

**FEBRUARY 2016**

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

March 9, 2016

# MANAGEMENT'S MONTHLY REPORT ON FUND PERFORMANCE

## North Growth Funds

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# Fund Performance Update

## U.S. Equity Fund

On the heels of a January sell-off, U.S. equities continued to decline further during the early part of February before rallying in the latter half of the month. For February as a whole, amid continued volatility, U.S. stocks delivered flattish returns as market sentiment remained largely depressed. Both the S&P 500 Index and the NASDAQ Composite depreciated last month, falling 0.1% and 1.0% respectively, while the S&P 400 MidCap and S&P 600 SmallCap Indices edged up 1.4% and 1.1% respectively. The North Growth U.S. Equity Fund gained 1.2% in February, outperforming all of the major indices we track except for the S&P 400 MidCap. Due to a 3.5% recovery in the Canadian currency against its U.S. counterpart, the Fund's monthly return in Canadian dollars was -2.3% versus the S&P 500's Canadian dollar performance of -3.5%.

## Canadian Equity Fund

Likewise, although volatile, on record, Canadian equities registered a mundane performance for February. The S&P/TSX Composite Index returned 0.5% whereas the North Growth Canadian Equity Fund declined 2.4%.

## Why the fear?

Since the beginning of the year, investor sentiment has become increasingly weak. In February, market sentiment as measured by the Investors Intelligence Bull/Bear ratio fell below the extremely bearish readings seen last September after the August market rout to a level that is typically characteristic of a bottom in major market sell-offs. Equity mutual funds and ETFs (exchange-traded funds) experienced record amounts of outflows as investors shunned stocks, while ironically, money poured into energy and precious metals ETFs.

Given the pessimistic mood, fears of a recession in the U.S. resurfaced. In our view, the excessively negative market sentiment is unsubstantiated by fundamentals, and the notion of an imminent U.S. recession is completely unsupported by economic data.

Notwithstanding a strong dollar and weaker growth abroad which have weighed on American manufacturers for over a year, the U.S. economy has continued to expand at a moderate pace, helped by improving domestic demand and a robust labour market. This encouraging macroeconomic backdrop has not changed over the past several months despite the financial market volatility. In fact, the U.S. economic picture is getting better.

Industry reports in February suggest that U.S. manufacturing is gaining traction. The latest factory index published by the ISM (Institute for Supply Management) showed that new

orders and production grew last month, with 12 of 18 manufacturing industries reporting an increase in bookings, the most since October 2014. Meanwhile, U.S. retail sales have started the year on a solid advance, and measures of consumer sentiment by University of Michigan and the Conference Board have held up at decent levels. Strong employment gains have continued throughout January and February, with the U.S. unemployment rate remaining at 4.9%, an eight-year low.

To top it all off, low energy prices are providing additional stimulus for economic growth. Apart from the oil drilling and oil-field services industries, virtually all other sectors of the economy are being aided by a lower cost of fuel. Low gas prices at the pumps present the typical American motorist with noticeable savings—equivalent to a tax cut or pay raise. In addition to consumers, lower energy prices also provide a welcome lift to transportation companies, agriculture-related firms, manufacturers and retailers.

### **Our View**

Against the ongoing steady improvement in U.S. economic growth, and given overall reasonable equity valuations and solid company fundamentals, we remain constructive in our outlook for U.S. equities. We continue to take advantage of the market weakness to fine-tune the portfolio, adhering as always to our long term “growth at a reasonable price” investment philosophy.

# North Growth U.S. Equity Fund

## Short Term Rates of Return (%) for the Period Ended February 29, 2016

	1 Month	3 Months	6 Months	YTD
<b>NGM U.S. Equity Fund in \$CDN</b>	<b>-2.25</b>	<b>-5.58</b>	<b>1.33</b>	<b>-7.76</b>
S&P 500 in \$CDN	-3.52	-5.34	1.90	-7.21
<b>NGM U.S. Equity Fund \$U.S.</b>	<b>1.18</b>	<b>-6.82</b>	<b>-1.47</b>	<b>-5.66</b>
S&P 500 \$U.S.	-0.13	-6.59	-0.92	-5.09
S&P 400 MidCap \$U.S.	1.41	-8.34	-5.03	-4.36
S&P 600 SmallCap \$U.S.	1.12	-9.66	-5.03	-5.12
NASDAQ Composite \$U.S.	-1.03	-10.48	-3.95	-8.76

