

JANUARY 2017

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

February 14, 2017

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North Growth Funds

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Fund Performance Update

U.S. Equity Fund

Amid much uncertainty with the incoming administration of President Trump, U.S. equities began 2017 on a positive note as most of the major indices gained in January. The S&P 500 Index increased 1.9% for the month, ahead of the S&P 400 MidCap which was up 1.7% and the S&P 600 SmallCap which declined 0.4%. Of the indices we track regularly, the NASDAQ Composite performed the best in January with its advance of 4.4%, as the generally better-than-expected earnings reports of the large technology companies so far have been well received.

The North Growth U.S. Equity Fund gained 2.2%, beating all the aforementioned indices except for the NASDAQ. Due to the strengthening of the Canadian dollar in January, the Fund's monthly return in Canadian dollars was -1.0% versus the S&P 500's -1.3% return in Canadian dollars last month.

Canadian Equity Fund

The North Growth Canadian Equity Fund had a strong start to 2017. Appreciating 5.6% in January, the Fund outperformed the S&P/TSX Composite Index, which gained 0.9%, by 4.7%.

A lot of uncertainty...

We have opined on numerous occasions that volatility is a poor measure of risk which emphasizes short term thinking. To illustrate the point, the current VIX (Chicago Board Options Exchange Volatility Index) reading is near a record low, indicating that the stock market is presently in a low-risk environment. In the face of heightened uncertainty surrounding the new Trump administration's policies, the U.S. economy and by extension U.S. equities face greater risk, not less. Volatility is simply an imperfect gauge of risk, and we continue to emphasize that the best way to manage volatility is simply to be a disciplined, long term investor.

During such highly uncertain times as now, it is even more important to maintain a long term approach to investing. As we stated in our December monthly report, our outlook for U.S. equities in 2017 is tilted toward caution.

While the U.S. economy enters the year on solid footing driven by consumer spending and a pickup in business investment, and corporate earnings reports for the September-to-December quarter have come in better than expected with continued growth in overall company profits, stock valuations are at the upper end of historical averages. In essence, the positive macroeconomic backdrop and strong corporate earnings are factored into the current U.S. equity multiples.

Conversely, the stock markets do not appear to reflect the enormous amount of uncertainty and risks associated with President Trump's policies. Most damaging to the U.S. and global economy would be a rollback of global trade and development of virulent economic nationalism across countries that escalates into trade wars and isolationism.

The prospect of corporate tax cuts in America has contributed to the recent stock market rally. However, alongside the theme of U.S. corporate tax reform has been the suggestion of a U.S. border tax or "border adjustment" that may act as a subtle alternative to tariffs, discouraging imports and encouraging exports. The framework of the proposed "border adjustment" tax regime is highly theoretical and hinges on foreign exchange rates to adjust (specifically, the U.S. dollar to strengthen) to account for the new tax rules with the price of imported goods dropping by the related tax expense. Otherwise, the plan would be disproportionately punitive on the majority of American companies which have global supply chains. At a minimum, the growing "America First" / "Made in America" sentiment and possible implementation of a tax change that will act as a form of protectionism represent the large degree of uncertainty facing U.S. businesses.

Our View

We view the currently low level of market volatility as measured by the VIX as an indication of complacency with regards to high equity valuations and an unprecedented level of political risk.

In line with our cautious stance we are moving to decrease the average size of our portfolio holdings. The immediate impact of these moves will be an increase in our cash balances which should ultimately facilitate the addition of new holdings to the portfolio. As always, we believe stock selection is the key to outperformance and focus our efforts on the analysis of individual stocks that adhere to our long term "growth at a reasonable price" investment philosophy.

