

**JULY 2016**

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

August 11, 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

Following through on the post-Brexit rally, U.S. equities climbed higher in July as investors cheered generally better-than-expected second quarter earnings reports. The S&P 500 Index gained 3.7% for the month, while the smaller capitalization indices, the S&P 400 MidCap and the S&P 600 SmallCap, delivered stronger returns of 4.3% and 5.1% respectively. Of the indices we regularly track, the NASDAQ Composite appreciated the most in July, rallying 6.7%. The North Growth U.S. Equity Fund gained 5.8% last month, outperforming all the mentioned indices except for the NASDAQ. As the Canadian currency weakened by 1.1% against the U.S. dollar, the U.S. Fund returned 6.9% in Canadian dollars versus the S&P 500 which was up 4.8% in Canadian dollars.

## Canadian Equity Fund

Similar to U.S. equities, Canadian stocks strengthened in July with the S&P/TSX Composite Index appreciating 3.9%. The North Growth Canadian Equity Fund performed well both absolutely and relatively, gaining 7.9% for the month.

## Second Quarter Earnings

We have been pleased with the results of virtually all the companies in the U.S. Fund to date. So far, 77% of the portfolio's holdings have reported, and profits on a weighted-average basis in the latest quarter increased 14% over a year ago against estimates of 2% growth.

A substantial number of upside earnings surprises in both the U.S. Fund and the market have come from large cap technology names that include Microsoft and Apple. Both companies and others in the industry experienced stronger demand and business performance than anticipated at the end of the last quarter. Particularly, we are heartened by Microsoft's continued execution across its broad array of businesses and impressive growth in cloud products and services. Apple recorded a successful launch of iPhone SE, continuing to gain new smartphone users and convert switchers to the iPhone platform.

As the Information Technology sector has been the largest contributor to the better-than-expected earnings results for the S&P 500 this quarter, tech stocks advanced at a relatively higher rate in July—hence the superior performance of the NASDAQ Composite and our U.S. Fund last month.

For the market in general, earnings during the April-to-June period are on track to decline 3.5% year-over-year. Similar to the first quarter, the drop in profits for the S&P 500 is

being led by the Energy, Materials and Financials sectors. The Information Technology and Health Care sectors have had the greatest percentages of companies reporting earnings above estimates in the latest quarter, and within Health Care specifically all six industries including Health Care Technology, Biotechnology and Health Care Providers and Services have reported year-over-year sales growth.

As of August 5<sup>th</sup>, 86% of companies in the S&P 500 Index have reported earnings for the second quarter. According to FactSet, 69% of the reporting companies have exceeded analysts' earnings forecasts while 54% have beaten revenue estimates.

### **Our View**

In spite of the equity markets reaching new highs for the year, investor sentiment remains muted as U.S. equity mutual funds and ETFs continue to experience net redemptions. With the U.S. presidential campaign in full swing and ahead of the election in November, we would not be surprised to see increased near term market volatility. Fundamentally, we remain encouraged by the recent economic data which indicate a continual moderately-expanding U.S. economy, as well as the solid company earnings reports of late. The U.S. Fund is fully invested, and we continue to seek adjustments to the portfolio holdings when presented by relative market opportunities. We maintain focused on individual stock analysis, adhering to our long term "growth at a reasonable price" investment discipline.

# North Growth U.S. Equity Fund

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

	1 Month	3 Months	6 Months	YTD
<b>NGM U.S. Equity Fund in \$CDN</b>	6.89	11.74	7.43	1.37
S&P 500 in \$CDN	4.80	10.11	5.60	1.57
<b>NGM U.S. Equity Fund \$U.S.</b>	5.75	7.39	15.25	7.46
S&P 500 \$U.S.	3.69	5.82	13.29	7.66
S&P 400 MidCap \$U.S.	4.29	7.14	19.35	12.56
S&P 600 SmallCap \$U.S.	5.09	7.48	18.97	11.64
NASDAQ Composite \$U.S.	6.65	8.45	12.66	3.86