## Annualized Rates of Return (%) for the Period Ended February 29, 2016

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
<b>NGM U.S. Equity Fund \$CDN</b>	<b>-1.45</b>	<b>20.97</b>	<b>15.69</b>	<b>8.13</b>	<b>8.16</b>	<b>11.47</b>	<b>12.58</b>
S&P 500 \$CDN	1.52	21.24	17.68	8.31	4.18	7.61	9.41
<b>NGM U.S. Equity Fund \$U.S.</b>	<b>-8.94</b>	<b>10.50</b>	<b>8.27</b>	<b>6.26</b>	<b>9.08</b>	<b>11.55</b>	<b>12.18</b>
S&P 500 \$U.S.	-6.19	10.75	10.13	6.44	5.06	7.67	9.02
S&P 400 MidCap \$U.S.	-9.99	8.19	8.27	7.17	8.26	10.71	11.63
S&P 600 SmallCap \$U.S.	-9.10	9.02	9.33	6.66	8.69	9.59	10.85
NASDAQ Composite \$U.S.	-7.00	14.44	11.81	8.39	6.19	8.26	9.25*

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

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

Unit Price: \$ 44.14 CDN  
\$ 32.62USD

Total Assets in Fund \$ 455.00 Million CDN

# North Growth Canadian Equity Fund

## Short Term Rates of Return (%) for the Period Ended February 29, 2016

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>-2.35</b>	<b>-3.99</b>	<b>-6.07</b>	<b>-6.21</b>
S&P / TSX \$CDN	0.47	-3.75	-5.69	-1.66

## Annualized Rates of Return (%) for the Period Ended February 29, 2016

	1 Year	2 Years	3 Years	5 Years	10 Years
<b>NGM Canadian Equity Fund</b>	<b>-20.10</b>	<b>-5.74</b>	<b>7.91</b>	<b>N/A</b>	<b>N/A</b>
S&P / TSX \$CDN	-12.93	-1.99	3.18	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: \$ 16.60 CDN

Total Assets in Fund \$ 35.4 Million CDN

# North Growth Canadian Money Market Fund

## Annualized Rates of Return (%) for the Period Ended February 29, 2016

	*Current Yield	1 Year	3 Years	5 Years
<b>NGM Canadian Money Market Fund</b>	<b>0.50</b>	<b>0.55</b>	<b>0.75</b>	<b>0.79</b>
30 Day Treasury Bill	N/A	0.50	0.79	0.83

*\* 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.

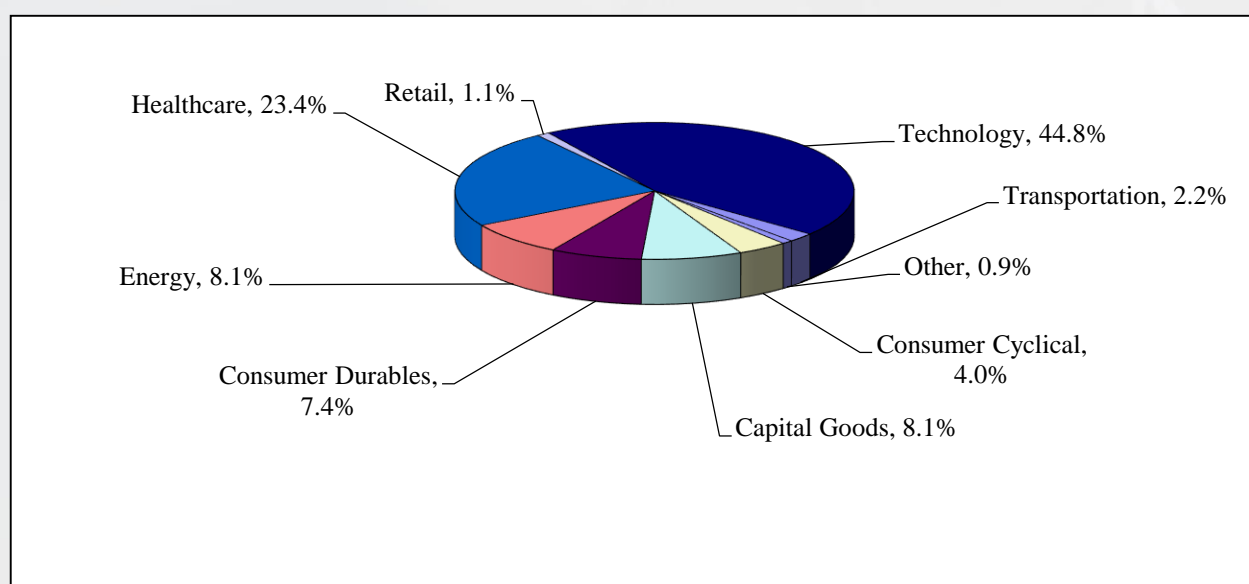
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

