

## U.S. Equity Fund

Following a year of tremendously strong performance, U.S. equities began 2014 on a weaker note. Concerns over the emerging markets and a prevailing sense that a pullback in U.S. stocks is in order led to declines in the major market indices during January. The S&P 500 fell 3.5% for the month while the S&P 600 SmallCap lost 3.9%. The S&P 400 MidCap and NASDAQ Composite fared slightly better with decreases of 2.1% and 1.7% respectively. The North Growth U.S. Equity Fund declined 3.3% in January—outperforming the S&P 500 and S&P 600 SmallCap Indices yet lagging the S&P 400 MidCap and NASDAQ Composite Indices. Due to a significant weakening of the Canadian currency, the Fund gained 1.3% in Canadian dollars versus the S&P 500 which was up 1.1% for the month in Canadian dollars.

## Canadian Equity Fund

The North Growth Canadian Equity Fund delivered solid performance for the month, gaining 4.6% compared to a 0.5% gain for the S&P/TSX Composite Index. While the Canadian Index benefited from continued improving sentiment in the commodity sector, the Canadian Equity Fund continued to benefit from stock selection.

## Fourth Quarter Earnings

Corporate earnings for the fourth quarter of 2013 were, for the majority, better than expected, extending the favourable trend that has been solidly in place over the past several years. As of February 7th, 344 companies of the S&P 500 have reported earnings for the September-to-December 2013 period. With almost 70% of the S&P 500 results in, 72% of the reporting companies have exceeded analysts' earnings forecasts while 68% have beaten revenue estimates. At the sector level, the Information Technology sector has had the highest percentage of companies reporting profits above expectations; on the other hand, the Telecom and Health Care sectors have had the largest percentages of companies with revenues that surpassed estimates. According to FactSet, earnings in the fourth quarter are on track to increase 8.1% year-over-year.

Around 72% of the North Growth U.S. Equity Fund's holdings have reported so far, and profits on a weighted-average basis increased 15.3% over a year ago against estimates of 8.5% growth. We have been pleased with the results of virtually all of the companies in the portfolio to date.

## **Our Thoughts**

Although investor sentiment seemed to improve noticeably at the end of 2013, the U.S. equity markets were generally overcast in January. A rehash of concerns over the emerging market economies and U.S. Federal Reserve tapering of monetary stimulus dominated the financial media, and the prevailing sense was that U.S. stocks are poised to decline. Outflows from U.S. equity mutual funds and inflows into U.S. bond funds so far this year demonstrate that investor sentiment remains biased towards caution.

We maintain our constructive outlook for U.S. equities. Our conviction is supported by growing corporate earnings and healthy company fundamentals coupled with reasonable equity valuations. Please refer to our recently published 2013 Annual Report for a more lengthy discussion of our views.

## **T3, T4RIF and T4RSP Tax Slips**

T3, T4RIF and T4RSP slips were mailed to unitholders in January. Please contact Rachid Nayel, our CFO, at [rachid@northgrowth.com](mailto:rachid@northgrowth.com) if you have not received yours.

## NORTH GROWTH U.S. EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending January 31, 2014

	1 Month	3 Months	6 Months	YTD
<b>NGM US Equity Fund \$CDN</b>	<b>1.32</b>	<b>7.79</b>	<b>14.38</b>	<b>1.32</b>
S&P 500 \$CDN	1.10	8.96	15.86	1.10
<b>NGM US Equity Fund \$US</b>	<b>-3.25</b>	<b>0.91</b>	<b>5.49</b>	<b>-3.25</b>
S&P 500 \$US	-3.46	2.00	6.85	3.46
S&P 400 MidCap \$US	-2.12	2.23	7.38	-2.12
S&P 600 SmallCap \$US	-3.86	1.92	9.44	-3.86
NASDAQ Composite \$US	-1.68	5.07	13.93	-1.68