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

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
<b>NGM U.S. Equity Fund \$CDN</b>	5.55	18.91	18.89	9.85	8.66	11.72	12.80
S&P 500 \$CDN	5.42	20.41	20.68	9.30	4.95	8.03	9.65
<b>NGM U.S. Equity Fund \$U.S.</b>	5.75	9.78	11.70	8.29	9.83	12.01	12.57
S&P 500 \$U.S.	5.61	11.16	13.38	7.75	6.08	8.31	9.43
S&P 400 MidCap \$U.S.	5.53	9.86	12.28	9.33	9.22	11.78	12.18
S&P 600 SmallCap \$U.S.	5.96	9.62	13.05	8.77	9.40	10.48	11.41
NASDAQ Composite \$U.S.	2.02	13.97	14.88	10.69	7.53	9.06	9.65*

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

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

Unit Price: \$ 48.51 CDN  
\$ 37.16 USD

Total Assets in Fund \$ 492.4 Million CDN

# North Growth Canadian Equity Fund

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

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	7.90	4.01	7.93	3.66
S&P / TSX \$CDN	3.91	5.30	15.48	14.13

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

	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
<b>NGM Canadian Equity Fund</b>	-2.22	-2.93	7.51	13.76	N/A	N/A
S&P / TSX \$CDN	4.02	0.53	8.52	9.00	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: \$ 18.35 CDN

Total Assets in Fund \$ 39.1 Million CDN

# North Growth Canadian Money Market Fund

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

	*Current Yield	1 Year	3 Years	5 Years
<b>NGM Canadian Money Market Fund</b>	0.51	0.48	0.70	0.76
30 Day Treasury Bill	N/A	0.42	0.71	0.79

*\* 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 0.51% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

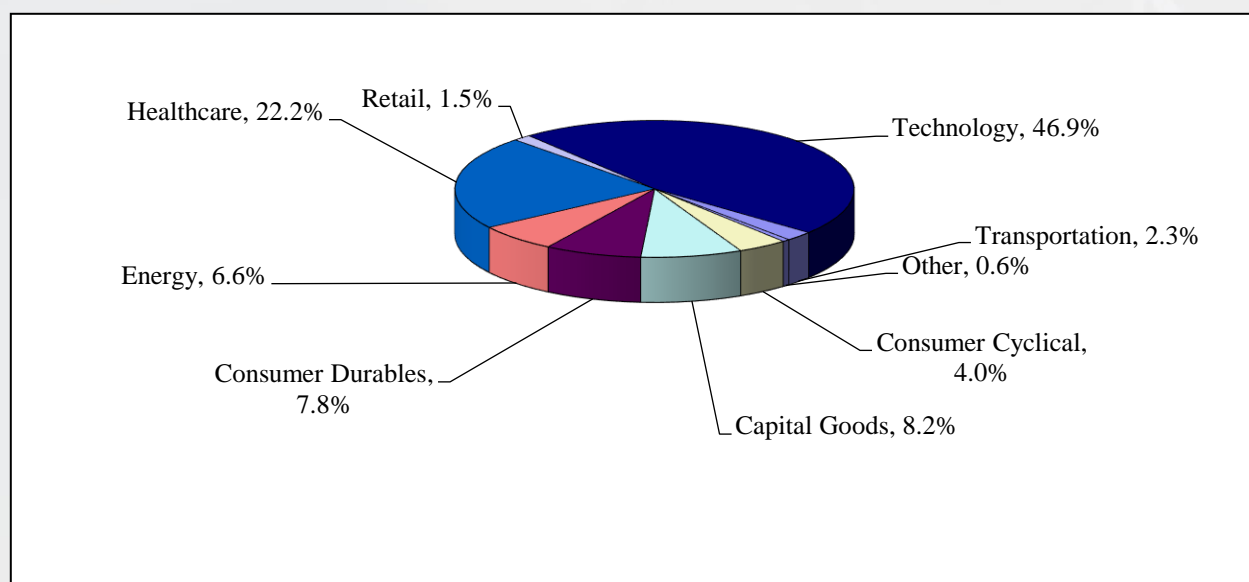
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