# Equity Fund Holdings and Composition

## U.S. Equity Fund – Top 10 Holdings as at February 29, 2016

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	9.82
2.	Apple Inc.	7.80
3.	First Solar Inc.	7.08
4.	Microsoft Corporation	4.90
5.	Intel Corporation	4.77
6.	Anthem Inc.	4.35
7.	General Electric Company	4.28
8.	American Eagle Outfitters Inc.	4.02
9.	St. Jude Medical Inc.	3.75
10.	Gilead Sciences Inc.	3.62
Top 10		54.39
Total Equities		98.33
Cash		1.67
Total Assets		100.00

## U.S. Equity Fund – Sector Mix as at February 29, 2016

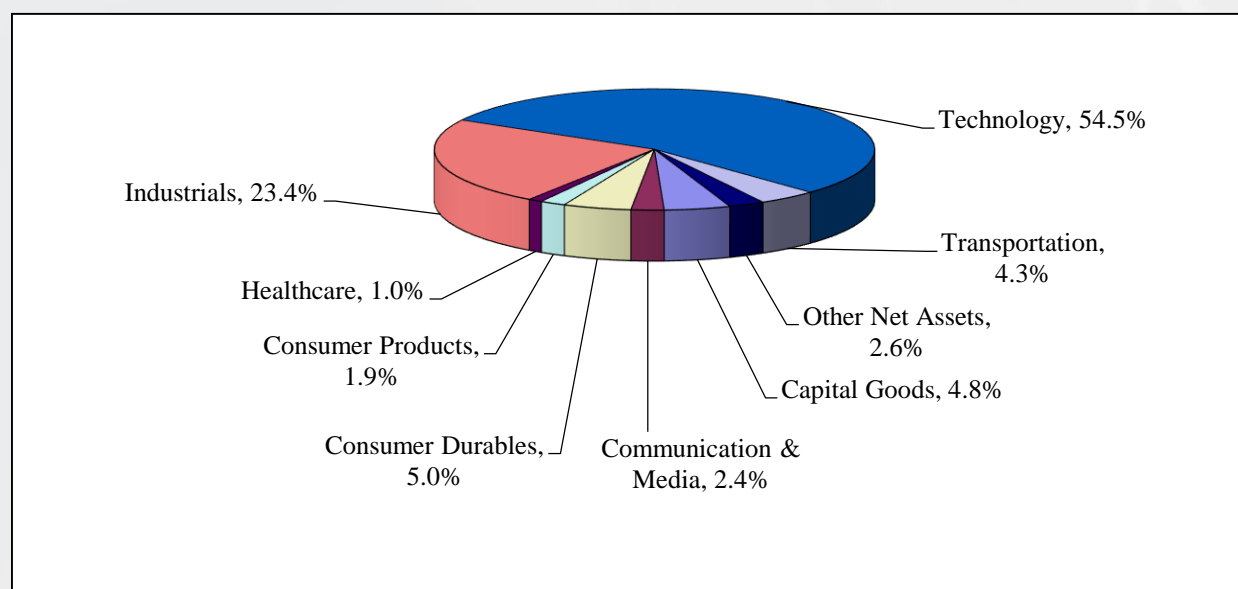




## Canadian Equity Fund – Top 10 Holdings as at February 29, 2016

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	9.46
2.	Open Text Corporation	7.12
3.	Heroux-Devtek Inc.	5.69
4.	Avigilon Corporation	5.47
5.	CAE Inc.	5.46
6.	Dorel Industries Inc.	4.99
7.	Mitel Networks Corp.	4.95
8.	ATS Automation Tooling Systems Inc.	4.85
9.	EXFO Inc.	4.68
10.	Ballard Power Systems Inc.	4.61
Top 10		57.28
Total Equities		97.36
Cash		2.64
Total Assets		100.00