T3, T4RIF and T4RSP Tax Slips

T3, T4RIF and T4RSP slips were mailed to unit holders on Thursday, January 26th. 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 2016 tax year is Wednesday, March 1st. 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, 2017

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	-0.98	2.67	1.38	-0.98
S&P 500 in \$CDN	-1.25	4.55	5.61	-1.25
NGM U.S. Equity Fund \$U.S.	2.18	5.81	1.72	2.18
S&P 500 \$U.S.	1.90	7.76	5.96	1.90
S&P 400 MidCap \$U.S.	1.68	12.22	9.06	1.68
S&P 600 SmallCap \$U.S.	-0.40	15.88	12.92	-0.40
NASDAQ Composite \$U.S.	4.35	8.56	9.46	4.35

Annualized Rates of Return (%) for the Period Ended January 31, 2017

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	8.91	14.23	17.08	7.88	8.64	10.84	12.58
S&P 500 \$CDN	11.52	16.75	20.19	8.06	5.52	7.27	9.69
NGM U.S. Equity Fund \$U.S.	17.23	8.45	11.14	6.81	10.09	11.03	12.37
S&P 500 \$U.S.	20.04	10.85	14.09	6.99	6.93	7.46	9.49
S&P 400 MidCap \$U.S.	30.17	10.43	14.24	8.95	9.89	11.18	12.31
S&P 600 SmallCap \$U.S.	34.34	10.77	15.05	8.77	10.08	10.18	11.72
NASDAQ Composite \$U.S.	23.32	12.44	16.36	9.84	8.51	8.21	9.82*

Source: Bloomberg "Total Return Analysis" as of Feb. 1, 2017.

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

Unit Price: \$ 46.76 CDN
\$ 35.93 USD

Total Assets in Fund \$ 476.4 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended January 31, 2017

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	5.55	8.04	4.97	5.55
S&P / TSX \$CDN	0.85	4.78	6.99	0.85

Annualized Rates of Return (%) for the Period Ended January 31, 2017

	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
NGM Canadian Equity Fund	13.29	-0.32	2.95	10.82	N/A	N/A
S&P / TSX \$CDN	23.55	5.65	7.08	8.14	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: \$ 17.96 CDN

Total Assets in Fund \$ 38.2 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended January 31, 2017

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.52	0.52	0.64	0.73
30 Day Treasury Bill	N/A	0.45	0.63	0.75

** 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 0.52% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

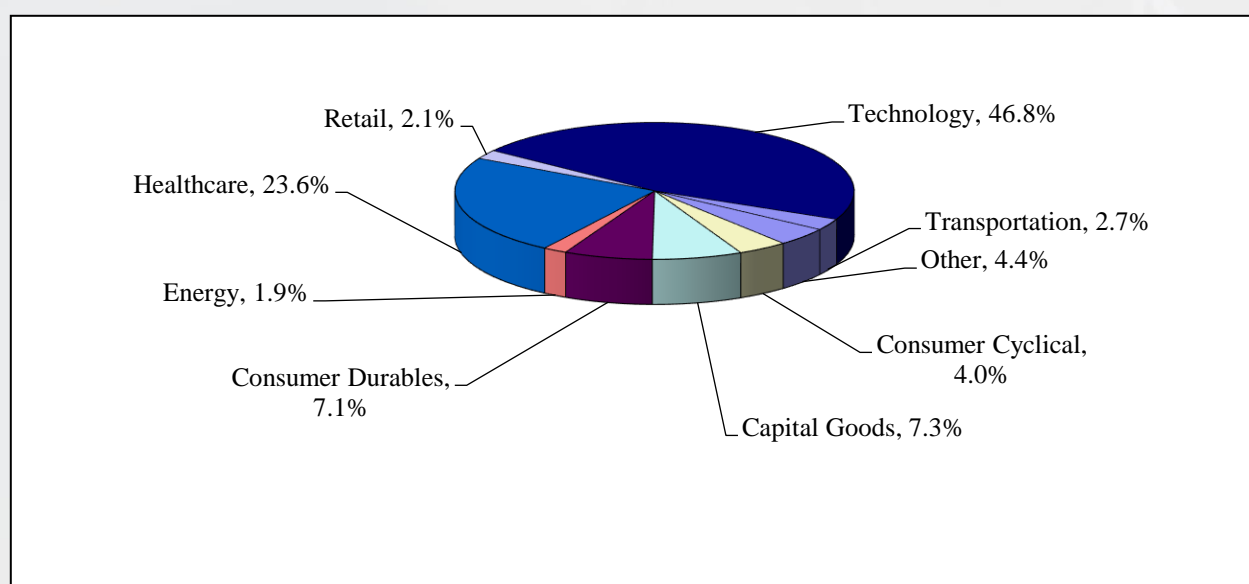
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