## NORTH GROWTH U.S. EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending January 31, 2014

	1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception
<b>NGM US Equity Fund \$CDN</b>	<b>39.10</b>	<b>15.61</b>	<b>19.47</b>	<b>6.03</b>	<b>11.26</b>	<b>12.35</b>
S&P 500 \$CDN	35.71	18.04	16.92	5.00	7.89	8.73
<b>NGM US Equity Fund \$US</b>	<b>24.55</b>	<b>11.59</b>	<b>21.79</b>	<b>7.89</b>	<b>12.24</b>	<b>12.93</b>
S&P 500 \$US	21.52	13.93	19.19	6.83	8.85	9.30
S&P 400 MidCap \$US	21.87	14.06	23.21	9.89	11.88	12.58
S&P 600 SmallCap \$US	28.44	16.82	23.73	9.91	10.69	11.85
NASDAQ Composite \$US	32.39	16.47	24.13	8.30	8.52	9.65

Source: Bloomberg "Total Return Analysis" as of Jan 31, 2014.

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

**Unit Price: \$ 35.64 CDN**  
**\$ 32.00**

**Total Assets in Fund \$ 355.0 Million CDN**

## NORTH GROWTH CANADIAN EQUITY FUND

## Short Term Rates of Return (%) for Periods Ending January 31, 2014

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	<b>4.55</b>	<b>8.39</b>	<b>19.55</b>	<b>4.55</b>
S&P / TSX \$CDN	0.54	3.00	11.07	0.54

## NORTH GROWTH CANADIAN EQUITY FUND

## Annualized Rates of Return (%) for Periods Ending January 31, 2014

	1 Year	3 Years	5 Years	10 Years
<b>NGM Canadian Equity Fund</b>	<b>38.35</b>	<b>N/A*</b>	<b>N/A*</b>	<b>N/A*</b>
S&P / TSX \$CDN	11.10	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.*

**Series N Unit Price: \$ 19.07 CDN**

**Total Assets in Fund \$ 37.3 Million CDN**

**NORTH GROWTH CANADIAN MONEY MARKET FUND**  
**Annualized Rates of Returns (%) for Periods Ending January 31, 2014**

	*CURRENT YIELD	1 Year	3 Years	5 Years
<b>NGM CDN Money Market Fund</b>	<b>0.85</b>	<b>0.86</b>	<b>0.85</b>	<b>0.65</b>
30 Day T-Bill	N/A	0.95	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 0.85% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

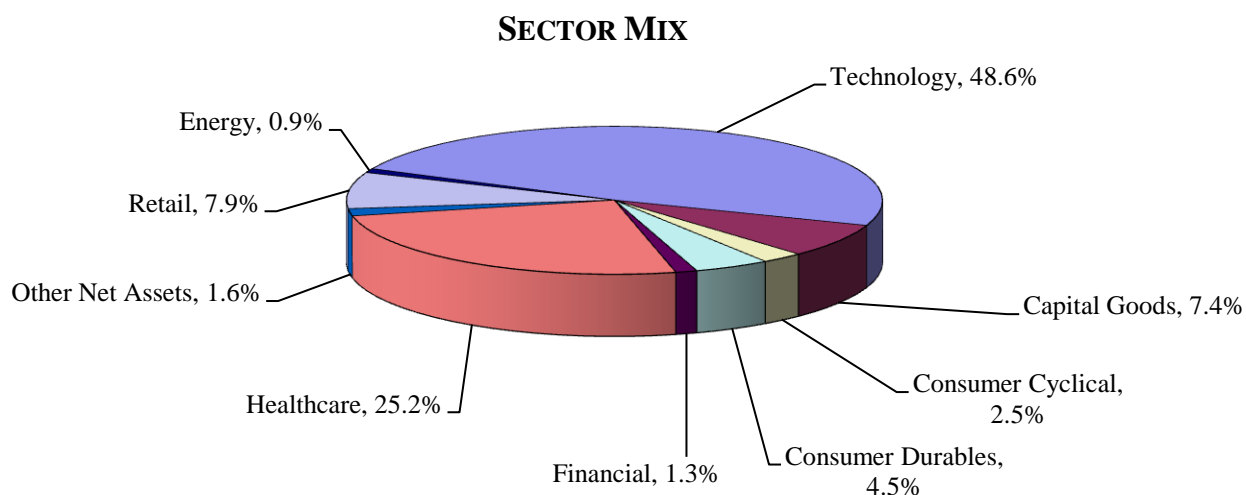
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

