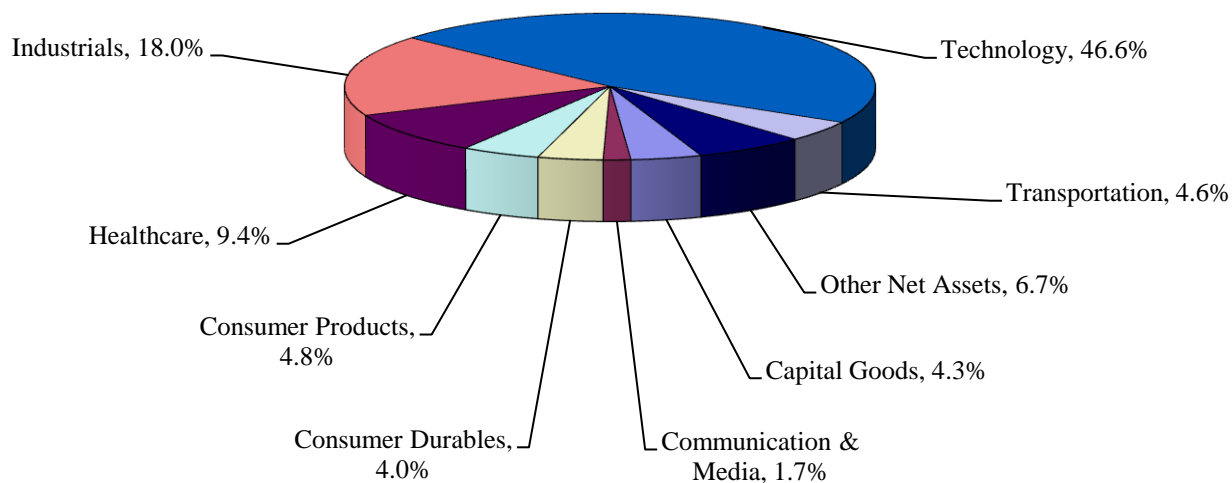
SECTOR MIX



CANADIAN EQUITY FUND
TOP 10 HOLDINGS
As of February 28, 2014

	%
Sandvine Corporation	9.44
Ballard Power Systems Inc.	8.97
Celestica Inc.	5.85
Open Text Corporation	5.51
Bombardier Inc., Class B	4.89
Valeant Pharmaceuticals International Inc.	4.74
WestJet Airlines Ltd.	4.60
CAE Inc.	4.56
Martinrea International Inc.	4.40
ATS Automation Tooling Systems Inc.	<u>4.30</u>
Top 10	57.26
Total Equities	93.32
Cash	<u>6.68</u>
TOTAL ASSETS	100.00%

SECTOR MIX



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:

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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