

JANUARY 2015

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

February 12, 2015

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North Growth Funds

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Fund Performance Update

U.S. Equities

U.S. equities declined in January as investors scrutinized fourth quarter earnings reports and worried about the impact of falling oil prices and a stronger U.S. currency. The S&P 500 Index fell 3.0% for the month while the S&P 600 SmallCap lost 3.5%. The S&P 400 MidCap and NASDAQ Composite fared slightly better with decreases of 1.1% and 2.1% respectively. The North Growth U.S. Equity Fund declined 2.0% in January—outperforming all the major indices we track except for the S&P 400 MidCap. As a result of a continued significant weakening in the Canadian dollar, the Fund gained 7.4% in Canadian dollars versus the S&P 500 which was up 6.3% for the month in Canadian dollars.

Canadian Equity Fund

Amid depressed energy prices, the performance of Canadian equities in January was truly baffling as the S&P/TSX Composite appreciated 0.3%. Although oil prices have fallen over 50% from a year ago, the S&P/TSX Composite Energy Sector is down less than 10% as of January 31st. We are confounded by this and believe that energy sector valuations clearly do not reflect a meaningful downward revision in long-term oil price expectations.

The North Growth Canadian Equity Fund declined 3.9% last month. With no direct exposure to commodities and particularly energy, we expect the Fund to deliver better relative performance in the current environment. We continue to believe the Fund provides good diversification from mainstream Canadian equity portfolios.

Fourth Quarter Earnings

Corporate earnings for the fourth quarter of 2014 were, for the majority, better than expected. Due to the precipitously falling energy prices near the end of the year, analysts had become exceedingly cautious and lowered their earnings estimates by a substantial degree. On December 31st, the estimated earnings growth rate for the September-to-December quarter was 1.7%. According to FactSet, earnings have increased 3.0% so far for the S&P 500, with five sectors of the Index reporting higher profit growth rates due to upside earnings surprises. At the sector level, the Health Care and Information Technology sectors have had the highest percentages of companies reporting earnings above estimates.

As of February 6th, 323 companies of the S&P 500 Index have reported earnings for the fourth quarter. With 65% of the results in, 78% of the reporting companies have exceeded analysts' earnings forecasts while 59% have beaten revenue estimates.

By and large, we have been pleased with the results of the companies in the portfolio to date.

Notably for both the U.S. Fund and the S&P 500, Apple is the largest contributor to earnings growth at the company level for the quarter. On January 27th, Apple reported earnings per share or EPS of \$3.06 for the latest quarter, which was 17.5% above the average consensus estimate of \$2.60. Year-over-year, Apple's EPS increased 48%, driven by impressive net sales growth of 30% and an expansion in gross margin (sales minus cost of goods sold) by 2%. Record iPhone unit sales of 74.5 million as well as exceptional performance of the App Store which grew revenues by 41% underscore the strength of Apple's product momentum and expanding ecosystem. Trading at 16 times trailing 12-month earnings or 13 times adjusted for the company's \$140 billion net cash balance, Apple remains attractively valued relative to its growth.

Our View

We maintain our constructive outlook for U.S. equities. Our view is supported by the continued improvement in the outlook for U.S. economic growth and reasonable equity valuations along with healthy company fundamentals. Please refer to our recently published 2014 Annual Report for a more detailed discussion of our views.

T3,T4RIF and T4RSP Tax Slips

T3, T4RIF and T4RSP slips were mailed to unitholders on Friday, February 6th. 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 2014 tax year is March 2nd. 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, 2015

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	7.36	14.33	17.85	7.36
S&P 500 in \$CDN	6.28	12.05	21.67	6.28
NGM U.S. Equity Fund \$U.S.	-2.02	1.38	1.09	-2.02
S&P 500 \$U.S.	-3.00	-0.64	4.37	-3.00
S&P 400 MidCap \$U.S.	-1.12	1.54	5.47	-1.12
S&P 600 SmallCap \$U.S.	-3.49	-1.01	4.62	-3.49
NASDAQ Composite \$U.S.	-2.06	0.46	6.76	-2.06

