

JANUARY 2016

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

February 15, 2016

MANAGEMENT'S MONTHLY REPORT ON FUND PERFORMANCE

North Growth Funds

Table of Contents

Fund Performance Update	2
North Growth U.S. Equity Fund	4
Short Term Rates of Return	4
Annualized Rates of Return.....	4
North Growth Canadian Equity Fund.....	5
Short Term Rates of Return	5
Annualized Rates of Return.....	5
North Growth Canadian Money Market Fund.....	6
Annualized Rates of Return.....	6
Equity Fund Holdings and Composition	7
U.S. Equity Fund – Top 10 Holdings	7
U.S. Equity Fund – Sector Mix.....	7
Canadian Equity Fund – Top 10 Holdings	8
Canadian Equity Fund – Sector Mix	8
Investing With Us.....	9
Investing With North Growth Management:	9
Conducting Transactions.....	9
Where to Find NGM Fund Prices	9

Fund Performance Update

U.S. Equity Fund

U.S. equities got off to a rough start in 2016. The S&P 500 Index declined 5.0% in January while the smaller capitalization indices, the S&P 400 MidCap and the S&P 600 SmallCap, recorded greater losses of 5.7% and 6.2% respectively. As a number of high-flying momentum stocks have been hit especially hard since the beginning of the year, the NASDAQ Composite was down the most among the indices we normally track, depreciating 7.8% for the month. The North Growth U.S. Equity Fund delivered middle-of-the-pack performance in January with a 6.8% decline. The Canadian dollar's ongoing weakness against its U.S. counterpart boosted the Fund's Canadian dollar return slightly to -5.6% versus the S&P 500 which had a monthly performance of -3.8% in Canadian dollars.

Canadian Equity Fund

Canadian equities fared a bit better as the S&P/TSX Composite Index declined 2.1% in January. Despite weak oil and commodity prices, the energy and materials sectors in Canada have held up unreasonably well. The North Growth Canadian Equity Fund was down 4.0% for the month, underperforming the S&P/TSX Composite by 1.9%.

Fourth Quarter Earnings

We have been pleased with the results of virtually all the companies in the portfolio to date. So far, 73% of the U.S. Fund's holdings have reported, and profits on a weighted-average basis in the latest quarter increased 11% over a year ago against estimates of 3% growth.

The latest results of many of the large cap technology names in the portfolio including Apple and Cisco Systems, as well as the large cap pharmaceutical/biotechnology holdings such as Gilead Sciences and Amgen continue to be solid. Generating decent earnings growth and healthy cash flows, in addition to increasing their returns of excess capital to shareholders, these companies represent extraordinarily compelling investments as their stock valuations have come down due to the general market malaise since the beginning of the year. Such holdings on average currently trade at low double-digit price/earnings (P/E) multiples or single-digit multiples accounting for cash, and many sport an attractive dividend yield with increasing payouts.

For the market in general, the majority of corporate earnings reports for the October-to-December period has been better than expected. Similar to the previous quarter, earnings are on track to decline 3.8% driven predominantly by the weak energy and materials

sectors. On the positive side, the largest upside earnings surprises came from the health care and information technology sectors.

According to FactSet, as of February 5th, 63% of the companies in the S&P 500 Index have reported earnings for the fourth quarter of 2015, and on average 70% of the reporting companies have exceeded analysts' profit forecasts while 48% have beaten sales estimates.

Our View

We continue to find it perplexing that the movements in the equity markets are tightly correlated with the movements in oil prices—i.e. when oil prices fall, so do equities and vice versa. For a diversified economy such as the U.S. in which consumer spending accounts for 68% of gross domestic product (GDP), low oil and gas prices are highly stimulative and undoubtedly positive for economic growth.

We remain constructive on U.S. equities overall and are finding a number of attractive investment opportunities especially among the well-established large capitalization stocks. Given that the Fund is fully invested, we are focused on identifying relative adjustments to the holdings, taking advantage of the market weakness to add to certain core names. As always, we are adhering closely to our long term “growth at a reasonable price” discipline.

Please refer to our recently published 2015 Annual Report for more detailed coverage of our current views.