U.S. Equity Fund – Top 10 Holdings as at January 31, 2017

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	8.56
2.	Apple Inc.	7.74
3.	Applied Materials Inc.	5.21
4.	Intel Corporation	5.05
5.	Cerner Corporation	4.43
6.	Zimmer Biomet Holdings Inc.	4.15
7.	Microsoft Corporation	4.12
8.	American Eagle Outfitters Inc.	4.03
9.	Citrix Systems Inc.	3.51
10.	Anthem Inc.	3.28
Top 10		50.08
Total Equities		95.65
Cash		4.35
Total Assets		100.00

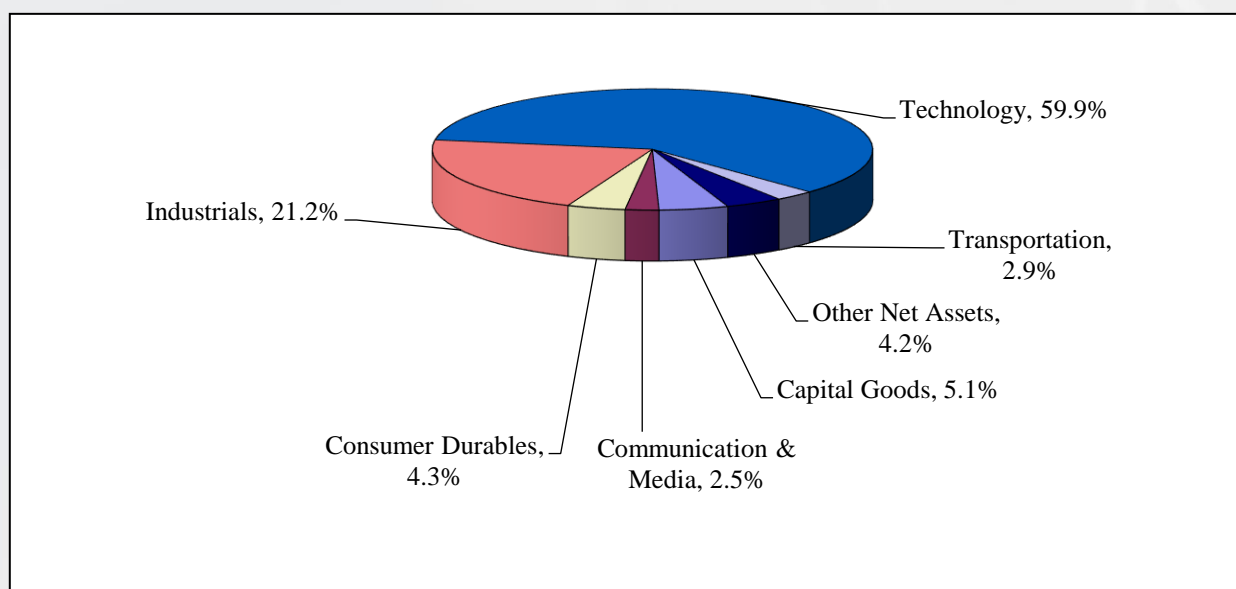
U.S. Equity Fund – Sector Mix as at January 31, 2017



Canadian Equity Fund – Top 10 Holdings as at January 31, 2017

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	7.85
2.	EXFO Inc.	6.55
3.	Open Text Corporation	5.92
4.	Heroux-Devtek Inc.	5.79
5.	Celestica Inc.	5.73
6.	Avigilon Corporation	5.63
7.	Ballard Power Systems Inc.	5.42
8.	Sierra Wireless Inc.	5.41
9.	CAE Inc.	5.31
10.	ATS Automation Tooling Systems Inc.	5.08
Top 10		58.69
Total Equities		95.83
Cash		4.17
Total Assets		100.00