Annualized Rates of Return (%) for the Period Ended January 31, 2015

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	28.94	23.93	18.36	8.34	11.11	13.01	13.05
S&P 500 \$CDN	30.36	27.13	19.66	7.87	3.50	8.99	9.62
NGM U.S. Equity Fund \$U.S.	12.98	14.51	14.33	8.08	12.06	13.59	12.94
S&P 500 \$U.S.	14.22	17.47	15.60	7.61	4.39	9.54	9.51
S&P 400 MidCap \$U.S.	10.89	17.01	17.04	9.86	9.78	12.73	12.50
S&P 600 SmallCap \$U.S.	6.16	16.33	17.24	8.89	9.85	11.51	11.59
NASDAQ Composite \$U.S.	14.38	19.74	18.07	9.62	2.03	9.50*	9.80*

Source: Bloomberg "Total Return Analysis" as of Feb 2, 2015.

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

Unit Price: \$ 44.06 CDN
\$ 34.67 USD

Total Assets in Fund \$ 447.9 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended January 31, 2015

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-3.87	4.44	-0.55	-3.87
S&P / TSX \$CDN	0.25	0.92	-3.13	0.25

Annualized Rates of Return (%) for the Period Ended January 31, 2015

	1 Year	2 Years	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	9.74	23.22	N/A	N/A	N/A
S&P / TSX \$CDN	9.99	10.69	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.*

Unit Price: \$ 19.37 CDN

Total Assets in Fund \$ 40.5 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended January 31, 2015

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.89	0.89	0.87	0.78
30 Day Treasury Bill	N/A	0.91	0.93	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 0.89% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

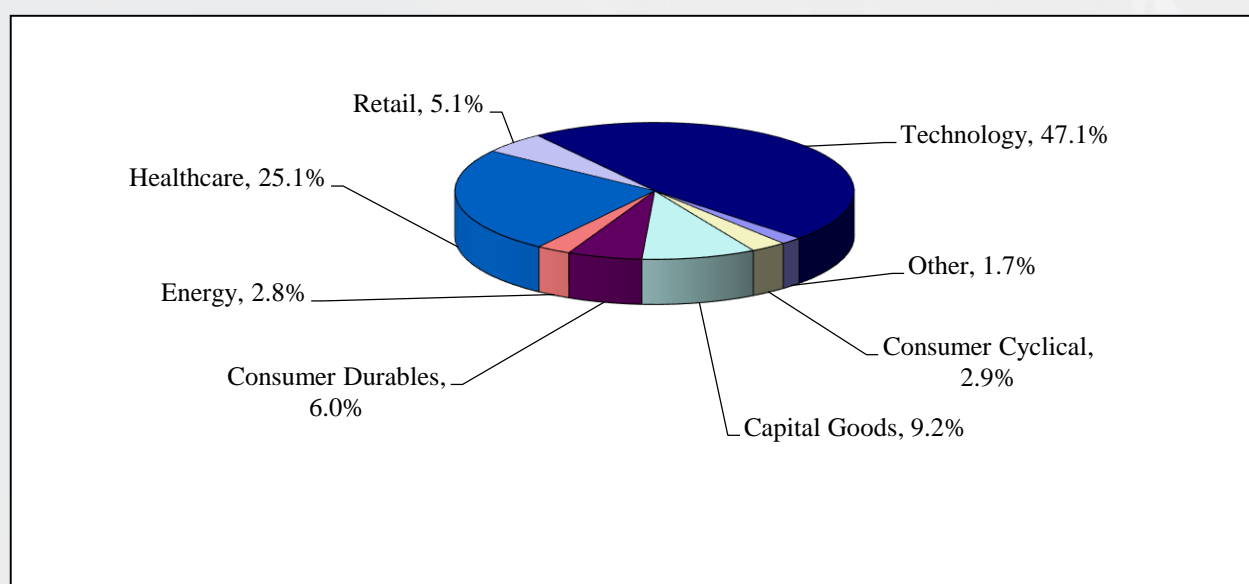
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