T3, T4RIF and T4RSP Tax Slips

T3, T4RIF and T4RSP slips were mailed to unit holders on Wednesday, February 10th. Please contact our CFO, Rachid Nayel, at rachid@northgrowth.com if you have not received your tax slips.

RRSP Reminder

We are in RRSP season. The deadline for contributions for the 2015 tax year is Monday, February 29th. As a reminder, North Growth Management offers both in-house RSP and RIF accounts free of any additional fees.

North Growth U.S. Equity Fund

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

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	-5.64	-2.16	-1.75	-5.64
S&P 500 in \$CDN	-3.82	0.50	-0.17	-3.82
NGM U.S. Equity Fund \$U.S.	-6.76	-8.66	-8.24	-6.76
S&P 500 \$U.S.	-4.96	-6.18	-6.77	-4.96
S&P 400 MidCap \$U.S.	-5.69	-8.40	-11.58	-5.69
S&P 600 SmallCap \$U.S.	-6.17	-8.26	-10.94	-6.17
NASDAQ Composite \$U.S.	-7.81	-8.39	-9.45	-7.81

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

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	6.12	23.93	16.16	8.40	8.58	11.80	12.74
S&P 500 \$CDN	9.45	24.64	18.60	8.71	3.93	7.84	9.61
NGM U.S. Equity Fund \$U.S.	-3.69	10.67	8.62	6.18	9.07	11.69	12.17
S&P 500 \$U.S.	-0.67	11.30	10.91	6.48	4.40	7.73	9.05
S&P 400 MidCap \$U.S.	-6.69	8.03	8.95	6.93	7.74	10.82	11.60
S&P 600 SmallCap \$U.S.	-4.69	9.13	10.03	6.46	8.15	9.70	10.84
NASDAQ Composite \$U.S.	0.82	15.17	12.76	8.41	4.49	8.52	9.34*

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

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

Unit Price: \$ 45.16 CDN
\$ 32.24 USD

Total Assets in Fund \$ 465.8 Million CDN

North Growth Canadian Equity Fund

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-3.96	-2.93	-9.40	-3.96
S&P / TSX \$CDN	-2.11	-4.42	-9.92	-2.11

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

	1 Year	2 Years	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	-12.22	-1.85	10.04	N/A	N/A
S&P / TSX \$CDN	-9.66	-0.32	3.44	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: \$ 17.00 CDN

Total Assets in Fund \$ 36.1 Million CDN

North Growth Canadian Money Market Fund

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

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.53	0.53	0.76	0.79
30 Day Treasury Bill	N/A	0.53	0.80	0.84

** 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 0.53% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

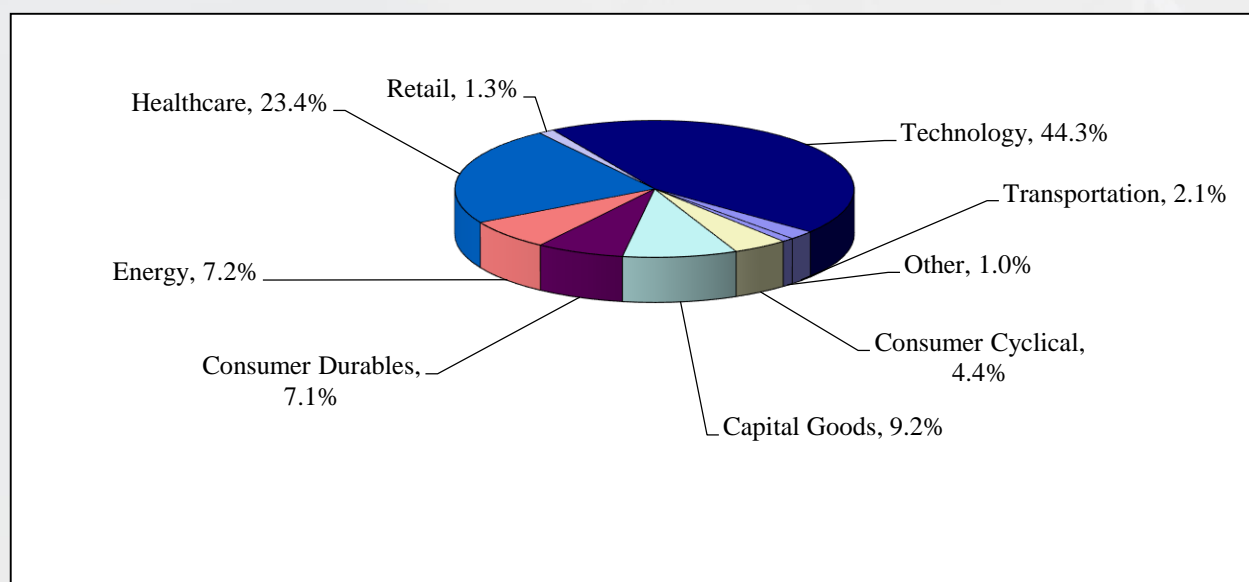
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