# Equity Fund Holdings and Composition

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

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	9.74
2.	Apple Inc.	7.53
3.	Intel Corporation	5.06
4.	First Solar Inc.	4.73
5.	Microsoft Corporation	4.62
6.	General Electric Company	4.10
7.	American Eagle Outfitters Inc.	4.04
8.	Anthem Inc.	3.91
9.	Applied Materials Inc.	3.88
10.	Citrix Systems Inc.	3.86
Top 10		51.47
Total Equities		99.41
Cash		0.59
Total Assets		100.00

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

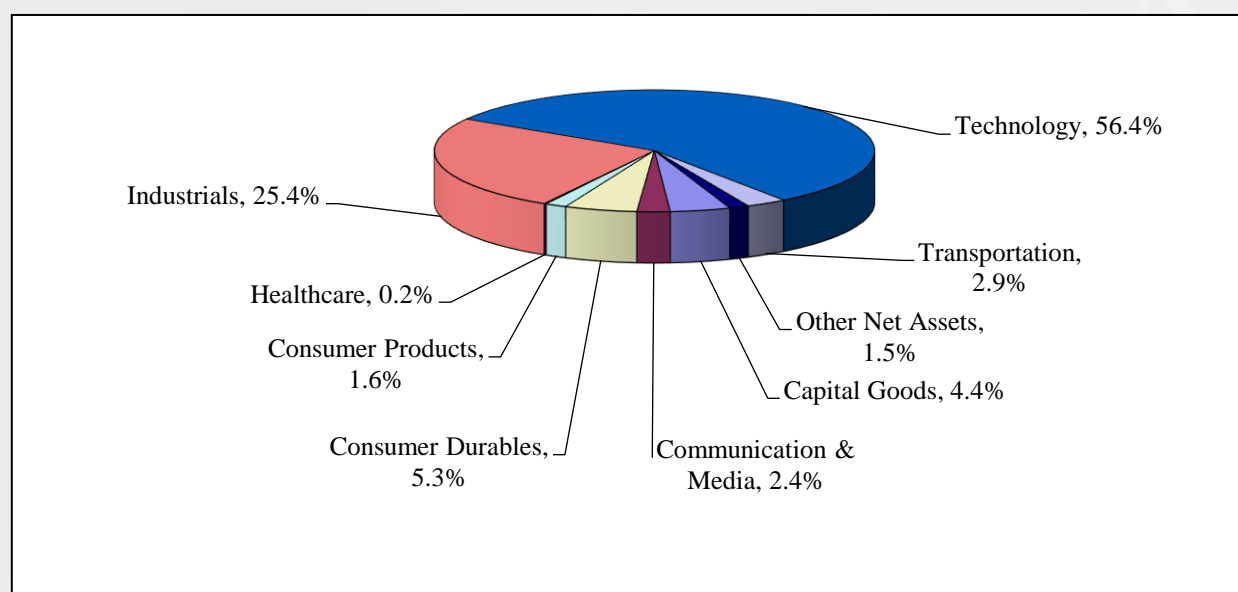




## Canadian Equity Fund – Top 10 Holdings as at July 31, 2016

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	9.42
2.	Heroux-Devtek Inc.	5.96
3.	Open Text Corporation	5.89
4.	CAE Inc.	5.78
5.	Ballard Power Systems Inc.	5.52
6.	Sierra Wireless Inc.	5.40
7.	Dorel Industries Inc., Class B	5.32
8.	Mitel Networks Corp.	5.24
9.	Avigilon Corporation	5.06
10.	Celestica Inc.	4.85
Top 10		58.44
Total Equities		98.55
Cash		1.45
Total Assets		100.00

## Canadian Equity Fund – Sector Mix as at July 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](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