U.S. Equity Fund – Top 10 Holdings as at January 31, 2015

Ranking	Security	% of Net Assets
1.	Apple Inc.	9.56
2.	Cisco Systems Inc.	9.49
3.	Intel Corporation	5.13
4.	Anthem Inc.	4.65
5.	St. Jude Medical Inc.	4.42
6.	Microsoft Corporation	3.87
7.	Gilead Sciences Inc.	3.71
8.	Citrix Systems Inc.	3.56
9.	Zimmer Holdings Inc.	3.49
10.	Electronic Arts Inc.	3.32
Top 10		51.20
Total Equities		98.27
Cash		1.73
Total Assets		100.00

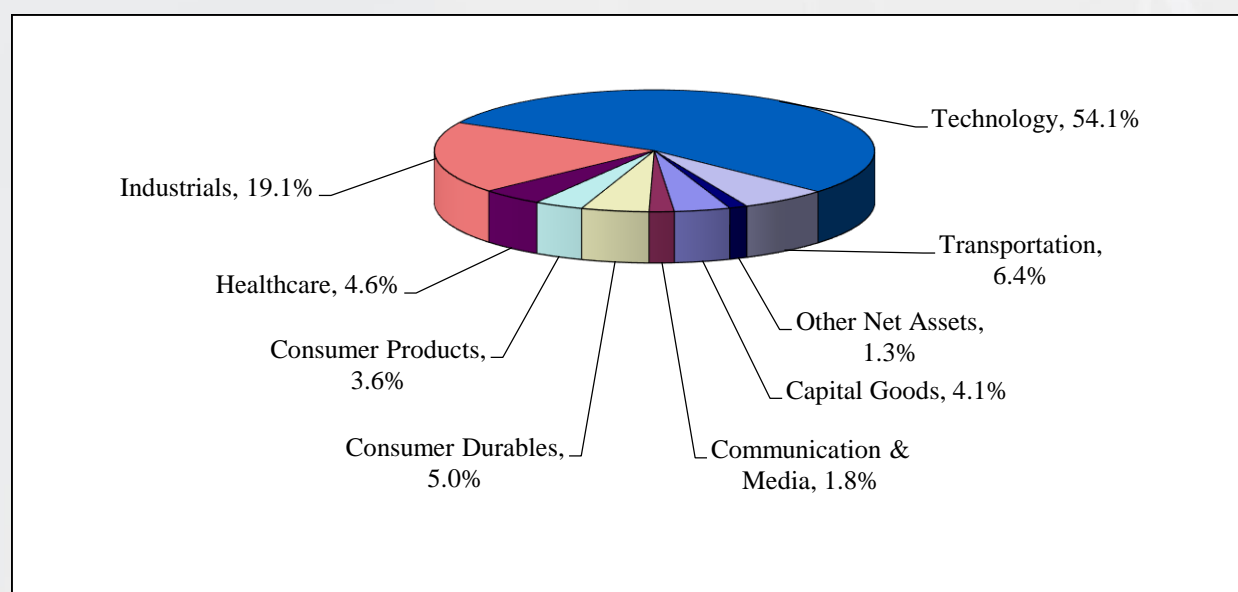
U.S. Equity Fund – Sector Mix as at January 31, 2015



Canadian Equity Fund – Top 10 Holdings as at January 31, 2015

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	10.08
2.	Open Text Corporation	7.30
3.	Westjet Airlines Ltd.	6.40
4.	Celestica Inc.	5.67
5.	Avigilon Corporation	5.46
6.	CAE Inc.	5.02
7.	Dorel Industries, Inc. Class B	4.97
8.	COM DEV International Ltd.	4.87
9.	Bombardier Inc., Class B	4.74
10.	EXFO Inc.	4.44
Top 10		58.95
Total Equities		98.67
Cash		1.33
Total Assets		100.00