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

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	9.07
2.	Apple Inc.	7.97
3.	First Solar Inc.	6.88
4.	Microsoft Corporation	5.38
5.	Intel Corporation	5.10
6.	American Eagle Outfitters Inc.	4.44
7.	Anthem Inc.	4.41
8.	General Electric Company	4.34
9.	St. Jude Medical Inc.	3.76
10.	Zimmer Biomet Holdings Inc.	3.28
Top 10		54.63
Total Equities		99.04
Cash		0.96
Total Assets		100.00

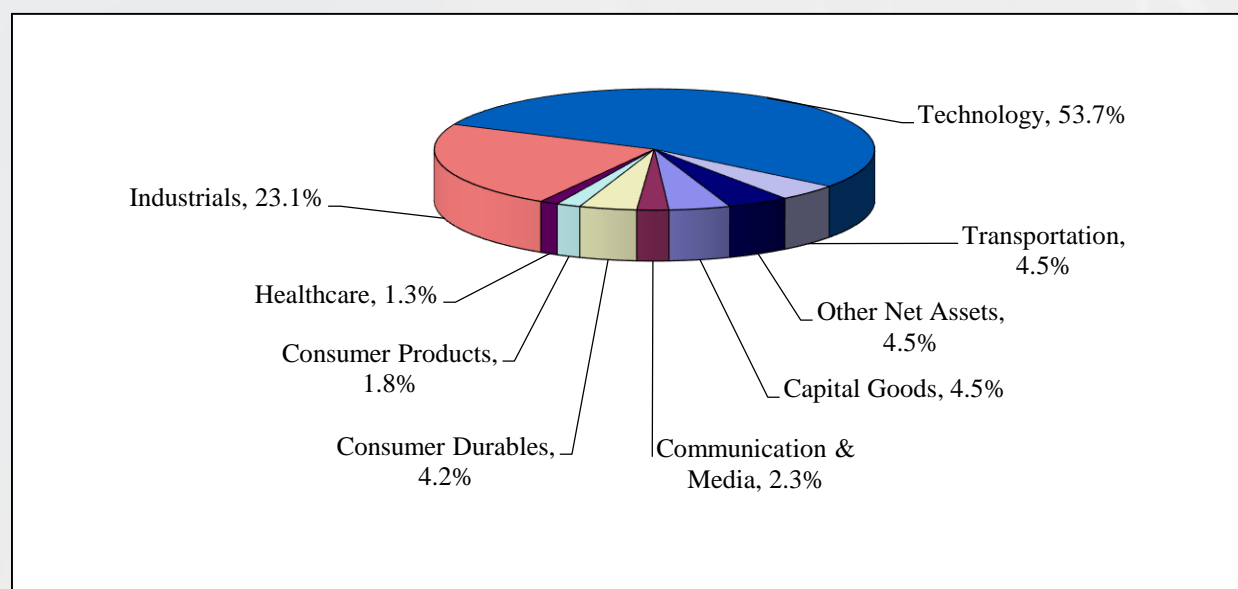
U.S. Equity Fund – Sector Mix as at January 31, 2016



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

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	10.89
2.	Open Text Corporation	7.12
3.	Avigilon Corporation	5.41
4.	Heroux-Devtek Inc.	5.38
5.	CAE Inc.	5.26
6.	EXFO Inc.	4.85
7.	ATS Automation Tooling Systems Inc.	4.50
8.	Westjet Airlines Ltd.	4.47
9.	Ballard Power Systems Inc.	4.45
10.	Martinrea International Inc.	4.41
Top 10		56.74
Total Equities		95.49
Cash		4.51
Total Assets		100.00