Canadian Equity Fund – Sector Mix as at January 31, 2017



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

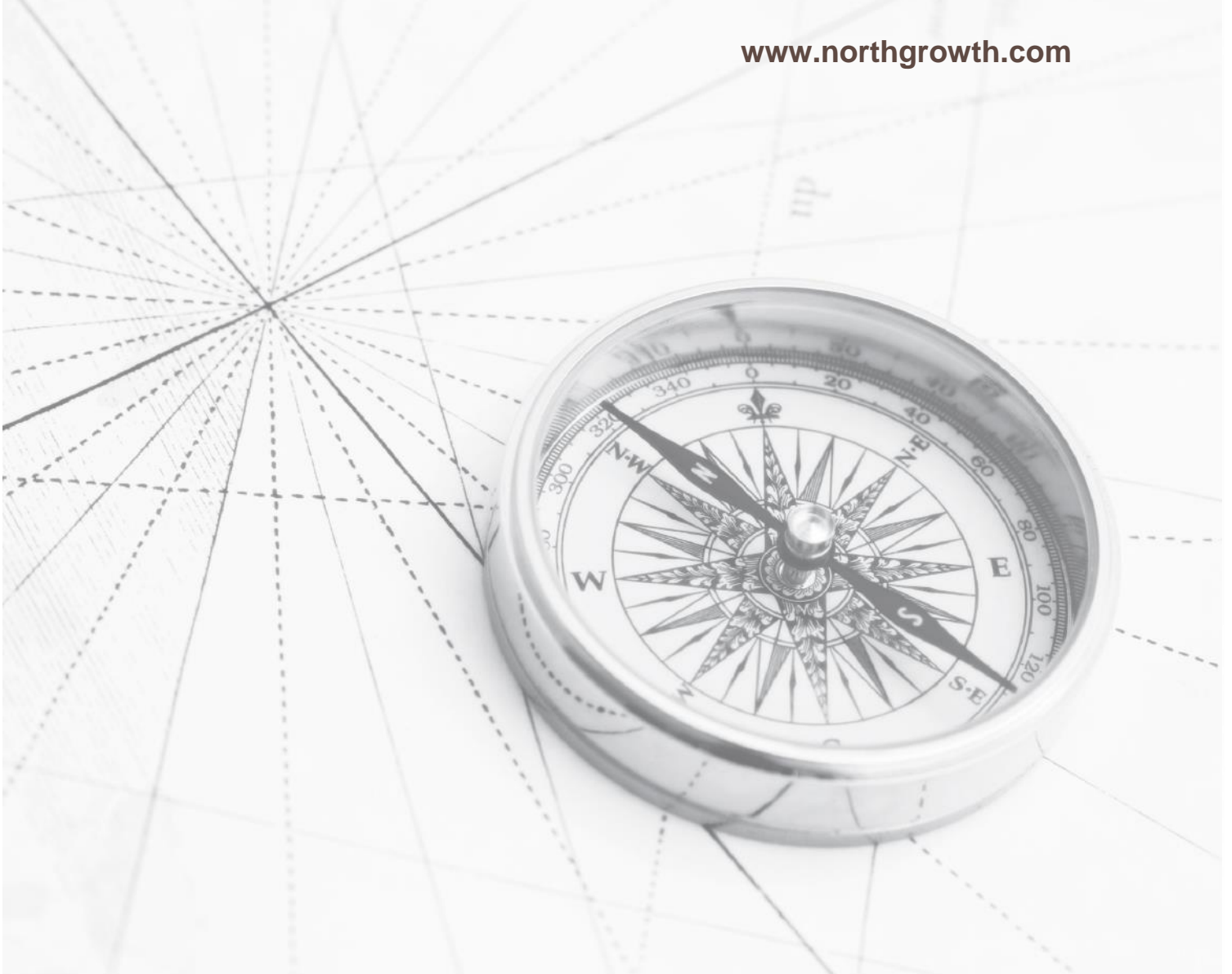
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=53072&cid=4008>



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