Canadian Equity Fund – Sector Mix as at January 31, 2015



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

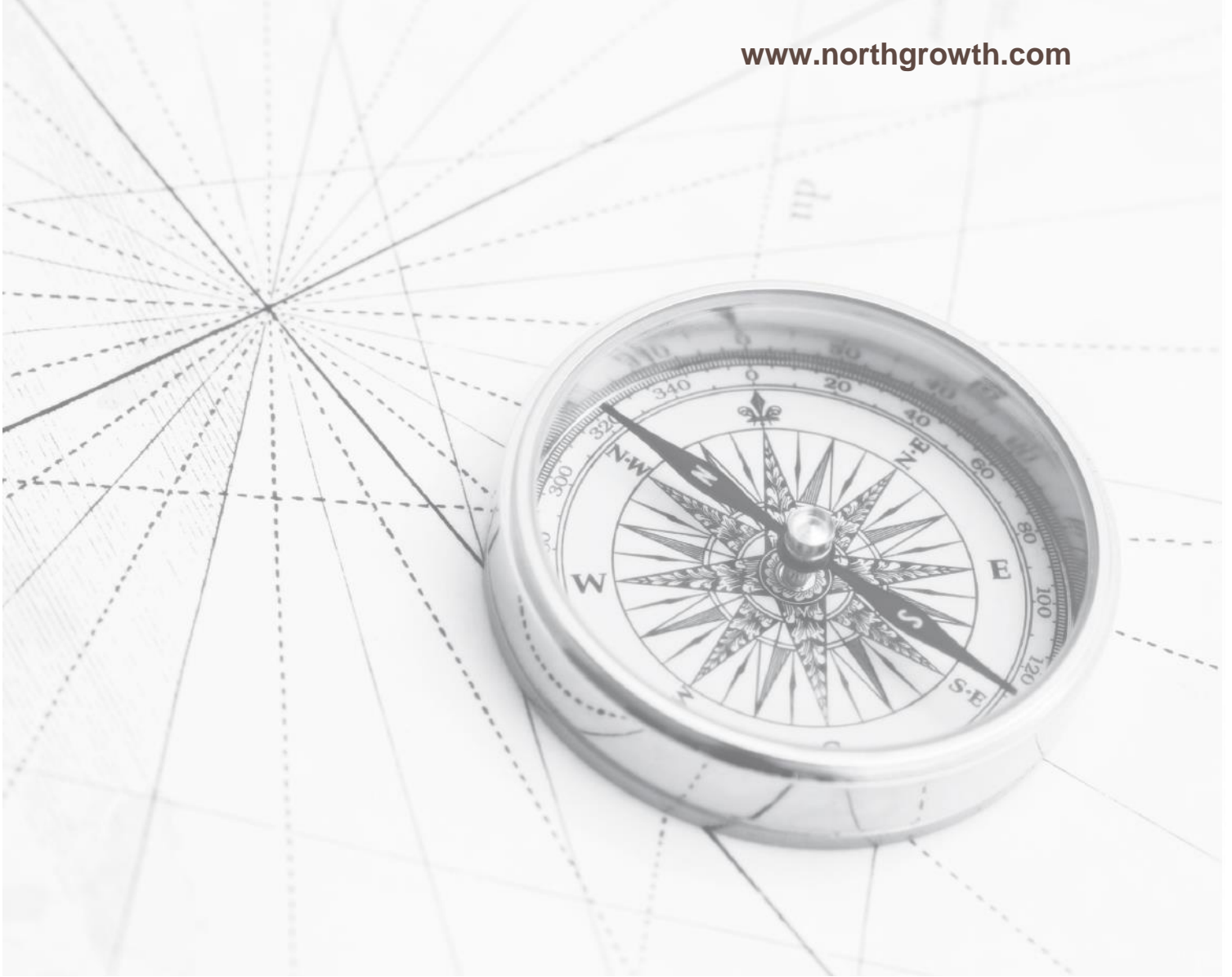
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=57466&cid=4008>

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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