**U.S. EQUITY FUND**  
**TOP 10 HOLDINGS**  
**As of January 31, 2014**

	%
Cisco Systems Inc.	9.04
Apple Inc.	8.69
Intel Corporation	5.11
St. Jude Medical Inc.	4.66
Microsoft Corporation	4.43
GT Advanced Technologies Inc.	3.75
WellPoint Inc.	3.66
Electronic Arts Inc.	3.57
Bristol-Myers Squibb Company	3.51
Zimmer Holdings Inc.	<u>3.24</u>

<b>Top 10</b>	49.66
<b>Total Equities</b>	98.42
Cash	<u>1.58</u>

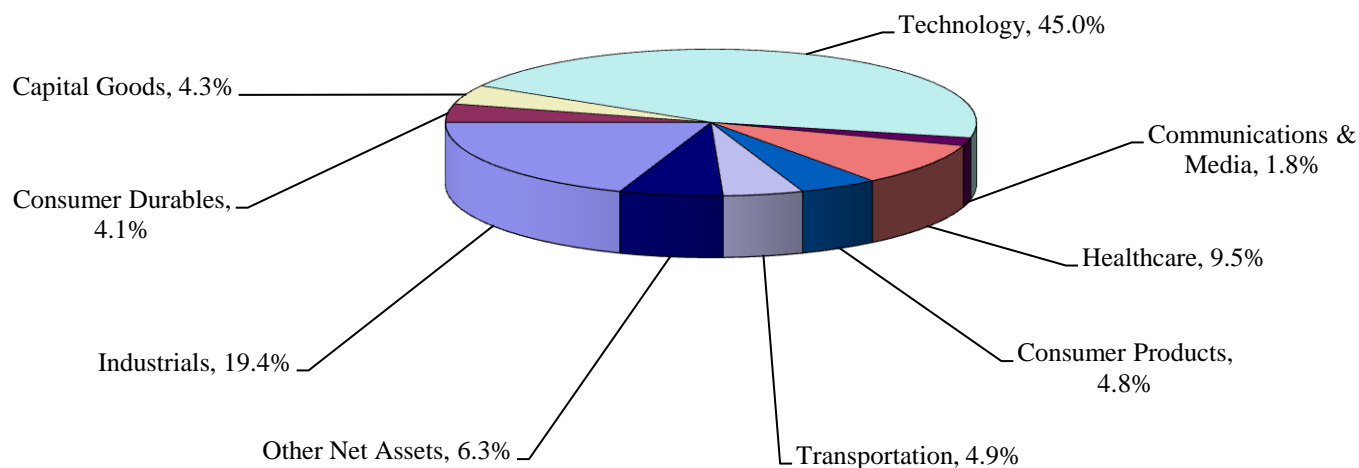
**TOTAL ASSETS** **100.00%**



**CANADIAN EQUITY FUND**  
**TOP 10 HOLDINGS**  
**As of January 31, 2014**

	%
Sandvine Corporation	9.63
Celestica Inc.	6.41
Bombardier Inc., Class B	5.85
Open Text Corporation	5.78
Ballard Power Systems Inc.	5.56
Valeant Pharmaceuticals International, Inc.	4.87
WestJet Airlines Ltd.	4.87
COM DEV International Ltd.	4.67
CAE Inc.	4.65
Martinrea International Inc.	<u>4.59</u>
<b>Top 10</b>	56.88
<b>Total Equities</b>	93.71
Cash	<u>6.29</u>
<b>TOTAL ASSETS</b>	<b>100.00%</b>

**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 the protection of our clients, instructions can only be accepted in person, by mail or by fax at:

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.globefund.com](http://www.globefund.com)