Canadian Equity Fund – Sector Mix as at January 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 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 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

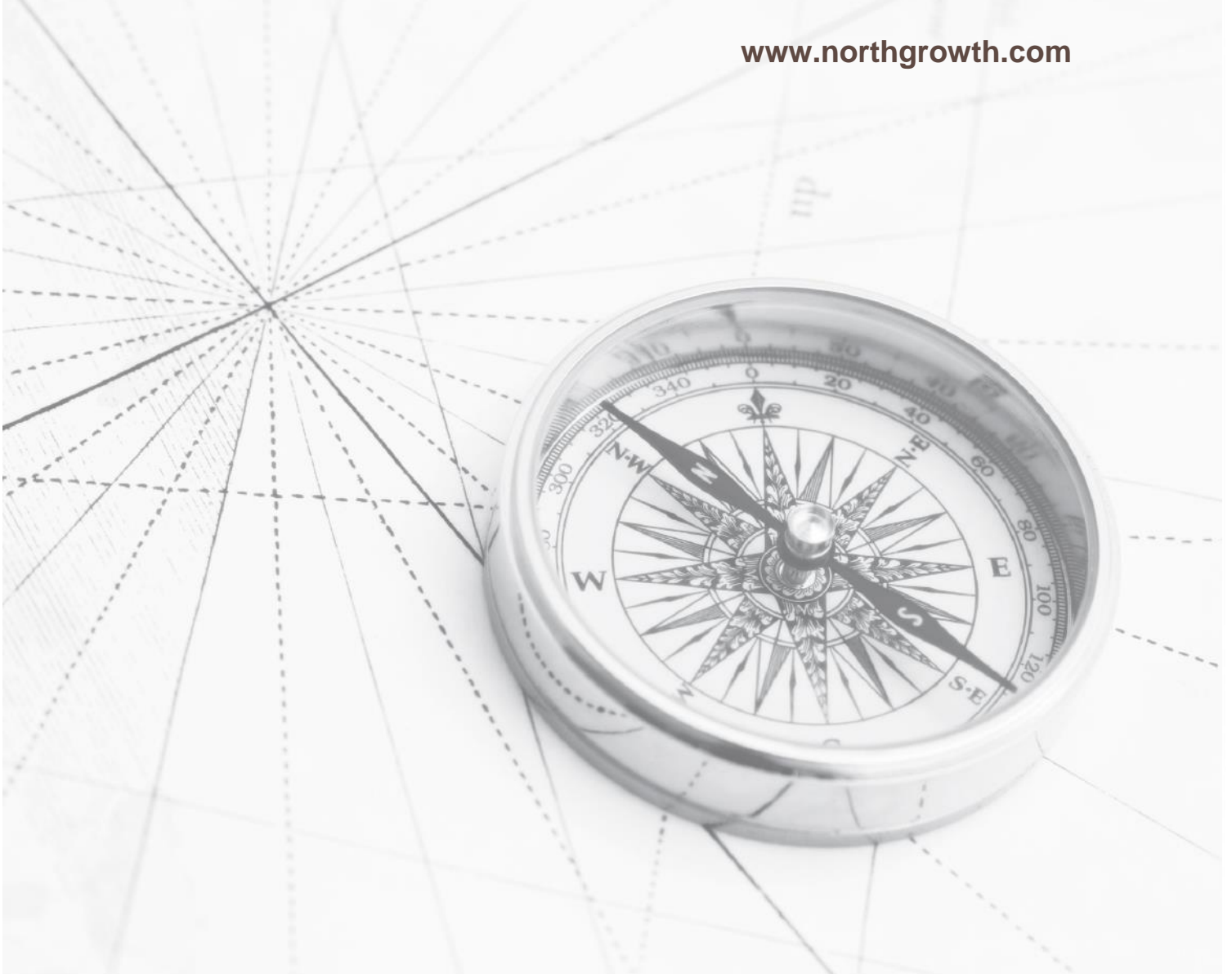
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=53072&cid=4008>



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