## Canadian Equity Fund – Sector Mix as at February 29, 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

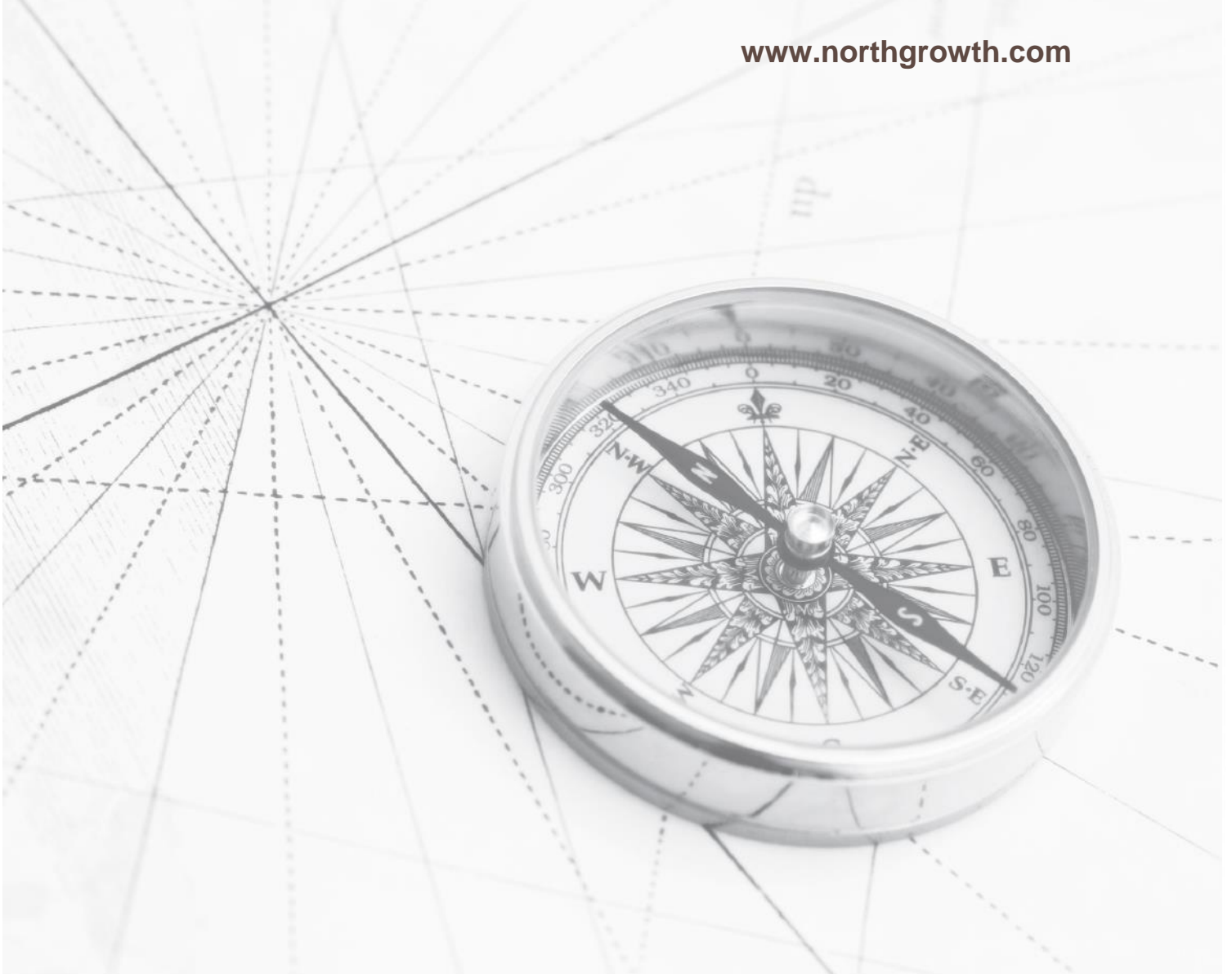
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=53072&cid=4008>



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