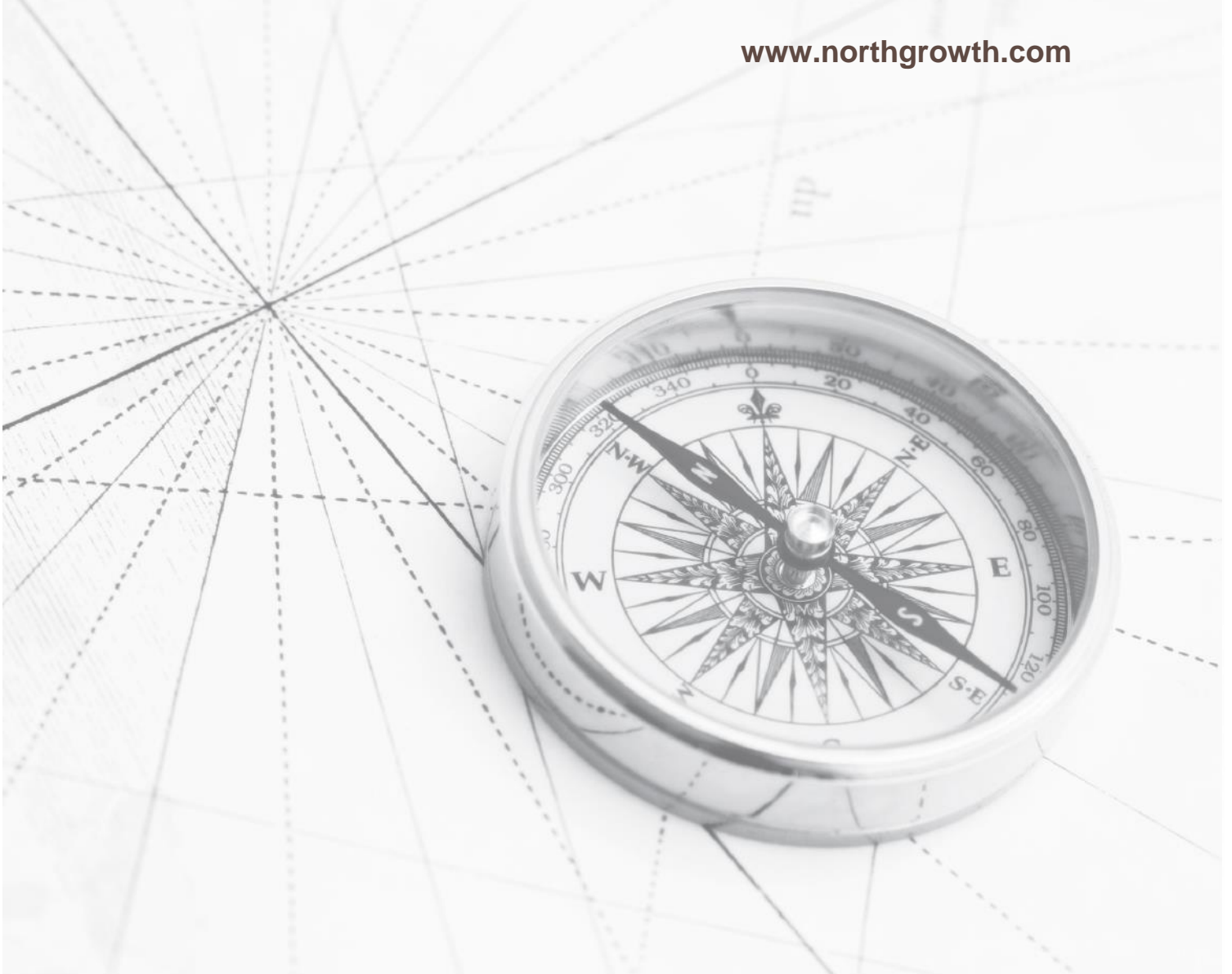
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=53072&cid=4008>



This page has intentionally been left blank.



[www.northgrowth.com](http://www.northgrowth.com)



Suite 830, One Bentall Centre  
505 Burrard Street, Box 56  
Vancouver, BC V7X 1M4

T: 604 688 5440  
F: 604 688 5402  
[info@northgrowth.com](mailto:info@northgrowth.com)